

STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE

" FEDERAL RESERVE DISTRICT DIVISIONS AND LOCATION
OF FEDERAL RESERVE BANKS AND HEAD OFFICES "

TS.

At San Francisco, California.

Date February 2, 1914.

Law Reporting Company, Official Stenographers
115 BROADWAY, — NEW YORK
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San Francisco, Cal., Feb. 2, 1914.

Met pursuant to adjournment at 10:00 A. M.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

MILTON H. ROSEBERG, (San Francisco, Cal.)

WALTON H. MOORE, (San Francisco, Cal.), appearing
for the San Francisco Chamber of Commerce.

C. K. MCINTOSH, Vice President Bank of California N.A.

JAMES K. LYNCH, First National Bank of San Francisco,
appearing for the San Francisco Clearing House Association.

F. L. LIPMAN, Vice President Wells Fargo Nevada National Bank.

WASHINGTON DODGE, Anglo & London, Paris, National
Bank, appearing for the San Francisco Clearing House Committee.

W. W. PHILLIPS, (Fresno, Cal.) appearing for the
Fresno County Chamber of Commerce.

M. P. LILIENTHAL, Anglo California Trust Company,
San Francisco, Cal. appearing for the Anglo California
Trust Company.

A. SBARBORO, (San Francisco, Cal.) appearing for
the Italian-American Bank.

A. V. THOMPSON, (San Francisco, Cal.) appearing for
the General Electric Company.

GEORGE P. EDWARDS, San Francisco, Cal.

The Secretary of the Treasury: Gentlemen, the Federal Reserve Act requires this Committee to divide the country into not less than eight nor more than twelve Federal Reserve Districts, and to locate within each one of them a Federal Reserve Bank. In reaching our determination the law requires that the districts shall be apportioned with due regard to the convenience and customary course of business, and shall not necessarily be co-terminus with any state or states.

We shall be very glad to hear from the gentlemen here who are prepared to elucidate this problem for us. I see the first on the list submitted is Mr. Robert Newton Lynch.

STATEMENT OF ROBERT NEWTON LYNCH.

The Secretary of the Treasury: Mr. Lynch, will you please state your full name, residence and occupation?

Mr. Lynch: Robert Newton Lynch, Manager San Francisco Chamber of Commerce.

The Secretary of the Treasury: Is this the proposed district, Mr. Lynch (indicating map).

Mr. Lynch: Yes, Mr. Secretary. The white area shows the district that is absolutely dominated by San Francisco,

and the black district shows the whole extreme area that is affected by San Francisco and San Francisco Bay.

The Secretary of the Treasury: Kindly describe that for the purposes of the record.

Mr. Lynch: The district shown in white --

The Secretary of the Treasury: Just name the states.

Mr. Lynch: Yes, containing most of the territory of California and Nevada, shows the district in which San Francisco merchants may compete with freight rates that are more favorable to this district than to any other point. San Francisco merchants, however, are able to do business and to affect the whole territory, including the States of Washington, Oregon, Idaho, Nevada, California, Utah and Arizona. The map, while showing in black the other territory, should really be shaded, commencing with the Oregon line, and shading to black at the edges of the territory.

The Secretary of the Treasury: Could you furnish us with a map of that character which would show the graduation of that influence?

Mr. Lynch: Yes, I have such a map, which in the course of these matters, I will present to you.

Mr. Converse; will you supply the map furnished by the

Transportation Department?

(A map was here produced).

The Secretary of the Treasury: You may proceed, Mr. Lynch.

Mr. Lynch: I have copies of this map which will be brought in in due course, if I may present them now.

The geographical position is the first point I desire to make, if I may. San Francisco is located almost equally distant from British Columbia and Mexico, a little closer to the Mexican line at the bottom of California, and taking a point down in Arizona, it is about equally distant in the country from the north to the south. Its ideal geographical position gives it a dominating position over this entire district which is expressed here upon the map. That geographical position is self-evident and is dominated by the ideal situation. San Francisco Bay is the second largest land locked harbor in the world--

The Secretary of the Treasury: In order to save time and not go overground with which the Committee is perfectly familiar, we suggest that you omit that, because we are thoroughly familiar with the geographical position and with the commercial importance of San Francisco.

Mr. Lynch: The territory described here has a populat-

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ion of 5,000,000 people, and California has half of that population, 2,500,000. The San Francisco Bay counties right around the Bay have been one-fifth and one-sixth the entire population of the Pacific Coast. I have here charts. The first chart will show that of the metropolitan areas of the four cities, San Francisco, Los Angeles, Seattle and Portland, that San Francisco has 686,000 or 44 per cent of the total, Los Angeles 438,000 or 28 per cent, of the total, Seattle 239,000 or 16 per cent of the total, and Portland 215,000 or 13 per cent of the total.

The Secretary of the Treasury: What do you include in the population of San Francisco.

Mr. Lynch: I include the cities in the metropolitan area the actual contiguous cities.

The Secretary of the Treasury: What are those?

Mr. Lynch: Oakland, Alameda, Berkeley and San Francisco.

The Secretary of the Treasury: Are those census figures?

Mr. Lynch: These are figures of the United States Census for 1910. The Bay area takes in nearly 1,000,000 people around San Francisco Bay.

The second chart I have here shows that assuming a division of the territory from the north line of California

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clear south, including Arizona, Utah, California and Nevada, that California has a population of 2,377,000, Utah, 375,000, Arizona 204,000 and Nevada 81,000, or a total of 3,037,000. Washington has 1,141,000, Oregon 572,000 and Idaho 325,000. or a total of 2,140,000. Therefore out of the grand total of 5,000,000 the entire southern territory takes in over 3,000,000 of that population.

I have a further map here colored in order to demonstrate that fact and also showing the railway mileage in these various states. It shows that California has 7,771 miles of railway, which is about equal to all of the other territory with the exception of Washington. This railway mileage is displayed in the chart which I have shown.

The Secretary of the Treasury: If you will be good enough to furnish the Committee with three copies .

Mr. Lynch: Yes, I will.

(The charts above referred to were filed.)

Mr. Lynch: The next point is on the question of manufactures. These are all United States Census figures, and the last available. California has \$529,761,000 in manufactures, as much as or more than half of all the balance of the territory described in the chart. The territory

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itself including California, Utah, Arizona and Nevada, is \$653,894,000. Washington has \$220,746,000, Oregon \$93,000,000, Idaho \$22,400,000, a total of \$546,000,000. and California has more than equal to all the balance of the territory combined in manufactured products. Comparing the cities on manufactured products, San Francisco has \$133,000,000, Los Angeles \$68,000,000, Seattle \$50,000,000 and Portland \$46,000,000.

The Secretary of the Treasury: Will you furnish any information as to the diversification of these industries.

Mr. Lynch: Yes, I will have at the close a complete book which has been prepared in advance, which shows the various industries in California, comparing them also by years, which will be filed at the close.

On the question of exports and imports in the harbor of San Francisco, I have a chart showing that our exports to foreign countries are \$54,000,000, to the Atlantic Seaboard \$23,000,000, to Hawaii \$15,000,000, to the Phillipines \$5,000,000 and to Alaska \$2,000,000, making a total of \$101,000,000. But our Alaska figures do not include the great amount of exports that go to Seattle and are re-shipped, because we do not have a direct line. The

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Puget Sound figures are shown here for purposes of comparison, showing \$89,000,000 as against \$101,000,000.

Our imports for the fiscal year --

The Secretary of the Treasury: Do you mean that according to your figures the Atlantic Seaboard exports are only \$25,000,000.

Mr. Lynch: To the Atlantic Seaboard.

The Secretary of the Treasury: I see, to the Atlantic Seaboard.

Mr. Lynch: They are \$23,000,000. I have a chart here showing in the matter of imports from foreign countries \$59,000,000; from the Atlantic Seaboard \$41,000,000, from Hawaii \$26,000,000, from the Philippines \$3,000,000, and from Alaska \$4,000,000, or a total of \$134,000,000. For the purposes of comparison with Puget Sound, they have \$39,000,000 from foreign countries, \$6,000,000 from the Atlantic Seaboard, \$35,000 from Hawaii, \$15,000,000 from the Philippines and \$62,000,000 from Alaska, making a total of \$62,000,000.

I have a third map here showing the territory tributary to San Francisco from Foreign ports, showing the exact importation from Japan, China, Siam, Indo-China, Dutch

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India, Hawaii, Philippines, Australasia, Mexico, Central America, and the west coast of South America, showing the strategic position of San Francisco.

I have here, Mr. Secretary, as illustrative material, a letter addressed to the Chamber of Commerce by one of the most prominent exporters in San Francisco, which I would like to read: "IN RE ESTABLISHMENT REGIONAL BANK. We confirm our statement that in the export lumber business from this coast, the bulk of which consists of Oregon Pine shipped from Puget Sound and Columbia River ports and Redwood from Northern California ports, the most of these trades are consummated in San Francisco by the exporting merchants, with the agents of the mills here -- and even when they deal with the mills direct in the north the financing is concluded here -- not only the payment of the mills' invoices but the drawing for the cargo on the foreign buyer. We should say, without having actual figures, that more than 90% of the foreign lumber shipments are so handled.

The export houses of the Pacific Coast are located in San Francisco. The financial arrangements for handling credits and bills of exchange are here and not in the mill

ports -- nor, so far as we know, to any very great extent, either in Portland, Seattle or Tacoma.

Our own experience has to do primarily with shipments of lumber to Australia, West Coast, U. K. and South Africa.

We believe we are absolutely safe in saying that most of the others in the trade finance in the same way.

It is true also that if we were making a shipment of grain, flour or other merchandise, even though it originated at Seattle, Tacoma or Portland, we should finance from here and we think a great part of the business in these lines originates with San Francisco houses and is dealt with in the same way.

Further than this, when the San Francisco firm has a branch house in the North, the actual financing is done through San Francisco, as the facilities for foreign exchange are here.

Yours faithfully,

A. F. THANE & CO.

By A. F. Thane, President."

On the question of jobbing and transportation, I have here a statement from the Southern Pacific Company, showing their actual figures at the end of the year ending June

30th, 1913, showing that there were shipped out of San Francisco by rails tons of freight to the central district, comprising part of the area described in that white chart

4,876,686 tons of freight; to other California points 1,180,140 tons; to all California points 6,056,826 tons. To Oregon, Nevada, Utah, Arizona and New Mexico 308,000 tons. To and from eastern points 1,063,455 tons. Making a total of tons of freight which originate in San Francisco Bay of 7,428,612 tons.

There is by comparison in values the export figures which we have just given you.

The number of passengers interchanged between San Francisco and the central district heretofore referred to was 5,518,294; for points outside of the central district of California, 881,244, making to all California points 6,199,538. To Oregon, Nevada, Utah, Arizona and New Mexico, 84,852. To and from eastern points 199,018, or a total of 6,843,408. Passengers carried coastwise were 286,635, and to and from foreign ports 52,453, making a grand total of 7,182,496 passengers handled out of San Francisco last year, each passenger practically carrying with him a ton of freight. If we were to include the

river boats and foreign service and other matters, there was a total of 38,000,000 people handled out of San Francisco, including local traffic.

In regard to railway systems, we have located here the main offices of the Southern Pacific, Western Pacific, and the Pacific Coast business of the Santa Fe. All eastern railroad having offices on the Coast find it most convenient and necessary to have their general Pacific Coast agent located in San Francisco and branches throughout the coast.

The Secretary of the Treasury: Have you prepared any maps showing the transportation facilities and the time consumed in reaching the principal points in this territory?

Mr. Lynch: You have that preliminary map, Mr. Converse?

The Secretary of the Treasury: For instance, we should like a map which shows the maximum and minimum time to Seattle, Tacoma, Phoenix, Arizona and Los Angeles, and these various important points throughout the district.

Mr. Lynch: We have a map prepared--

Mr. McIntosh: We have a map showing not exactly the maximum and minimum, but the area reached in 12, 24 and 36 hours.

Mr. Lynch: Mr. McIntosh will present that with his testimony.

The Secretary of the Treasury: That might be prepared, if you have not it in that form, showing the actual time to these important points in the district, not so much by the zone system as by the direct time. That can be submitted later.

Mr. Lynch: We will prepare such a map. I have a preliminary map here showing the exact distances to these points, these are the 12, 24 and 36 hour zones, which we can reach in that time. This map will show actual distances to various points.

The Secretary of the Treasury: If you will add to that the time required to reach those principal points along with the distances, I think it will be useful.

Mr. Lynch: Yes, I will retain this map and fill those in.

The Secretary of the Treasury: You may file that later, and also have it made in triplicate, if you will.

Mr. Lynch: Yes. We have out of San Francisco Bay, Mr. Secretary, the most complete internal waterway system on the Coast. There is an actual water drainage of California from the San Joaquin and Sacramento Valleys, bringing into a

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common basin in San Francisco Bay the waters of the State, which are very highly navigable, and which give a very ideal distributive system by water from San Francisco.

Day before yesterday an ocean steamer came in with a cargo of lumber and docked at Sacramento.

The Secretary of the Treasury: That is rather unusual, is it not?

Mr. Lynch: Yes, the high water helped that out somewhat. But with the various projects that the government has, it will be possible for some ocean ships to go clear to Sacramento. This internal waterway system I fancy you do not care to have any further statement about.

The Secretary of the Treasury: If you have statistics there, you may file them as exhibits.

Mr. Lynch: Yes, those are very important waterways with a very large amount of tonnage at the present time handled upon them.

The Secretary of the Treasury: You might give us a brief outline of the extent to which these streams are navigable into the interior for practical purposes of that character.

Mr. Lynch: This particular map which is there does not show it.

The Secretary of the Treasury: It can be supplied later.

Mr. Lynch: I will supply complete data and file it as an exhibit, if I may, of the waterway systems and the exact amount of tonnage handled upon them.

In regard to coastwise steamers, there are 71 companies controlled and operating in San Francisco which run from one to seven ships north and south along the coast, as far south as Mexico and as far north as Alaska. The tonnage in 1912 of these ships was, arrivals 4,560,228; departures 4,624,907, or a total of 9,185,145 tons. Practically all of the coastwise shipping of the Pacific Coast is either owned, controlled or operated radiating from San Francisco Bay.

The Secretary of the Treasury: You say practically all of it?

Mr. Lynch: Practically all.

The Secretary of the Treasury: How do you account for what goes out of Seattle?

Mr. Lynch: You speak of coastwise steamers?

The Secretary of the Treasury: You are referring to coastwise steamers only?

Mr. Lynch: Yes, not foreign.

The Secretary of the Treasury: I thought you were speaking of all.

Mr. Lynch: No. The Hill Line and other lines go out of Seattle. I do not know of any important coastwise steamship line that is owned or operated there.

The Secretary of the Treasury: I misunderstood you.

Mr. Lynch: It may be that the Union Pacific own or control a certain line which comes from Portland, but that is practically a San Francisco line.

San Francisco has 17 foreign steamship lines, a list of which is supplied, and I have also supplied a list of the 71 coastwise steamers.

(The lists above referred to were marked filed.)

Mr. Lynch: I have here a map showing the territory in which San Francisco is supreme as the jobbing centre, which I referred to at the beginning, and which gives the statistics of the transportation from California to San Francisco of the various products of this state.

It is worthy of mention that the products of California are the greatest variety of exortie products produced in any similar latitude in the world, and there being such a great variety produced by intensive methods, it means an

increase in population. It is not the same as forest or other products, which being denuded, do not admit immediately of increased population.

I have here a list of the various numbers of carloads as follows:

50,000 carloads of citrus fruit.

15,000 carloads of deciduous fruit, other than apples.

3,500 carloads of apples.

9,000 carloads of dried fruit.

1,000 carloads of walnuts.

16,000 carloads of wine.

10,890 carloads of canned fruits and vegetables.

5,000 carloads of beans.

Or a total of 108,390 carloads which at an average revenue of \$300 per car nets \$32,517,000 per year. This does not take into consideration the vast tonnage of oils, grain, sugar, hops, hide and leather, lumber, and so forth, in which production this state ranks high, and which will be presented in our exhibits. Neither has the immense important tinnage been considered.

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Do you care/anything in regard to the development of transportation? We have an ideal developing situation

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of transportation, which has been almost exactly in proportion to the development of the whole territory.

The Secretary of the Treasury: Do you mean suburban or of the whole district?

Mr. Lynch: I am speaking of the whole district. With the opening of the Panama Canal, of course, there is a great amount of activity to San Francisco Bay, and it seems a reasonable thing to say that every transcontinental line seeking the Pacific Coast, either north or south, must find an outlet upon San Francisco Bay. We are constantly informed in regard to various surveys and projects made to make that more easy and feasible.

The Secretary of the Treasury: What prospective development of railroad facilities is there?

Mr. Lynch: There is a line that is to cross from Yuma to San Diego. There is a cut-off in Idaho which brings Boise and the Idaho territory into direct immediate relation to San Francisco, with the construction of a few hundred miles.

The Secretary of the Treasury: Is that under construction?

Mr. Lynch: No, that is not under construction, but the

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necessity of the case demands that ultimately it must be built.

The Secretary of the Treasury: It is a prospect?

Mr. Lynch: Yes, it is a prospect, and is only presented as such. There is a prospect, if not more than that, for steamer lines coming down in connection with the Mill Lines and the trans-continental lines of the North, to bring to San Francisco Bay their passengers. I think while there are many other rumors and projects, they are hardly worthy of mention at such a time as this.

In regard to the jobbing trade, Mr. Secretary, matter will be presented to you in concrete form by two gentlemen who will illustrate from their own business the exact relations which they have to this whole territory.

I would like to read a very short letter from one of the large firms of San Francisco that handle tea and spices and which is very pertinent to the proposition:

"Replying to your inquiry regarding the territory in which we find it possible to distribute goods on the Pacific Coast in competition with other Coast cities; our zone of distribution extends from Alaska, on the north, to El Paso, Texas; east, in a general way, as far as the Rocky Mountain

Broadly speaking, commodities in our line, Coffees, Teas and Spices, are imported in greater volume, and at sufficiently favorable freight rates so that it is quite possible to meet competition in territory where local freight rates from competing cities are less than the rate from San Francisco.

Of course, other factors enter into the question; but we think direct importations to this point, larger volume of business, and the fact that San Francisco is generally recognized throughout the territory described as the metropolis of the Pacific Coast are the principal ones.

The Tea Trade of San Francisco extends, we think, materially further east than the outlines given above as San Francisco importers supply many jobbers throughout the Middle West, and the two largest Tea importing houses in the United States have, within the past few years, established branches here because the geographical location of San Francisco permits economical distribution throughout the entire United States.

What we have written regarding our Pacific Coast trade we believe is true with regard to all of the firms engaged in the same line of business in this city.

Trusting this gives you the desired information, we are,

Very truly yours,

J. A. Folger & Co.

I would like to say, Mr. Secretary, that the remarks as to the Middle West probably apply exclusively to the Tea trade, at least it is more hopeful in that way. But this will show the distribution of this large house.

The geographical position of San Francisco makes it ideal for jobbing houses of all kinds, and I will defer that subject to the other two gentlemen who are here to speak about it.

I have a comparison here in a chart showing a comparison between San Francisco, Los Angeles, Seattle and Portland, of population, bank clearances, value of manufactured articles, postal receipts, foreign exports by sea, foreign imports by sea, building construction, and capital of national banks; I will read these figures if you like.

The Secretary of the Treasury: No, I do not think it is necessary to read them.

Mr. Lynch: I think they are sufficient for your information, and they are all taken from the United States statistics.

The Secretary of the Treasury: Your comparisons in this

chart are made with the population of the cities themselves and not with the suburbs; is that accurate?

Mr. Lynch: Including both. First the city, and then the metropolitan area. The city is shown in black and the metropolitan area is picked out, that is to say, San Francisco is 416,000 and there are 686,000 in the Metropolitan area.

The Secretary of the Treasury: When you speak of Seattle metropolitan area, what do you embrace within that? Do you take the whole Puget Sound district?

Mr. Lynch: No, merely take the actual -- as far as the city might possibly extend itself in its political boundaries taking in just the immediate urban territory.

The Secretary of Agriculture: What is the area of San Francisco?

Mr. Lynch: 46 square miles.

The Secretary of Agriculture: And Seattle is 62, is it not?

Mr. Lynch: I have not it before me. I have the figures somewhere.

The Secretary of the Treasury: You might add that data to this map.

Mr. Lynch: The areas of these different cities, and also the metropolitan area?

The Secretary of the Treasury: Yes, the Metropolitan area. In Seattle I think the statistics they furnished were mostly from the Puget Sound district.

Mr. Lynch: Yes, there are 18 cities--

The Secretary of the Treasury: If you have it including the San Francisco Bay district in any of these comparisons-- I have not had time to examine your charts -- you might supply some comparative data with respect to the San Francisco Bay district, for instance, and the Puget Sound district. Could you do that?

Mr. Lynch: Yes, I shall do that.

The Secretary of the Treasury: Those can be filed later.

Mr. Lynch: I have the statement of the cities and the right acreage/before me.

The Secretary of the Treasury: They may be added to these charts.

The Secretary of Agriculture: Let me see that memorandum.

Mr. Lynch: Yes, that will show the areas of the cities (handing paper.)

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Now, Mr. Secretaries, the convenience of San Francisco for Pacific Coast business is the next point. We maintain that while San Francisco has its area, the same as other cities on the Coast and in the country, that there is a large sense in which this area includes other areas, include the other centres on the Coast. It is very well illustrated by the fire insurance business. All of the large fire insurance companies of the country have their Pacific Coast agents in San Francisco. San Francisco is one of the three metropolitan areas of the United States for the fire insurance business, Chicago, New York and San Francisco; that is where they do business through brokers and not agents, and the premiums clear here.

Now 98 per cent of the clearances of the fire insurance business are cleared in San Francisco.

I have not gone into the life insurance matter, but a letter has just arrived, and this is from one of the important life insurance companies Pacific Coast agent, of the Mutual Life Insurance Company of New York, and with your permission I will read it:

Complying with your request to give you figures showing the relative importance of the various Pacific Coast

States as life insurance centres, I beg to advise that the time is too short to gather complete details, but I trust that the following will answer your purpose:

The history of the business on the Pacific Coast naturally all radiates from San Francisco, from which place not many years ago practically all of the business of the Pacific Coast States was handled, and the premium income from all of these States passed through these offices, but this is no longer true in the cases of the majority of the companies, although there are notable exceptions, as, for instance, the Metropolitan Life, which has a sub-home office there through which, I am informed, the business and all the premium collections of all the Pacific Coast and several of the Rocky Mountain States clear, and taking into consideration the industrial, as well as the regular line business that they transact, I believe they probably write a larger business each year in the territory covered than any of the rest of us. There are other companies, I am informed, that clear all of their Coast business through the San Francisco office, but it would require an individual inquiry from each office to ascertain the extent that this applies, and I believe the majority of the companies today

clear their premiums for the territory involved through the banks in the cities of Seattle, Spokane, Portland and Los Angeles; and for the purpose of giving the relative importance of the premium income from these various territories, I have copied the following figures from the Insurance Year Book published by the Spectator Company, 135 William St., New York, as closing the business of 1912 (the 1913 figures not yet being available:)

The State of Washington, I find, is credited with having collected in life insurance premiums in 1912 \$5,819,734. and these premium collections are very largely divided between offices located at Seattle and Spokane, and what proportion of them may be remitted direct to San Francisco I am unable to ascertain.

Oregon is credited in the same year with collecting in life insurance premiums the sum of \$3,719,216. and I would say that the great majority of this was cleared through the Portland office, although, as in the case of the Washington

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business, I have not no way of ascertaining how much of it may have been remitted direct to here.

California is credited ~~with~~ the same source during the same year with having collected

\$22,990,111

and which I have no way of ascertaining how these collections are divided between offices here and offices in Los Angeles, I would assume that the business of the Company which I represent is fairly illustrative of that division, and I find that this Company is credited in the California report filed with the Insurance Inspector as having collected in the State in 1912

\$1,737,387.11,

and I have asked the Cashier to take off of our books the amount of this that was collected through this office, and he gives me the figure of

\$1,250,140.30.

The difference between this latter figure and the Company total collection in the State is what would have been cleared through the Los Angeles office, with the

exception of certain premiums that are paid direct to New York, both in this part of the State and the lower part, and which would enter into the Company's total tabulation, and I would be unable to ascertain what this amounted to without going over the Los Angeles books and finding exactly how much passed through them during that year, but it could not have exceeded the difference between \$1,737,387.11 and the amount collected through this office of \$1,250,140.30.

Very truly yours,

W. L. Hathaway.

Manager.

Now we have for California, Mr. Secretaries, a complete epitome showing accurate official figures on the production of California and compared by years, showing our ratio of development, taking in our agricultural development, financial conditions, and so forth, and concluding with a statement of the exact production of California, showing that last year we had reached over a billion dollars in products and manufactured articles. It shows that in this state we produced last year \$97,000,000 of orchard products, which are itemized here; \$26,000,000 of vineyard products, \$6,000,000 of garden products; \$50,000,000 of

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dairy and poultry products, \$41,000,000 of farm products comprising barley, wheat, oats, corn, rye, and rice, \$71,000,000 of other farm products, \$26,000,000 of field crops such as potatoes, beans, onions, melons, and so forth; \$10,000,000 of fish products; \$25,000,000 of forest products, \$41,000,000 of petroleum, \$46,000,000 of other minerals, \$69,000,000 of farm animals and products, and \$30,000,000 of sundry other products not included above, making a total of \$541,519,000. That our manufactures, according to the Census of 1910, amounted to \$529,761,000. making a total of over a billion dollars. These books will be filed with you, but particular attention is called to the summary of the values which I have just read.

All of these figures show that San Francisco stands in a dominant relation to the entire Pacific Coast district and has actually within her supreme territory practically 50 per cent of population, production and railway mileage with the exception of Washington, and the other matters which I have had occasion to bring to your attention.

I have not undertaken to go into any of our hopes or ambitions or the rapid development which is going on. Suffice it to say, California is growing at the rate of

100,000 a year. It went from one and one-half million to two and one half million in the decade from 1900 to 1910.

The Secretary of the Treasury: Give us an idea of the growth of San Francisco itself, now. How is that proceeding?

Mr. Lynch: The city itself is in a very restricted area, only having 46 square miles and a large part of our population resides around San Francisco Bay. We have, according to the census, 416,000 population.

The Secretary of the Treasury: In the city limits?

Mr. Lynch: In the city limits. According to the school attendance in 1912, using very conservative figures, we have 462,560; San Francisco's growth has always been steady, gradual and sure.

The Secretary of the Treasury: Counting the Metropolitan district, what do you show?

Mr. Lynch: 686,000 according to the government figures for 1910. Have you the figures there, Mr. Manley?

The Secretary of the Treasury: Well, 1912, for instance.

Mr. Lynch: We have not got it. May I have the privilege of filing it?

The Secretary of the Treasury: Yes. What was it in 1900?

Mr. Lynch: In 1900, 686,873.

The Secretary of the Treasury: No, that is 1910.

Mr. Lynch: Oh, 1900?

The Secretary of the Treasury: Yes, have you the census figures.

Mr. Lynch: Yes, I think I have. I can give it to you for the San counties at the moment, and can give the exact figures later. Taking the counties that border on San Francisco Bay, we had in 1900, 658,000 people, while in 1910, according to the Census, 925,000, or a growth of 300,000. The metropolitan district in 1900 was 453,847 and now is 658,000.

The Secretary of Agriculture: You have included Arizona in this map?

Mr. Lynch: Arizona is included.

The Secretary of Agriculture: Have you anything to show the course of trade from Arizona, where does it go?

Mr. Lynch: Arizona is tributary to both Los Angeles and San Francisco. I think Mr. Gardiner of the Southern Pacific Company, an expert on that proposition, can tell you. May I ask him to answer that question?

The Secretary of Agriculture: We will let him speak

later.

Mr. Lynch: He is not to be called as a witness. He is just one of the experts I have available. I would like to have him answer that question.

Mr. Gardiner: I did not catch the question.

The Secretary of Agriculture: If you have finished, we will let Mr. Gardiner take the stand.

Mr. Lynch: Very well.

STATEMENT OF W. G. GARDINER.

The Secretary of the Treasury: Will you state your name and occupation?

Mr. Gardiner: W. G. Gardiner; General Passenger Agent of the Southern Pacific Company.

The Secretary of Agriculture: They have included on this map a part of New Mexico and Arizona. We have not had any statistics given us showing the course of trade from Arizona what it consists of and where it goes. Can you cover that ground?

Mr. Gardiner: Largely cattle in the first place. That comes very largely to California. A great deal goes east. And hay, chiefly, that is largely to California.

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W. G. Gardiner.

The Secretary of the Treasury: It comes to California?

Mr. Gardiner: Yes, sir, a great deal.

The Secretary of Agriculture: What percentage would you say of the business of Arizona, the commodities of Arizona, come west?

Mr. Gardiner: I could not say positively, but I think fully half.

The Secretary of the Treasury: Can you supply those figures?

Mr. Gardiner: Yes, sir. I will have them made up and filed, showing the exact figures.

The Secretary of Agriculture: Can you state the products which go east, and to what points they go?

Mr. Gardiner: Yes, sir.

The Secretary of the Treasury: And for the western part of New Mexico?

Mr. Gardiner: Yes, sir.

The Secretary of the Treasury: How about Utah?

Mr. Gardiner: We can also have Utah, particularly the western portion of it, Salt Lake City, Ogden and west, which is a heavy district.

The Secretary of the Treasury: Including Salt Lake City?

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Mr. Gardiner: Yes. We will have those figures made up and filed, showing the distribution of the commerce.

The Secretary of Agriculture: You may give the same for Nevada, if you will.

Mr. Gardiner: Yes.

The Secretary of the Treasury: And Oregon.

Mr. Gardiner: Yes.

The Secretary of Agriculture: How about the southern half of Oregon, where does that go?

Mr. Gardiner: The southern half of Oregon, the Rogue River and Umpqua Valleys, their fruit goes north to Portland and largely to the east. A great deal of their apples go to the east and to Europe by way of New York. Much of that of interior Oregon is handled by us through Galveston to New York, and hops the same way.

The Secretary of Agriculture: You send it through this southern route.

Mr. Lynch: Yes.

The Secretary of Agriculture: Where is that trade handled, in Los Angeles or San Francisco?

Mr. Gardiner: Both.

The Secretary of Agriculture: What percentage?

Mr. Gardiner: I can hardly say.

The Secretary of Agriculture: If you will, include that.

Mr. Gardiner: I will find that out and incorporate it.

The Secretary of Agriculture: Idaho has no special direct connection with San Francisco, does it? The trade does not come here?

Mr. Gardiner: No, it goes largely through Salt Lake City or Portland, but it will be to a great extent--

The Secretary of Agriculture: Does any part of that which goes to Salt Lake City come to San Francisco?

Mr. Gardiner: Yes, sir. The projected line that Mr. Lynch spoke of, running from Winnemucca to Boise, surveys have been made and it is purely a project; whether they will be able to finance it is another question. There is another line, and a great deal of preliminary work has already been done, in the building of the Oregon Short Line south to a direct connection with the Southern Pacific. There is another line being built running westward which will come to Southern Oregon, and part of the line is already under construction from Klamath Falls, which will form a line into Idaho and through that into Montana.

The Secretary of Agriculture: That is projected.

Mr. Gardiner: That is projected and partly built, known as the Oregon Eastern Railroad.

The Secretary of the Treasury: Who is back of that?

Mr. Gardiner: The Oregon Short Line.

The Secretary of the Treasury: The first line you spoke of, who is behind that, any of the ^{large} existing companies?

Mr. Gardiner: No.

The Secretary of the Treasury: Or an independent company?

Mr. Gardiner: These are individuals. The origin of the project is in Boise.

The Secretary of the Treasury: How long is it by mail from here to Salt Lake City?

Mr. Gardiner : 26 hours on the fastest train.

The Secretary of the Treasury: That is the fastest?

Mr. Gardiner: Yes.

The Secretary of the Treasury: What is the average time, would you say, mail time?

Mr. Gardiner: About 28 or 29 hours. Westbound is faster.

The Secretary of the Treasury: Is your service often interrupted?

Mr. Gardiner: No, sir, not more so than other roads. We have had comparatively little -- there are some delays

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occasionally, but nothing to tie the lines up and prevent the movement of commerce. Then in addition to that, as to the north and south lines which are being built, we have the two lines through the Sacramento Valley and coming together at Auburn, and the line over the Siskayou Mountains, the existing line.

On the Coast Line, there is being built what is known as the Northwestern Pacific, running from the Bay north into Eureka, and the connection is from there north to Marshfield, Oregon, and into Drain, Oregon, in the Willamette Valley, which will be one line.

The Secretary of Agriculture: Is it intended to continue that line from Eureka northward to the Willamette Valley?

Mr. Gardiner: It will continue north to Marshfield on Koss Bay, and it is being built from Drain in the Willamette Valley over to Marshfield, that is under construction.

The Secretary of Agriculture: How near does that bring it to Portland?

Mr. Gardiner: It drains southern Oregon. It is probably about 200 or 250 miles, I do not know the exact distance.

The Secretary of Agriculture: From Portland.

Mr. Gardiner: From Portland, yes sir. But it forms

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a second through line to the north.

The Secretary of Agriculture: Is it the purpose to push that line through promptly?

Mr. Gardiner: Oh, yes. The Southern Pacific is building it.

The Secretary of Agriculture: I know you are building to Eureka, but northward from Eureka, is that building rapidly.

Mr. Gardiner: Not between Eureka and Marshfield at present but it will be. We are building between Drain and Marshfield. That part is under construction. There is a third through line from Weed up to Klamath Falls and around the Siskiyou's, which will be connected up to make a line to the east of the Siskiyou's, practically forming a third through line.

There is another line partially built from Fernley in Nevada, a little east of Reno, which was built over into California to Lassen County for the opening of the lumber tracts. That line is being projected and prepared to go north to Klamath Falls, which will form another line east of the Mountains.

The Secretary of Agriculture: Suppose you file a map indicating these projected lines and indicating which are under actual construction and which it is proposed to build by a responsible company, and which are merely projects.

Mr. Gardiner: These lines I speak of are Southern Pacific Lines, and I can file a map showing their exact status.

The Secretary of Agriculture: That is all. You will give us also that other information about the movement of commodities?

Mr. Gardiner: Yes.

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C. K. McIntosh.

The Secretary of the Treasury: Mr. McIntosh is here, and wants to be heard.

STATEMENT OF C. K. MCINTOSH.

The Secretary of the Treasury: Will you give your full name and occupation.

Mr. McIntosh: C. K. McIntosh, vice president of the Bank of California.

The Secretary of the Treasury: We would like to have the general manager of the telephone company here. Would you be kind enough to get him for us?

Mr. Lynch: Yes sir.

The Secretary of the Treasury: Have him here at 12 o'clock. Now, Mr. McIntosh, if we can have a map of the Federal Reserve District as you propose it, we would like to have it.

Mr. McIntosh: This is the map on the board.

The Secretary of the Treasury: Is this the Federal Reserve District?

Mr. McIntosh: It is practically the same as we propose. I have here some figures, with which you gentlemen are quite/familiar as we are, that I will refer to in the way of explanation, in/order that they are

arranged. The district that is proposed is the district known in the Comptroller's report as the Pacific states. Really the course of trade, barring some portions of the eastern section there, is from the Rocky Mountains to the sea, for mere topographical reasons, geographical reasons, and from the fact that in the earlier days the center here was established by reason of the port. It is not our intention or suggestion to arrogate to ourselves commercial monopoly of the coast, but to reason from the conditions that exist that the Pacific Coast states have always had and do now have to depend upon themselves for their financial machinery to a large extent. They have had to take care of their own financial requirements for the seasonal and normal uses of business. I do not refer now to capitalization of newer and developing products, but to the seasonal and normal uses of business at any time. They have had to take care of themselves on account of their removal for a great distance from the seats of money in the east. That district is defined rather by Nature. In the eastern section of it there are, of course, portions close to the railroads which commercially would naturally flow to some point further in the east. We consider, for instance, that Montana, while geographically as near as some other portions of the section, does not belong to

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these people. We think their products and their business flows more to St. Paul and Minneapolis than it does this way. The cattle of New Mexico, and the minerals of New Mexico, go north to Kansas City and Denver rather than this way. The Arizona country, we believe, is tributary in a financial sense at least, and largely in a commercial sense, to Los Angeles rather than to San Francisco; but the point that we wish to make, without minimizing the commercial importance of other sections, or arrogating to ourselves a monopoly, and that as to the best means of putting into effect the law which all of us will have to work under for many years, and which we are thoroughly in accord with -- for our own selfish interests we wish to see that machinery so adapted as to run with the greatest smoothness and give the best results to all of us who are interested in it.

I have presented some few figures of the population of the Coast which I want refer to further than to say that there is about an eighteenth of the population of the United States in this district we propose, and of the banking capital, curiously, the percentage of all the capital and the percentage of the national banking

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capital on which we rely is about the same. There is approximately one-fourteenth of the national banking capital of the United States in the Pacific states. And while, of course, that does not necessarily govern the selection of the points of reserve banks, it would seem to indicate that we could not reasonably expect more than one in the area unless there were some particularly strong reasons for it.

The figures of the national banks upon which, at present at least, the capitalization of this new bank must be made, show that there are \$130,000,000, in round numbers, of capital and surplus which is being levied upon in this whole territory. That includes Alaska, which is negligible. I have taken the Comptroller's figures.

The Secretary of the Treasury: That is not necessary under the Act.

Mr. McIntosh: No, but I have included Alaska because the figures correspond with the Comptroller's figures. It is \$130,000,000 with Alaska in or out. Of this California has \$85,000,000. If California is eliminated from that district -- and it is inconceivable that California could be divided, without regard to figures--- there is only \$45,000,000 left for all the other states, commencing at

the Canadian line and extending to the Mexican line. That is some \$21,000,000 short of the amount of capital that it would be necessary to levy upon to produce the capital required for the Federal Reserve bank. It is to be hoped, and doubtless will be the fact, that many of our state banks will accept the terms of the Act. We hope they will.

The Secretary of the Treasury: What is the law?

Mr. McIntosh: The law of California is at present so they say. I think it was changed by the last legislature for the purposes of this act, to make it possible to comply.

The Secretary of the Treasury: California has already acted upon that.

Mr. McIntosh: Yes. It expressly provides that we can do so.

The Secretary of the Treasury: Will you kindly file as an exhibit to the testimony you have given a copy of that Act?

Mr. McIntosh: Yes.

The Secretary of Agriculture: Do you know how many of these state banks would be eligible by reason of their capital?

Mr. McIntosh: You mean in San Francisco?

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The Secretary of Agriculture: No, in the state.

Mr. McIntosh: No, I cannot tell you that. I can get those figures. I should like to make an explanation, in that connection, that while it is true and we hope some considerable number of state banks may ultimately come into the system for unification, it is not so likely to secure them here as it is in the middle western or eastern section of the country.

Our country is a developing one and requires the investment and the use of a great amount of banking capital in long time loans, and therefore a great amount of money is invested in savings banks, and our savings banks are tremendous institutions where loans are made on real estate that are not of the character that can be converted. Such banks as that have their own field and would not be benefitted by coming under the Act. The character of the business they do would not be benefitted if they came under the Act. Therefore, in this country it is not possible that as many savings banks will come in as in other parts of the country where the loans are of a different character.

The Secretary of the Treasury: Have you only a few

commercial banks in the state?

Mr. McIntosh: I think there are some five hundred and odd throughout this state, commercial and savings banks.

The Secretary of the Treasury: I am speaking of commercial.

Mr. McIntosh: I have not the figures.

The Secretary of the Treasury: We would be glad to have a little light on that as to how many banks, aside from the savings banks, there are in the state.

Mr. McIntosh: In the centers like San Francisco and Los Angeles and Seattle and Portland the main capitalization in banks is in the national banks, as you are aware, and throughout the rural districts, the disadvantage we spoke of would apply. As to the smaller banks, they are great in number but not large in capital.

The Secretary of the Treasury: We would like to have that information.

Mr. McIntosh: That information will be furnished.

Continuing as to the character of the bank which we think would best serve the interests of the entire section,

and without any feeling of local self-interests, our selfish interest is in having the section served because

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we are best served when that is done.

We believe that a bank in the section to serve it adequately should be so capitalized and of such a size as to inspire confidence, in order that the sentimental as well as the practical effect of its operations would be at the best.

Taking the figures that are given for this section and computing from the national banks, again, we find that the subscribed capital in all the national banks, as they will undoubtedly agree to the Act, will be \$7,800,000. The paid up capital will be \$5,900,000, and the reserve deposits would approximate \$36,000,000.

Now, a bank organized with those figures at the outset would not be a very forbidding aggregation of capital. There are five banks in the city of San Francisco whose capital assets would exceed the capital assets of the Reserve Bank if it was formed from the entire district. There are, I think, three banks in San Francisco whose aggregate resources would exceed at the outset, until the operation of the bank had attained some degree of magnitude, the aggregate resources of the reserve bank.

The Secretary of the Treasury: Those comparisons don't

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seem to us so important because the function of the reserve bank is of a different character.

Mr. McIntosh: That is very true.

The Secretary of the Treasury: The relative strength of any bank is not so important.

Mr. McIntosh: But to give one an idea of the capitalization of the bank, and I think you will notice this in San Francisco and elsewhere, they are capitalized out of proportion to their deposits in a way that they are not elsewhere, and it is due to our having to rely upon our own resources and not being able to have instant or close communication with the heads of other financial centers.

The Secretary of the Treasury: You referred a moment ago to this district being a self-reliant district and not requiring assistance from the outside.

Mr. McIntosh: I didn't mean to put it quite that way.

The Secretary of the Treasury: I say, to any great extent.

Mr. McIntosh: I meant to say we were self-reliant by reason of our necessities. We are not asserting ourselves as being self-reliant, but we have to be. We always had to finance ourselves. We are so far removed from communica-

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tion that we have had to capitalize ourselves so our seasonal and normal requirements can be taken care of largely by ourselves.

The Secretary of the Treasury: To what extent do you have to rediscount, considering the district as a whole? To what extent would you say that you have to rediscount in order to meet the seasonal or the peak demand?

Mr. McIntosh: Well, that is a difficult question to answer.

The Secretary of the Treasury: I mean the extreme peak.

Mr. McIntosh: As conditions have been in the past, San Francisco banks ^{very} ~~are~~ rarely have rediscounted.

The Secretary of Agriculture: Was that because they didn't want to, or what was the reason?

Mr. McIntosh: There was probably a sentimental reason in connection with it that will not now appear since the law has been changed.

The Secretary of the Treasury: Under the existing system, when you get down to your reserve, whether conditions require it or not, you stop?

Mr. McIntosh: Yes, exactly so.

The Secretary of the Treasury: That is, you had to stop

because you were over your amount and you could not go on unless you would rediscount?

Mr. McIntosh: There is a reluctance to discount in this section.

The Secretary of the Treasury: Then business was handicapped by the ability to get funds. Have you any idea how much of a handicap has been imposed on the demands of business?

Mr. McIntosh: I cant give you the figures.

The Secretary of the Treasury: I mean a mere approximation.

Mr. McIntosh: I cant give any figures. I can only say that in annual seasons when the peak of our crop season in the north coincides with the payment of our taxes, there is an annual pinch which has to be relieved.

The Secretary of the Treasury: When does that occur?

Mr. McIntosh: That comes in the late fall. The second payment will be due soon now. The first payment is due in the fall. I have a map which will show it in a general way.

The Secretary of the Treasury: I see what you have there, and it shows very plainly.

Mr. McIntosh: In connection with this district, and with the idea of serving best all of it without regard to where the reserve bank is located, I wish to call attention to that chart and explain it in this manner; The figures that are given for certain of the main crops -- there are many others that don't enter into it that I have not thought necessary to add-- the figures I have given here, not accurate by marked to give you an idea of the load which must be carried, and the seasons which they are to be carried. The chart is framed to show that at certain seasons of the year the moneys are required for the peak load in February, March and January, and they run off to take care of the beginning of the load that comes with the green fruit in March, May and June. The peak of the various loads will be indicated by the highest portion of the diagrammatic line, not intended to be based upon dollars but to give you the idea of a crop of \$40,000,000 necessary in California to be taken care of. There is a little help necessary in December and again in January and again in February and March, and it is out by June.

The Secretary of the Treasury: Couldnt you give us in

addition to this diagram another one, just a composite peak, made up showing the consolidated peak in the month of the greatest demand?

Mr. McIntosh: By the month?

The Secretary of the Treasury: Yes, the different months.

Mr. McIntosh: I am afraid you have gotten the idea that these graduations are intended to be graduations of collars. They are not.

The Secretary of the Treasury: I understand that. It is the values. You state the value of the crop--

Mr. McIntosh: The value of the crop and the lines indicated in no sense show the numbers of dollars involved. The lines indicate that that crop has its peak load in February and March, and that is about the average annual value of the crop that is to be handled then.

The Secretary of the Treasury: I am speaking of another map showing the demand here from the San Francisco banks showing the varying demand during the year, month by month, one line, don't you see, which would give the peak of the bank.

Mr. McIntosh: I will endeavor to have such a map as

that made, if I understand your purpose. This map, line by line, shows that the various commodities--

The Secretary of the Treasury: I am speaking of an entirely independent map, with relation to your loans and discounts.

Mr. McIntosh: Yes. I can have a map of that kind prepared.

The Secretary of the Treasury: A composite map showing the demand upon all the banks in San Francisco.

Mr. McIntosh: Yes, we can have that done.

The Secretary of the Treasury: Yes. We will give you ample time to do that. You can forward it about the first of March.

Mr. McIntosh: Yes, that can be done.

The Secretary of the Treasury: The earlier we can get it the better.

Mr. McIntosh: It can be made much earlier. Do you want the San Francisco banks alone?

The Secretary of the Treasury: Yes.

Mr. McIntosh: The map here was presented to indicate the crop conditions in this territory and showing the seasonal crops and the period of demand on the banks

here. You will notice the line of lumber is fairly constant throughout the year, except in the winter months when the logging stops, and sometimes the mills are closed down. But that is fairly constant. To concentrate the lumber lines and grain lines, it is a question of feast or famine.

The Secretary of Agriculture: A great deal of it is financed in the east.

Mr. McIntosh: Yes, but there is a constant demand on our northern as well as our own banks for the carrying of the account.

The Secretary of the Treasury: Do you generally meet that demand here in San Francisco from that source alone?

Mr. McIntosh: The Lumber?

The Secretary of the Treasury: Yes.

Mr. McIntosh: Yes, we have been able to take care of it. When we reach our limit we have had to stop.

The Secretary of the Treasury: Business has had to stop until you were able to take care of it?

Mr. McIntosh: Business has had to stop until we could readjust. That has brought about those things which we call panics.

The Secretary of Agriculture: In other words, when there is a great reason to extend credit, you have a panic?

Mr. McIntosh: Yes. When there was the greatest reason to extend credit, there was the least ability to extend it, and one of our merchants made the remark in my presence that you have just now made, when he was cautioned to be a little slow in his requirements for the season, because there was a bumper crop pending, and he asked if the bumper crop might produce a panic.

The Secretary of Agriculture: Just as you are becoming strong, economically, you get a panic?

Mr. McIntosh: Yes.

The Secretary of the Treasury: Aside from that, do you have any safe rediscount matters?

Mr. McIntosh: Never.

The Secretary of the Treasury: You don't know whether, as things are now, you would be safe to rediscount?

Mr. McIntosh: No. It would seem, therefore, from the standpoint of the population as compared with the whole, the capital of the banks as compared with the whole, the

location of the capital within the district as compared to the rest of the districts, and the diversified character of the district-- this would seem to indicate that there should be but one bank in this district at the present time with branches at such other points as are necessary to serve the district adequately, because it is to our interest to see it is served.

The Secretary of the Treasury: In that connection, you understand that our problem is a national one, and that you cannot lay out one district without considering the whole; it has to have a relation as to what is to be done. In laying out this district have you in mind the division of the other parts of the country? How is it to be done?

Mr. McIntosh: It has been our opinion -- I am speaking now representing the consensus of opinion of the Clearing House Committee, which has gone over this matter very thoroughly at the instance of the Clearing House Association itself-- I tried to make it plain at the outset that our district was separate and apart and could not logically be attached to any other district.

The Secretary of the Treasury: No, no, not attached, but it has a relation necessarily to the other parts of

the country. How many districts have you assumed that we would create if we adopted your suggestion?

Mr. McIntosh: We have not assumed that, and I don't know that we are competent to tell you.

The Secretary of the Treasury: Is this made with relation to eight districts in the country?

Mr. McIntosh: No. If there were only four, or if there were only two, or if there were twelve we must have one or more within that area, which is a natural area,-- if there is only one in the country we must be served with branches here. I don't think we are capable of suggesting to you the natural divisions elsewhere. Our relations are largely with larger centers.

The Secretary of the Treasury: It is such a related problem that in the laying out of districts you would have to give attention to how it could be related to other places west of the Mississippi river. Now, it is the requirement of the Act that we shall have not less than eight nor more than twelve districts.

Mr. McIntosh: Yes.

The Secretary of the Treasury: If you lay out a district without reference to the number of districts in the

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country, you might take so much of the country as create this district that there might not be enough left to go around the other districts.

Mr. McIntosh: That might be conceivable if conditions were not as they are. Our idea is that Nature has laid out this section for whatever subdivisions there are in it. There can be no logical connection over the Rocky Mountains

at this time/ There is no logical connection with the country over the Rocky Mountains, no flow of trade over that range of hills at the present time. There will be, doubtless, in the future, when reallignment of the districts may take place.

The Secretary of Agriculture: It was represented to us in the north that Nature had laid out a district up there.

Mr. McIntosh: I am inclined to think they are right.

The Secretary of Agriculture: And that a great injustice would be done if the Northwest did not have a bank. For instance, if those three important states, including a part of Montana -- at first they included all of it -- were attached to San Francisco, what would you say?

Mr. McIntosh: I would say that their ideas are of a sentimental character. I spoke of the entire district west

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of the Rocky Mountains as being divisible into a number of banks, whatever number may be chosen, but they must be in that district. Then I brought the figures to show that at present, no matter what the normal lines would ultimately be, there can be but one. Ultimately it is quite conceivable that you might find it in your discretion to increase the district. The cities of the north have their commercial importance, and it is growing tremendously and they have behind them a wealth of country that is developing rapidly--there is no question about that.

The Secretary of Agriculture: Just on their representation do you believe that justice would be done at this time by the location of a bank at San Francisco. To what extent do you think a bank located at San Francisco would serve that district without injustice to the whole country?

Mr. McIntosh: I can see no question of injustice. There should be branches where branches are necessary and where the conditions of business justified. Those branches would have exactly the same capital and surplus as though we had but one bank in the country. As you gentlemen understand, most of us prefer -- if we had only one bank in the country with branches where necessary, we think we would be

be better served than we are now, for the reasons we urge for this coast. We think the Northwest will be better served by an adequately capitalized bank, one representing a diverse country-- better served than they could be with their own if there were sufficient capital there today to capitalize it. Ultimately that condition may change. We are not prepared to say now that supremacy at all times in this country should lie here. We are speaking of today when the organization must take place.

The Secretary of the Treasury: You don't relate this to the entire problem. You say natural conditions should determine. But natural conditions do not determine. We have a way of modifying those conditions by legislation.

Mr. McIntosh: True.

The Secretary of the Treasury: Our method is to deal with the conditions modified by legislation. How would you divide the rest of the country west of the Mississippi River?

Mr. McIntosh: I don't think I am competent to give you testimony that would be useful to you upon that point. We necessarily have no statistics in our hands as to the movement of trade in those States.

The Secretary of the Treasury: I am surprised to hear such

an admission from San Francisco, because the bankers in all the other cities have given us suggestions as to the best division of the country. Is it your view that it is best to organize the minimum or maximum number?

Mr. McIntosh: I should say the minimum number of districts.

The Secretary of the Treasury: In order to have such a view, I should think it would be necessary to have in mind how those districts should be placed, and what their equipment in the system would be.

Mr. McIntosh: If there were eight districts, the minimum number provided for in the Act, I couldn't attempt and I don't think any of us could attempt to determine the exact cities in which they should be located; but we think the minimum should be organized for the reasons that we suggest one should be here -- the ability of the banks to care for the needs of the community which they are to serve.

The Secretary of the Treasury: What would be your best judgment as to the districts?

Mr. McIntosh: I would rather not select eight cities myself, because, as I say, we are not thoroughly alive to the situation as to the movement of commodities within the district say of west of the Mississippi River. It will be

be easy to select three or easy to select four, but eight I could not attempt to select; I could not attempt to select the other four.

The Secretary of the Treasury: Well, west of the Mississippi, where would you place them? What number of cities would you mention?

Mr. McIntosh: I said that we were not alive to the movement of the products among those States and between those States.

The Secretary of Agriculture: Do you think for a moment that if a bank were located in San Francisco the other parts of the district would be better served than San Francisco?

Mr. McIntosh: I beg your pardon?

The Secretary of Agriculture: Do you think if the bank were located here San Francisco would be better served than any other city?

Mr. McIntosh: By no means, not at all.

The Secretary of Agriculture: It has been argued that it is necessary to have a bank in a particular locality to give that locality the interest on the Board of Directors.

Mr. McIntosh: I can't see that it applies in any way, shape or manner. The banks that are to operate with the banks of the various districts under the law should be

located where the greatest need for them exists, where the greatest contact with the banks they are to serve exists, but as to serving better in one section than another, no; there can be no question as to that. Barring the fact that a bank is not to be located where there is a Reserve Bank or a branch that is one day or twelve hours or thirty-six hours removed from the ability to rediscount in case of haste, I can see no difficulty of service.

The Secretary of Agriculture: In the larger cities you would have no area that would not be served.

Mr. McIntosh: No, we would not have no area that would not be served, because under our conditions, as I have tried to point out, they leave open their correspondence in these various areas in the north and south, and with branches where these areas exist they would be served better than with a branch representing the capital of the entire district than they would be by a bank representing the capital of the other section.

The Secretary of Agriculture: Some of them assume that the directors should be located there.

Mr. McIntosh: It is not the intent that they will be chosen, I believe, by the Reserve bank itself.

The Secretary of the Treasury: Now, reversing that

argument, suppose that the headquarters of the bank was at Portland and the branch in San Francisco, how would that work?

Mr. McIntosh: It would work as far as San Francisco was concerned, as far as its ability to utilize the bank; but it should be with due regard to the customary course of business.

The Secretary of Agriculture: The volume of trade is here.

Mr. McIntosh: Absolutely. I was approaching the point now as to why we thought the bank should be located in San Francisco. We have tried to make it clear that there should be a bank or banks within that territory. We have tried to point out that there can be at this time logically but one, and I had a few figures here to explain why we thought it should be here. The gentleman who preceded me gave the figures showing the population here. That is not because of the climate; it is because the business is here. The people are here and this is where the business is being done, in this concentrated area. The map shows now the 12, 24 and 36 hour zones in a way, and yet they are not zones. They are more. It is not contemplated that all

the territory within these zones are within twelve hours, or within twenty four hours, or within thirty six hours of San Francisco; but wherever a break in the line occurs is where the railroad crosses that line, and that is 12, 24 and 36. We have railroads north and south and two to the east, so that the features that exist in California a railroad map would give you very little information about. These are the towns where the trains pass at particular hours.

The Secretary of the Treasury: Well, of course, that would be guess work as to the exact time to some large city. The exact time to Salt Lake City we don't know. That is the object of asking for it.

Mr. McIntosh: We will give it to you exactly. The figures of capital and surplus of all banks reporting to the Comptroller of the currency, and also of the national banks, as of October 21st, 1913, that I have read before to you, show that within these Pacific States, this area that we have outlined, 28 per cent of all the banking capital and 34 per cent. of the national banking capital is in San Francisco and this territory. And that is not accidental; it is not arbitrary; it is not because of conditions other than its needs. It is here because the use for it is here.

The Secretary of the Treasury: The fact is it is here.

Mr. McIntosh: Yes. The figures of the deposits in banks are shown. This Reserve Bank is to be a banker's bank and will clear for other banks. The figures of the deposits show that 48 per cent of all bank deposits with other banks within this territory is on deposit with San Francisco banks.

The Secretary of the Treasury: Have you prepared any statement by States showing to what extent the national banks in other States keep their reserves in San Francisco?

Mr. McIntosh: I have not prepared anything showing that.

The Secretary of the Treasury: I would like to have that by States showing the amount of reserves kept by the national banks of these Pacific Coast states in the banks in San Francisco.

Mr. McIntosh: That can only be done by the banks here. We can prepare that for you, if you desire.

The Secretary of the Treasury: We have similar information supplied by the other cities.

Mr. McIntosh: Yes, we can furnish that. This 48 per cent is not deposited here in San Francisco alone or because San Francisco is a reserve city, because within this territory

there are 26 other reserve cities that are surrounded by banks, and balances are carried in these other reserve cities then these reserve cities are very substantial contributors to our 48 per cent.

The Secretary of the Treasury: I was just going to say we would like to have that shown separately. We would like the reserve of ^{the} other cities.

Mr. McIntosh: I can give you that now approximately, but I can give it to you accurately at another time. It is eight or ten millions of dollars at all times.

The Secretary of the Treasury: Will you just include that in your statement?

Mr. McIntosh: Yes, sir, these reserve cities.

The Secretary of the Treasury: What interest do you allow on reserves?

Mr. McIntosh: Two per cent as a normal.

The Secretary of the Treasury: What about checking?

Mr. McIntosh: We have no rules and regulations of any character?

The Secretary of the Treasury: What is the practice?

Mr. McIntosh: The practice is to assume to collect the out of pocket expense the banks are subjected to except in

instances where the account itself from which the amount would be collected justify a remission of it. There is no regulation, no rule; each bank handles its own affairs as it sees fit.

The Secretary of the Treasury: That is really in effect a checking or parring of checks, is it not?

Mr. McIntosh: No, sir. You mean to say parring of checks?

The Secretary of the Treasury: Yes.

Mr. McIntosh: No, by no means.

The Secretary of the Treasury: To what extent would you say it was?

Mr. McIntosh: It would be difficult to say to what extent proportionately and be difficult to ascertain, because one makes his arrangements with the particular bank or account. He is subjected to this charge in relation to the condition at the time, and it might be changed from month to month. Our general custom is to endeavor to collect actual out of pocket expenses from the account that uses the deposit.

The Secretary of the Treasury: The value of that information is this, that it gives us a line upon the extent to which these bank clearances are artificial or natural.

Mr. McIntosh: The bank clearances are natural, because

we offer no such facilities--

The Secretary of the Treasury: All bank clearings now are artificial, and of course it does affect the situation. We have found in some of the cities of the east, for instance, in Chicago and New York, where it was shown that the bank clearances were artificial. For a small city, on its face it would indicate that Albany was the most important center, but it developed that many of the banks carried deposits in Albany for the sole reason that they paid interest on the checking accounts.

Mr. McIntosh: I would like to call attention to the fact that these comparisons are comparisons between four cities of the coast, all of which cities pay interest on their deposits, and all of which cities are in the same situation.

The Secretary of the Treasury: It is our custom to inquire in each city the extent to which that is artificial.

Mr. McIntosh: There is nothing artificial, because we have no such arrangement as parring our checks. There is a penalty upon items coming through San Francisco for northern and southern points.

The Secretary of the Treasury: To what extent do you

keep your reserves in national banks in San Francisco?

Mr. McIntosh: Their reserves are distributed between New York, Chicago and St. Louis.

The Secretary of the Treasury: What is the percentage that is kept in the respective cities?

Mr. McIntosh: That would be difficult to tell, but I should say that out of the entire reserves in those three cities, probably 50 per cent would be in New York and 35 to 40 per cent in Chicago and a small amount in St. Louis.

The Secretary of the Treasury: Less in St. Louis?

Mr. McIntosh: Yes.

The Secretary of the Treasury: You keep about ten or fifteen per cent in St. Louis.

Mr. McIntosh: Yes. That is largely as a matter of collections. We have not a great demand for St. Louis connection here. Chicago and New York are centers for exchange.

The Secretary of the Treasury: What effect do you think it is going to have when this system is established, to get the parring of exchange between these different districts?

Mr. McIntosh: I can't conceive we will get it.

The Secretary of the Treasury: Particularly in these

districts here.

Mr. McIntosh: I can't conceive that we will get a parring of exchange.

The Secretary of the Treasury: So far as the checks are concerned, the different reserve banks --

Mr. McIntosh: Yes, but our exchange charges may be assessed by those who are not members of the association at all, and which we cannot collect through the association. In certain cities arbitrary charges^{are} made. These charges are made sometimes by clearing regulation, and sometimes to justify cost of shipment. We will have no way of avoiding those charges.

The Secretary of the Treasury: I was speaking more particularly of the effect that would be produced after those reserves disappear -- I mean the reserves in these cities disappear.

Mr. McIntosh: Yes.

The Secretary of the Treasury: And the parring of checks and exchanges between the reserve banks themselves.

Mr. McIntosh: Yes.

The Secretary of the Treasury: As to what effect that will likely produce upon the maintenance of balances in Chicago and New York for exchange purposes only, we don't know.

know. Suppose when the reserve banks are established the checks of one reserve bank must be taken at par by any other reserve bank.

Mr. McIntosh: I can conceive of no way by which our active balances with our Chicago and New York correspondents can be eliminated.

The Secretary of the Treasury: They will be modified.

Mr. McIntosh: They will be modified to a certain extent doubtless, because it is not mainly for reserve that they are kept.

The Secretary of the Treasury: You keep them for exchange purposes. Now, on the other hand, suppose you get the substitution of a system of clearances between these banks, as contemplated by the Act, or against the present system of slow and tedious check collection, to what extent will that abate the necessity of keeping large balances in these cities for exchange purposes?

Mr. McIntosh: If I understand your question, the clearances of the checks on eastern centers, would be between the banks and the Federal Reserve banks themselves. Is it not so?

The Secretary of the Treasury: Yes, between the member

banks.

Mr. McIntosh: It will modify it to a certain extent undoubtedly, but it cannot remove our eastern accounts, or do away with the necessity of maintaining exchange balances there. Much of the manufactured goods required here are manufactured in the east. The factories cannot locate here on account of the scarcity of population, and at the present time our merchants that purchase their goods east of the mountains at the present time require, require considerable and constant exchange.

The Secretary of the Treasury: What do you think of the system of clearances proposed by this Act as against the substitute for the present system of checking and collections? Have you studied that?

Mr. McIntosh: Yes, to a considerable extent we have. Of course, as far as local clearances are concerned, it cannot supercede them. I mean to say the banks of San Francisco would not clear themselves through the Reserve Association; I cannot conceive that they would.

The Secretary of the Treasury: Suppose they do.

Mr. McIntosh: I can't conceive that that is possible. We have to clear checks upon each other.

The Secretary of the Treasury: I will call your attention to two phases of this Act. You represent the Clearing House, do you?

Mr. McIntosh: Yes, sir.

The Secretary of the Treasury: Mr. McIntosh, on this question of clearances, we would like to submit a question to the clearing house, one we submitted to the clearing house in all the cities. Section 16 of the Act provides, on page 19 that, "The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve Banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks, or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

Now, we should be glad if the clearing house of San Francisco would consider that provision of the Act and submit to the Committee at your earliest convenience, not later than March 1st, a brief of your views as to how that best might be carried out.

Mr. McIntosh: I can tell you, Mr. Secretary, that as far

as the clearings between member banks are concerned, there are other things to consider.

The Secretary of the Treasury: It is not a matter that we particularly care to discuss at this juncture, but merely to get you to consider the question and submit a brief on it, because it is a very important proposition, and we want the views of the different clearing houses on this subject.

Mr. McIntosh: Very well, sir; I will present it.

The Secretary of the Treasury: There is another question I would like to ask. Section 13 of the Act provides:

"Upon the endorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act."

Now, a proper definition of commercial paper is one of great importance. The subject has to be considered very carefully by the Federal Reserve Board, when organized, and we are asking the commercial bodies and the different clearing houses to consider that question also and submit a brief giving their views and suggestions as to what is a proper definition of commercial paper, and also a suggestion of such a standard of form for different characters of notes, bills of exchange, and so forth, as would be best suited to the operations of this Federal Reserve System. And in that connection, there are, of course, in these different communities, particular lines of commercial paper. For instance, one place would get cattle, another place would get lumber paper, another place would get fruit paper, so to speak, and it has been testified that there was a certain character of paper based upon other goods. As to these particular or specific characters of paper, we should like to have suggestions made defining the form now in use or that should be used.

Mr. McIntosh: Very well, sir. We had considered that the change in the verbiage of that one section from the original verbiage made it apparent what was intended, that

that paper should consist of that which had been used or would be used in the commercial transactions in the carrying on of the business of the community. But we will be very glad to consider that and give you our ideas in regard to it. I can see that there might be some question in regard to that as the law now reads.

The Secretary of Agriculture: The advantage of this is that it is left to administrative interpretation.

Mr. McIntosh: You would like a brief?

The Secretary of the Treasury: Yes. You can make your suggestions not only as to the form, but as to how it can be best done.

Mr. McIntosh: Yes. In that connection, speaking of our transactions, the San Francisco banks carry their own London and Oriental balances. We don't do that through another center, and this chart that was shown you, showing the peak load of the cropping season is really the cropping season itself. The banks are not relieved of cash at this time, but it is cash that can be utilized for the purpose of this Act. The London accounts show the volume of London business, and we carry our own London and Oriental accounts. I make this statement merely to show the

character of our banks and the sort of paper we use. But we can file such a brief if you desire.

The Secretary of the Treasury: Yes. It will be of material assistance to us.

The Secretary of the Treasury: The bill provides you may establish foreign branches.

Mr. McIntosh: Yes.

The Secretary of the Treasury: Is that likely to be of advantage to any of the San Francisco banks, with respect to the Orient?

Mr. McIntosh: Very likely, because the trade of the Orient is largely centered here. It is very likely indeed that it will be of great advantage. There are strong Oriental banks. Their business at present is one that is peculiar, you know, and it is understood to be in the hands of strong people who have their branches here for the purpose of taking care of this end of the Oriental business of credit and credit machinery. For the purposes of purchasing the bills to care for the exported materials of the State, and for the purpose of furnishing the credit machinery to bring in the imports into the State, the San Francisco banks today attend to that. They

do that work. These other people are in the open market, these foreign banks; they buy the bills and furnish the credit machinery. But the banks in San Francisco furnish the credit machinery used against their London balances for the importation of stuff that comes from Oriental ports; but the ability to establish branches in the Orient may be very valuable in time to come to the banks of San Francisco, because their connections are intimate there.

I haven't anything further particularly to say except that for the reasons stated hitherto, that of comparative isolation of this territory and the figures of capital and distribution of capital, and the diversity of the district indicated, there can be but one bank. For the reasons given, showing the customary course of business as centered, the financial operations in San Francisco, and the other facts, we feel there should be but one bank in that district and that should be here at San Francisco.

If there are any other questions, I should be glad to answer them if I can.

The Secretary of the Treasury: You might suggest, Mr. McIntosh, where you think the branches should be placed

C. K. McIntosh

if a Federal Bank is located in San Francisco. What cities or important centers in the district would you locate the branches?

Mr. McIntosh: I think that branches should be placed as conditions develop their necessity. Two branches might be necessary in the north, one in the south, and one in the eastern part of this territory. Salt Lake should have a branch and Los Angeles should undoubtedly have a branch, and either Portland or Seattle, or both should have branches, depending on the needs of the service. If they were not served properly, there should be a branch. It is to our interest as much as it is to theirs that they should be served.

The Secretary of the Treasury: I think that is all.

Mr. McIntosh: If I may be permitted, the superintendent of state banks is in the room, and I think he can give you some statistics that will be valuable to you in regard to state banks, if you care to listen to it.

The Secretary of the Treasury: We will be very glad to hear from him briefly.

STATEMENT OF ALDEN ANDERSON.

The Secretary of the Treasury: Mr. Anderson, give your full name and address?

Mr. Anderson: Alden Anderson, Sacramento; President of the Capital National Bank, and one or two others.

The secretary of Agriculture: Were you the State Commissioner?

Mr. Anderson: I was the first Superintendent of Banks under the Banking Act of 1909. I am also delegated to attend this meeting by the Sacramento Clearing House, along with Mr. Belcher and Mr. Henderson. Would you like to hear first the position of the Sacramento Clearing House, the Associated Banks?

The Secretary of Agriculture: Yes.

Mr. Anderson: All the banks here are interested in the Clearing House. Sacramento, as you know, is about 90 miles from San Francisco, and about three hours distant. I think probably the quickest way I could give you the idea of the banks there would be by reading a letter prepared by the Committee:

Sacramento, Cal., January 31st, 1914.

Hon. D. F. Houston,

Secretary of Agriculture.

Hon. W. G. McAdoo,

Secretary of the Treasury,

Composing the Reserve Bank Organization Committee:

Sirs:

The Sacramento Clearing House presents herewith the following data and figures for the record, which will give you an idea of the financial, agricultural, and horticultural interests of this part of the state and will help to emphasize the need of having the Reserve Bank in San Francisco.

Sacramento is the capital of the state of California situated ninety miles from San Francisco on the Sacramento River, which is navigable the year around. It has two transcontinental railroads, the Southern Pacific and Western Pacific, and a number of interurban lines and feeders for the above mentioned trunk lines, which connect with all the important points to the north, east, south and west.

The total banking capital and surplus of the city of Sacramento amounts to \$5,000,000.00; Undivided profits

\$854,000.00; Commercial deposits \$17,000,000.00; Savings Deposits \$17,000,000.00; Total Bank resources \$42,000,000.00 Four national banks, three commercial state banks and five savings banks.

The total bank clearings of Sacramento for the year 1913 were \$108,268,688.39.

The average monthly total volume of business done by the banks of Sacramento is very nearly \$45,000,000.00. The average volume of business per month sent to the following cities is as follows:

San Francisco	\$8,932,424.00
New York	718,000.00
Chicago	662,400.00
Seattle	300,000.00
Salt Lake City	177,000.00

The number of banks carrying accounts with banks in Sacramento situated in California, Western Nevada and southern Oregon are 304; 114 national banks and 190 state banks. The number of banks in this territory as shown on the map contiguous to Sacramento are 150. The banks during the crop moving season, which is from February to July in this district, have borrowed as high as \$3,000,000.00. The total capital and surplus of these banks is \$20,210,360.00

and the total deposits \$91,260,000.00.

The State departments transact a large volume of business in this city and it necessitates a great number of banks throughout the State carrying accounts in this city. The total volume of business with the State Treasurer's office during the year 1913 is as follows:

Receipts	\$34,655,249.80
Disbursements	25,539,492.44

The above includes \$4,000,000.00 received from bond sale.

Sacramento is the distributing center for northern and central California and Western Nevada and has ten million acres of fertile valley and foothill soil. It is the center of the deciduous fruit growing district. Over 755 of the deciduous fruit of the entire state is produced within a radius of fifty miles of the city. There were 15,000 cars of fruit shipped this last season at a value of \$18,000,000.00. During the month of July, 1913, there were 30,377 cars of freight shipped in and out of this city; during the month of December, 1913, there were 25,634 cars shipped in and out of this city.

There has been spent in the last few years nearly a billion dollars in improvements in this vicinity, such as

reclamation projects, railroads, etc.

Sacramento is a jobbing center doing between thirty and forty millions of business annually. The Sacramento River stands fourth among the rivers of the United States for tonnage carried.

Attached hereto are pamphlets giving the statistical information regarding some of the matters which have been mentioned above and giving same in full detail. In addition thereto the various crops and industries of this section are mentioned.

Respectfully submitted,

Anden Anderson,

Special Committee.

E. A. Brown,

Secretary of Committee.

The Secretary of Agriculture: What about the state banks?

Mr. Anderson: That is the point. I heard the inquiry you made of Mr. McIntosh, and there is a little item there that probably you do not understand, and which will have a considerable relation to their attitude in joining the Currency Reserve Bank. Under the California law nobody is permitted to advertise or claim they have savings

deposits unless they are qualified under the state law. Heretofore the ruling of the Comptroller has been that the ^{not} National Act did/specifically permit the carrying of savings accounts, therefore the State Superintendent of Banks has ruled that the national banks did not have the right to carry savings accounts or advertise for them. They have carried them under time deposits, but of course, they are not on a competing basis with the state banks. The State Law of California permits departmental banks; it permits state banks to carry a department which is absolutely independent of the other, under one Board of Directors and one organization, and they will have their commercial department and savings department. As Mr. McIntosh said, there are a great many things in California in process of development, and it requires long time loans, and accounts in California are probably not as liquid as they are in the central or eastern part of the country. And when they get the loans out they generally stay. The state banks that have the savings departments, although they are permitted by the state law to join the Currency Act, might be restricted in their endeavors to get money to loan out on those long time loans, and if the construction of the Central Reserve Board

should be that the national banks could advertise for savings accounts, there would be a considerable number of the state banks that would go into the currency measure. I think that the general tendency would be that the larger banks would go in under provisions of the Act, because it has been very favorably received and considered by all of them. But the smaller banks will probably hesitate, because the fact of these savings accounts being necessary to handle the business has made pretty nearly every national bank in the state to a greater or less degree affiliated with state institutions.

In Sacramento, for instance, each national bank except one has affiliated with it, sometimes with absolutely the same directors, a state bank devoted almost wholly to savings accounts. And if those banks that are affiliated do not go under the Act it will be simply because of the fact that they feel that the national banks will take care of their needs and requirements.

Now you asked the question of Mr. McIntosh with respect to the re-discounts, and what he said applies very correctly to Sacramento. There has been a sentiment against re-discounting, but when the banks up there needed money they borrowed it. The tendency at Sacramento, I think, has

been to borrow more money in the east, New York and Chicago rather than in San Francisco. Not because there was any disposition-- and as you can see, the volume of business is with San Francisco-- but simply because the rates were a little cheaper and their relations are in that direction. We are in the centre of a producing section. I was at one time manager of the Fruit Distributors, which shipped about 85 per cent of the deciduous fruit of the state. All of that business concentrated in Chicago, and New York, and it brought the banks in closer relation with them, and they could get their money a little cheaper. But they never discounted, that is one of the things we like about the new Act.

The Secretary of the Treasury: It makes re-discounting respectable?

Mr. Anderson: Respectable. Our highest deposits up there are just the opposite from the south and Middle West. The highest deposits come along in November, because that is the time we have realized on our products. We are essentially a producing section. We have the mines and the timber, but the production of the other products is increasing very rapidly. As the Panama Canal is finished, it would

seem to accentuate the position of Sacramento as the clearing house for all this part of the territory.

The Secretary of the Treasury: We thank you very much, Mr. Anderson.

The Secretary of Agriculture: I think perhaps we had better hear from the telephone manager. Is he here?

Mr. James K. Lynch: There are just two gentlemen who wish to appear as witnesses.

The Secretary of the Treasury: Do you wish to make a statement?

Mr. Lynch: I do not wish to appear as a witness, but to have two other gentlemen who are here. One is Mr. Mapes, President of the Reno Clearing House, and who is competent to speak for the State of Nevada; the other is Mr. E. W. Wilson, Manager of the International Banking Corporation, who has lived in Salt Lake City and has communicated with the banks of Salt Lake, and has a number of communications which will be of interest to you.

The Secretary of the Treasury: We will hear Mr. Mapes, of Reno.

STATEMENT OF GEORGE W. MAPES.

The Secretary of Agriculture: You may state your name and residence?

Mr. Mapes: George W. Mapes, Reno, Nevada.

The Secretary of Agriculture: You represent the Clearing House Association?

Mr. Mapes: Yes, sir. Here is a note.

The Secretary of the Treasury: Just read it.

Mr. Mapes: This is the resolution (handing paper.)

The Secretary of the Treasury: The Reno Clearing House wants a bank here, and wants to be attached to the Reserve Bank in San Francisco. That is the substance of the matter.

Mr. Mapes: Yes, sir.

The Secretary of the Treasury: Is there anyone else here who can speak for the banks of Nevada?

Mr. Mapes: Well, we had a meeting there and this is the resolution which was adopted.

The Secretary of the Treasury: Will you read the resolution.

Mr. Mapes: I am not a very good reader.

The Secretary of the Treasury: Mr. Cooksey, will you

please read the resolution.

Mr. Cocksey: (Reading)

RENO CLEARING HOUSE ASSOCIATION

Organized 1907.

Reno, Nevada, Jan. 30, 1914.

Mr. Geo. W. Mapes,

San Francisco, California.

Dear Sir:-

At a meeting of the Reno Clearing House Association, held this afternoon, the following resolutions were unanimously adopted:

RESOLVED, that we respectfully petition the Reserve Bank Organization Committee to designate San Francisco, as one of the Reserve cities for the establishment of a Federal Reserve Bank, it being the natural financial center of the Pacific Coast.

RESOLVED, That this Association for its member banks hereby petitions to be included in the District establishing San Francisco as the location of a Federal Reserve Bank.

RESOLVED, That Geo. W. Mapes, President of the Washoe County Bank of this city, be appointed the representative of this Association to attend the meeting of the Reserve Bank

Organization Committee be held in San Francisco, February 2nd and 3rd, 1914.

These resolutions express the sentiment of this Association in this matter, and this letter will be your authority to represent the Reno Clearing House Association at the meeting of the Reserve Bank Organization Committee on February 2nd and 3rd.

Respectfully,

R. C. Turrittin,

President.

M. D. Fairchild,

Secretary.

The Secretary of Agriculture: Is anybody here who can speak for the other banks in Nevada? This simply speaks for Reno?

Mr. Mapes: I do not know of any one. Of course, I got this this morning by mail. The Banks of Nevada, a large number of them, belong to this Clearing House Association, and as I understand, this is a meeting of that association. You take all the banks, you might say, of Nevada, they are correspondents principally with San Francisco or the west. There has been some talk of having a Regional Bank there in

Carson, which would be but a short distance from the town of Reno, 35 miles, but most of the banks in Nevada, I think, have their correspondents principally here in San Francisco.

The Secretary of Agriculture: You think that represents the sentiment of the banks of the state?

Mr. Mapes: I think so, yes, sir. This came to you, I did not expect to represent the banks here at all. The bank that I am an officer of or president of is a state and bank, /of course, we are somewhat undecided in regard to the different opinions of even the different Speakers in the House of Congress; they do not seem to be as well posted as they might be or ought to be. And our correspondents -- I am the President of this Washoe County Bank at Reno, Nevada, and the other banks in Reno are national banks, most of them, and they belong to this Clearing House, and even the banks at Tonopah and banks scattered throughout the State, like at Elko, are members of the Clearing House.

The Secretary of Agriculture: Is there any restriction in the law of Nevada which prevents state banks from subscribing?

Mr. Mapes: Yes, you might say they are prohibited at the present time, the way the law of the state is, but that

perhaps may be changed at the next Legislature.

The Secretary of Agriculture: We thank you very much,
Mr. Mapes.

Mr. Mapes: That is all I can say. I have nothing further
to say.

STATEMENT OF E.W. WILSON.

The Secretary of the Treasury: Will you please give your
full name and address and occupation?

Mr. Wilson: E. W. Wilson, Manager of the San Francisco
Bank of the International Banking Corporation.

The Secretary of the Treasury: You reside where?

Mr. Wilson: San Francisco. I lived in Salt Lake City
at one time.

The Secretary of the Treasury: How long since?

Mr. Wilson: Nine years, practically.

The Secretary of the Treasury: Do you represent the Salt
Lake City bankers at all?

Mr. Wilson: Not at all. I have some telegrams here and
information on the subject.

The Secretary of the Treasury: From whom?

Mr. Wilson: From them.

The Secretary of the Treasury: Submit them.

Mr. Wilson: And from southern Idaho.

The Secretary of the Treasury: Are these voluntary, or have they been evoked by inquiries?

Mr. Wilson: They are all replies to telegrams.

The Secretary of the Treasury: Have you the original telegram, or copies which you sent?

Mr. Wilson: Yes.

The Secretary of the Treasury: File the copies of the telegrams you sent, with the replies.

Mr. Wilson: Shall I read them to you, or just file them?

The Secretary of the Treasury: Read the telegrams to which these replies are the response.

Mr. Wilson: This is a telegram to the Governor of the State of Idaho, at Boise, Idaho, John M. Haines. He has also been connected with banking in that district at Boise, and has been a resident of the state for about 25 years and is quite well informed, I think. This is the telegram I sent him:

"Regional Bank Organization Committee here Monday. Would appreciate night letter from you expressing personal opinion as well as opinion of the leading bankers of Boise as to whether southern Idaho should not be attached to this

territory. If not now at least when Canal is completed and projected railroad extension from Nevada into your territory built.

E. W. Wilson.

This is his reply:

"Boise, Idaho, January 31st, 1914.

E. W. Wilson,

International Banking Corporation,

San Francisco, Cal.

Every one here believes San Francisco should have Regional Reserve Bank. If more than one is located in west we should also support some town nearer our territory. If the west is not to have more than one bank there can be no question about the priority of San Francisco's claim.

John M. Haines,

Governor."

I telegraphed McCornick & Company; that is the oldest bank in Salt Lake City, and Mr. McCornick has been in the business there for--

The Secretary of the Treasury: That is a private bank?

Mr. Wilson: It is a state bank now. He has been in business there since 1869, I believe. The telegram was

similar to the one I sent to Governor Haines, and it is as follows.

The Secretary of the Treasury: Have you a copy of it?

Mr. Wilson: It is attached to the back of the answer.

"Regional Bank Organization Committee here Monday.

Would appreciate night letter from you expressing personal opinion as to where Utah as well as southern Idaho should be connected. If southern Idaho business can be handled better elsewhere at the present time/^{will}there be a change when Canal is completed and promised railroad from Nevada into Southern Idaho is built.

E. W. Wilson."

The following is the reply:

"Of course our first choice for a Regional Bank is Salt Lake, second choice San Francisco. Do not think a railroad from Nevada to southern Idaho or the completion of the Panama Canal would make a particle of difference to Utah or Idaho.

McCornick & Co., Bankers."

The Secretary of the Treasury: That is the first man we have heard yet who did not think the Panama Canal would solve the whole situation (Laughter).

Mr. Wilson: This is a reply from the Pingree National Bank of Ogden. I sent these four telegrams because these banks are all interested in Southern Idaho;

"If we cannot have reserve bank in Utah favor San Francisco first, Denver next. Believe Idaho's condition very similar to ours. I wish you success.

Pingree National Bank."

The Secretary of the Treasury: He prefers Denver second.

Mr. Wilson: No. "If we cannot have reserve bank in Utah, favor San Francisco first, Denver next." Now this is an exception which I think proves the rule.

The Secretary of the Treasury: And in fairness you want to read that?

Mr. Wilson: This is the only one I have. It comes from Mr. Congriff, President of the Continental National Bank of Salt Lake City, who is interested in Idaho banks and in Wyoming banks, and in one bank in Denver. He says:

"Laying all sentiment aside and after serious consideration I am firmly of the opinion that Utah and southern Idaho should be within the Chicago district and neither Canal or railroads will change the situation for a generation.

J. E. Congriff."

I telephoned Saturday to Mr. Caine, the managing director of the Oakland Chamber of Commerce, who came here from Salt Lake City about six months ago, and who was manager of the Salt Lake Chamber of Commerce for four or five years, and prior to that was in the banking business. He writes as follows:

"OAKLAND COMMERCIAL CLUB,

Oakland, California, January 31st, 1914.

MR. E. W. Wilson, Manager,

International Banking Corporation,

Mills Building,

San Francisco, Calif.

Dear Sir:

In response to your request for some reasons why Salt Lake City and the inter-mountain country should be included within the zone of a regional bank to be established at San Francisco; I beg to submit the following:

Since the earliest days San Francisco has been a reserve center for the banks of the entire inter-mountain district. Most of them have carried heavy reserves in your city at all times. A study of bank balances carried by the banks of the inter-mountain region would show New York first in

amount, Chicago second or third, San Francisco second in some cases and third in most of the others.

Conditions in very early days justified the establishment of a branch bank at Salt Lake City by the old Wells-Fargo bank of San Francisco. There have been some changes in trade conditions since then, but with the opening of the Panama Canal, the pendulum will swing back again.

It is self-evident that with cheap water rates, from Europe and the Atlantic seaboard to the Pacific Coast, the entire inter-mountain region will turn to San Francisco Bay as the natural jobbing center.

The relations of Central California with the inter-mountain west have always been most cordial and the new conditions brought about by the opening of the canal will tend to bring these districts closer together in all their business relations.

Some weeks ago, I sent telegrams to the national banks of Salt Lake City and Ogden asking for an expression of preference and I am pleased to hand you the replies herewith.

You will note that while some of these express a hope

for the establishment of a regional bank in Salt Lake City, they all express a preference for San Francisco as against any other city.

My own experience in banking in Salt Lake City and a large acquaintance throughout the inter-mountain west leads me to the conclusion that all the district included in the states of Utah, Nevada, Southern Idaho and Western Wyoming, should be included in the San Francisco zone.

Very sincerely yours,

Joseph E. Caine,

Managing Director."

Now he encloses a copy of the telegram of inquiry that he sent.

The Secretary of the Treasury: What is that? Read that.

Mr. Wilson: It is dated December 27th.

"Question of locating regional bank in San Francisco in preference to other coast points special order Hands-Around-Harbor meeting here Monday. An expression from your bank, or from you personally to me favoring San Francisco would be greatly appreciated. Answer collect day message Monday morning.

James E. Caine, Managing Director,
Oakland Commercial Club."

Here is a reply from the President of the Deseret National Bank of Salt Lake City.

"The Deseret National Bank favors San Francisco for Regional Bank.

John C. Cutter."

And from Ogden:

"We certainly favor San Francisco for Regional banking in preference to any other coast city.

First National Bank."

Here is one from another Salt Lake City Bank:

"We strongly favor San Francisco, the geographical and financial center of Pacific Coast as the proper location for a Regional Bank.

National City Bank,

W. F. Adams, Vice President."

The following is from W. W. Armstrong, President National Copper Bank:

"We are very hopeful that a united systematic effort of banks and business interests in this inter-mountain section will be inaugurated to land a regional bank for Salt Lake, failing in that am convinced that Utah banking and commercial interests will be practically unanimous for Utah

to be made part of territory under jurisdiction of regional bank located in San Francisco, Consult Wilson in re my views.

W. W. Armstrong,

President, National Copper Bank."

Here is the reply from Mr. J. Cosgriff, President Continental National Bank, Salt Lake:

"All interests here and surrounding territory united in promoting Salt Lake's claim for Regional Bank."

Here is a letter from Frank Knox, dated December 30th:

"Joseph E. Caine, Managing Director,

Oakland Commercial Club,

Oakland, Calif.

Friend Joe:

I received your night letter but as our Clearing House Association was to hold a meeting to-day to take up the question of securing a Federal Reserve Bank for this city, I did not know what reply to make, farther than that the organizing committee has not segregated the United States into eight or twelve districts yet, and I do not know what section of the country we will be apportioned to; if to a section taking in San Francisco, personally, I would

be in favor of that city, although we are instructed to secure one here; of course, I cannot give that any consideration, because I do not think there would be a chance, and San Francisco would be the best place for us. Denver is also making strenuous efforts to secure it. Cannot tell anything about it until I see the report.

Yours very truly,

Frank Knox,

President."

Here is a telegram from James Pingree of the Pingree National Bank, Ogden, Utah:

"Shall be very pleased to aid you to obtain Regional Bank for San Francisco. Hope you will be successful. Best wishes."

Here is a letter from the First National Bank of Ogden, Utah, of December 29th:

"Mr. Jos. E. Caine, Managing Director,

The Oakland Commercial Club,

Oakland, California.

My dear Sir:

Replying to your night letter of the 27th inst., beg to advise that we today wired you, confirmation of which

we beg to enclose herewith. We have been receiving requests for assistance in getting the Bank located at Denver but up to this time have not made up our minds which location would be most favorable to the Inter-Mountain Country. However, of all the coast cities, San Francisco is our choice entirely.

Yours very truly,

John Pingree,

Cashier."

Just a word with reference to southern Idaho. The distance from Boise City by way of Ogden here now is 1132 miles, with a contemplated road which is a prospect as yet but which will certainly be built as a matter of necessity that will reduce that distance to 783 miles. The Twin Falls country will be reduced to seven hundred odd miles. As it is now, they go to Ogden and then around to Boise, which is about 400 miles.

The Secretary of the Treasury: Most of the Boise banks who appeared before the Committee at Portland, favored Portland as against any other place.

Mr. Wilson: Yes, sir.

The Secretary of the Treasury: But they favored San

Francisco as second choice?

Mr. Wilson: That is all I desire to say.

The Secretary of the Treasury: How do you feel about the part of Utah east of the mountains?

Mr. Wilson: There are only two or three banks there, and they are tributary to Salt Lake.

The Secretary of the Treasury: You think the tail should go with the hide, do you?

Mr. Wilson: Yes. I say two or three; I mean a few. I have no doubt these banks would prefer to go where Salt Lake City goes.

The Secretary of the Treasury: You think the state as an entirety should be dealt with?

Mr. Wilson: Yes, I think it can be safely included in one section.

Mr. James K. Lynch: They are two merchants here who were to have followed Mr. Lynch, the President of the Chamber of Commerce, according to the original program.

The Secretary of the Treasury: I think this map indicates pretty thoroughly what we wanted to know, if it is accurate. We only ask that it be accurate.

Mr. James K. Lynch: You might have their word on it.

They are Mr. Moore and Mr. Esberg, and they are large jobbers and distributors out of San Francisco.

The Secretary of the Treasury: We will hear from them briefly.

STATEMENT OF W. N. MOORE.

The Secretary of the Treasury: You may state your name, address and occupation?

Mr. Moore: W. N. Moore. President of the Moore-Watson Dry Goods Co., San Francisco.

What I shall say will be very brief. As a jobber of dry goods we do business and distribute goods in all of the states that are included on that map there, as well as in Alaska, the Hawaiian Islands and some in the Philippines. To give some idea of the extent to which we do business in those states outside of California, I will say we travel five men in the State of Oregon and four in the state of Washington and those along the border travel into Idaho. We have two men in Nevada and two in Arizona and New Mexico. Of course, we meet with local competition in Portland, Seattle and Spokane on the north, and in Los Angeles on the south, but we are able to distribute merchandise in all of

that territory from San Francisco.

The Secretary of Agriculture: I suppose there are other houses in that more distant territory that distribute more in proportion?

Mr. Moore: Oh, yes, and that is their own territory, certainly.

The Secretary of Agriculture: You dominate that section, do you think?

Mr. Moore: Yes, sir, San Francisco dominates it, so far as local conditions are concerned. Of course, New York and Chicago and other eastern cities sell goods in our line within all of this territory, but we are supreme within that light colored territory there, so far as any local competition is concerned, except perhaps Los Angeles, which comes up into part of the San Joaquin Valley.

The Secretary of Agriculture: I think that is all. We thank you.

D STATEMENT OF MILTON H. ESBERG.

The Secretary of Agriculture: What is your position?

Mr. Esberg: Vice President of M. A. Gunst & Company.

We cover that entire territory indicated on the map, Mr. Secretary, with the possible exception of Salt Lake. Our two vice presidents, who are directors. of our general company, reside on the Pacific Coast, reside in San Francisco, not by preference of climate or by any particular desire, but because the main office of the company west of the Mississippi is located in the city of San Francisco. The natural jobbing centers on the Pacific Coast, not only for our business, but for practically all commodities that move by rail and water up and down the Pacific Slope are San Francisco, Los Angeles, Portland, Seattle and Spokane. These five cities each have their own localized conditions, but no one of the four, exclusive of San Francisco, reports to any of the other points. In other words, Spokane reports direct to San Francisco; Seattle, Portland and Los Angeles the same. The percentages of business done on a hundred per cent basis are somewhat as follows, including Honolulu, which is a little less than 5 per cent of the business: 50 per cent of the business is done in San Francisco. I will give the exact figures so that the record may be clear.

19 per cent in Los Angeles, 14 per cent in Portland, 11 per cent in Seattle, and 6 per cent in Spokane.

The one point at issue, as has been developed by you and Secretary McAdoo, is the point of Arizona. Arizona is distinctly tributary, in our line of business, to Los Angeles. With all of the business in Arizona, which furnishes less than 4 per cent of 19 of the business done in Los Angeles, the entire Los Angeles percentage is 19 out of 100. Boise, Idaho, is at the present time tributary and will probably favor Portland on account of the Oregon Short Line which delivers merchandise to them at the present time better than it can be done from San Francisco.

I want to press the serious note in the matter in that all the points are tributary and are financed through San Francisco. No point can individually finance itself without knocking at the door of San Francisco, so far as our line and most jobbing lines in this country are concerned. I do want to go on record that we have depots at each of those places.

The Secretary of the Treasury: I thank you.

Mr. Lynch: The district superintendent of the telephone company is here.

The Secretary of Agriculture: We will hear him.

STATEMENT OF THOS. FRANCIS DELURY.

The Secretary of Agriculture: What company do you represent?

Mr. Delury: Pacific Telephone & Telegraph Company.

The Secretary of Agriculture: Do you have lines to call these points in this district?

Mr. Delury: Yes, sir.

The Secretary of Agriculture: To Portland?

Mr. Delury: Yes, sir.

The Secretary of Agriculture: To Seattle?

Mr. Delury: Yes.

The Secretary of Agriculture: Boise?

Mr. Delury: Boise, yes.

The Secretary of Agriculture: Salt Lake?

Mr. Delury: It is not finished yet. We will have one.

The Secretary of Agriculture: Los Angeles?

Mr. Delury: Yes.

The Secretary of Agriculture: To Phoenix?

Mr. Delury: Yes.

The Secretary of Agriculture: How long does it take to

reach Portland?

Mr. Delury: Well, we can reach Portland within two minutes if everything is going right.

The Secretary of Agriculture: That is over 700 miles?

Mr. Delury: Yes, sir.

The Secretary of Agriculture: Can you reach Seattle?

Mr. Delury: If everything is clear, we can reach Seattle.

The Secretary of Agriculture: Can you hear distinctly?

Mr. Delury: Yes, sir.

The Secretary of Agriculture: How many trunk lines have you got?

Mr. Delury: Well, I think we have three, but I am not sure.

The Secretary of Agriculture: To what points?

Mr. Delury: We have got to Portland-Seattle two direct, and then we have the outside lines going out.

The Secretary of Agriculture: Are there any private lines of commercial bodies?

Mr. Delury: Not that I know of.

The Secretary of Agriculture: Is your service often disturbed by storms?

Mr. Delury: It has been during this last storm--we have

had considerable trouble.

The Secretary of Agriculture: For what length of time?

Mr. Delury: Well, the Eureka line was out for about ten days, but the other lines were not out except intermittent trouble. The Eureka line was the worst line we had on account of this recent storm. That is in good working order now -- in good shape.

The Secretary of Agriculture: Has your services been out to any of these other points for a day or half day?

Mr. Delury: Not that I know of. Well, we have had a little trouble around Portland with a sleet storm, or something like that, but not this season.

The Secretary of Agriculture: How is it to the south?

Mr. Delury: The southern lines are all right, so far as I know.

The Secretary of Agriculture: These points could be easily reached at any time by telephone or telegram?

Mr. Delury: Yes sir.

The Secretary of Agriculture: I think that is all. Is there any other representative?

Mr. Lynch: We have representatives from San Jose and from Fresno.

The Secretary of Agriculture: I should like to hear briefly from Fresno. I suppose the position of San Jose is apparent, that they favor San Francisco.

STATEMENT OF ALFRED KUTNER.

The Secretary of Agriculture: What is your name and who do you represent?

Mr. Kutner: My name is Alfred Kutner and I represent Fresno. I am the President of the Farmers National Bank of Fresno.

The Secretary of Agriculture: How many banks have you?

Mr. Kutner: Four national banks in Fresno.

The Secretary of Agriculture: How many state banks?

Mr. Kutner: There is one commercial bank and two savings banks.

The Secretary of Agriculture: Do you speak for any bank except your own?

Mr. Kutner: I am delegated as a delegate here.

The Secretary of Agriculture: Have you any resolutions?

Mr. Kutner: No, I have no resolutions.

The Secretary of Agriculture: What do you desire to say?

Mr. Kutner: I don't desire to say anything except that we are in favor of San Francisco. We know that is our natural center.

The Secretary of Agriculture: You prefer that to any point in the north or south, do you?

Mr. Kutner: Yes.

The Secretary of Agriculture: Have you any other representative?

Mr. Kutner: I don't think so.

The Secretary of Agriculture: Is there any other gentleman in the room that has not been called on by any of these bodies?

A gentleman: I am here in behalf of the Chamber of the Chamber of Commerce and Clearing House of Seattle, the chamber of Commerce and Commercial Club at Tacoma, to make reply to the claim of San Francisco.

The Secretary of Agriculture: We don't care to hear any reply. We have already heard Seattle. If you have any facts that you desire to submit, we will ask for the facts, but we don't care to hear any argument. Is there anything else?

STATEMENT OF EDWARD P. E. TROY.

Mr. Troy: I am representing the Public Ownership Association. The Public Ownership Association would like to ask your body, in such rules as they might make, to provide that the directors and other members of the officers of

the reserve banks who shall be associated with the reserve board shall not be representing any public service corporation, because we find in San Francisco that the public service corporations are represented on the boards of directors of the banks here, and they use the banks to intimidate the people of the city and the newspapers and the merchants.

The Secretary of Agriculture: Now, you are bringing up a matter that should be brought up before the Federal Reserve Board and not before this Committee. Our problem is to organize these districts.

Mr. Troy: I thought you would like to hear that matter.

The Secretary of Agriculture: The Federal Reserve Board is bound by the terms of the law, which places certain limitations on its powers in selecting the representative of the government, and there are certain limitations also placed on the action of the banks in the district in selecting their representatives.

Now, if you have any communication you desire to have the Federal Reserve Board consider, when it is appointed, I suggest that you formulate it and send it to Washington.

Mr. Troy: We certainly will. We thought if your Committee had anything to do with the matter you could formulate a rule so that no bank that had any connection with a public service corporation could be represented on the Board.

The Secretary of Agriculture: No. This Committee is entrusted with the duty of dividing this country into districts and locating these centers for the banks, and I think you had better formulate what you desire to say and you can send it, in order to make it certain that it will have proper consideration, addressed to the Chairman of this Committee at Washington.

Mr. Troy: Thank you. We wanted to call your attention to the fact that the Public Service corporations use the banking power to intimidate the people in order to strengthen the banking power against the people.

The Secretary of Agriculture: Formulate that as briefly as possible and send it to the Committee at Washington.

STATEMENT OF W. W. PHILLIPS.

Mr. Phillips: I represent the Fresno Chamber of Commerce. I wish to say that our valley is one largely agricultural and developing very rapidly, and we require a great deal

of money to carry on the development which is going on. Our wish is that this Committee should establish a strong regional bank in San Francisco which can furnish the money at times when we sorely need it, and which we have not been able to get heretofore from San Francisco and from our local banks. With that regional bank no doubt we will be able to get sufficient funds to develop the agricultural resources of that portion of the state. We are very much in hopes that the government will go on with its farm bank loans, but, of course, that is outside of your jurisdiction.

The Secretary of Agriculture: Is there any other gentleman who desires to be heard?

STATEMENT OF N. S. FARLEY.

The Secretary of Agriculture: What is your name and occupation?

Mr. Farley: N. S. Farley. I am deputy collector of customs. Mr. Secretary, I have prepared a statement at the request of Collector of Customs Davis in regard to the customs business here, but as it has been largely covered by Mr. Lynch in the early part of the hearing,

perhaps it is not necessary to go into it. His figures, however, are not as recent as these are, and perhaps by simply filing this statement, it would be sufficient.

The Secretary of Agriculture: Yes. That may be filed.

The document so filed is as follows:

"CUSTOMS BUSINESS AT SAN FRANCISCO.

By N. S. Farley, Deputy Collector of Customs.

The total amounts of duties, tonnage taxes, fees, etc., collected at this port during the past five calendar years were as follows:

1909- - - - -	\$6,731,829.31
1910- - - - -	7,146,009.03
1911- - - - -	0,811,030.52
1912- - - - -	6,680,688.02
1913- - - - -	6,421,062.54

The tariff act of 1913 reducing rates of duties has necessarily caused decreased receipts; and the act of 1909, prohibiting the importation of opium, has lessened the duties collected at this port by about \$800,000 annually.

Another matter causing a reduction in duties at this port is the increasing quantities of free goods imported, the percentage of such in comparison with dutiable goods being greater than at other large ports. For instance,

the free goods imported at this port have grown to 75 per cent of the total imports, whereas at Boston, previous to present tariff placing wool on the free list, the imports there of free goods were approximately only 50 per cent of the total imports.

The amount of duties collected at any port is, therefore, not a correct gauge of the customs business.

While the duties collected annually at the great port of Boston have been more than 200 millions of dollars, against less than 7 millions at this port, the imports there consist largely of raw wool and sugar, and by the placing of wool on the free list and the reduction in duties on sugar on the first of next March, the present tariff will reduce the duties at Boston approximately 11 millions of dollars (\$8,000,000 on wool and \$3,000,000, on sugar).

The imports at this port of merchandise from foreign ports have grown from \$51,469,033 in 1909 to \$62,650,398 in 1913; the exports of domestic merchandise from \$30,431,489 in 1909 to \$68,937,862 in 1913. In addition to exports there are out shipments to Alaska, Hawaii, Tutuila, and Guam.

The Philippines, so far as customs business is concerned, are a foreign country, and the statistics of our trade with

those islands are included in the exports above.

Most of the shipments from this port to Alaska are transshipped at Seattle, and, therefore, are credited to shipments from that port. The statistics of shipments from this port to Alaska cover only shipments made by vessels that clear directly to places in Alaska. These shipments were \$3,868,943 in 1909 and \$3,161,373 in 1913.

Our shipments to the Hawaiian Islands in 1909 amounted to \$12,154,869 and rose to \$19,994,091 in 1913.

Our shipments to Tutuila and Gaum in 1913 amounted to \$167,071-- a material increase over former years.

In addition to the foregoing, and also part of the commerce of this port, were the exports of foreign merchandise either after being duty paid, or from warehouses in bond without the payment of duty. These figures totaled \$1,159,041 for 1913. Foreign merchandise in transit through the United States totaled \$1,512,311 additional.

Then there are shipments to Atlantic ports via the isthmuses of Tehuantepec and Panama, which amounted, in 1913 to \$10,858,935 via Tehuantepec and to \$6,010,339 via Panama.

No statistics are available for shipments arriving at this port by either Tehuantepec or Panama, as such statistics

are compiled only at ports of departures of vessels, and then not separately for each port of destination; but it is assumed that the value of merchandise arriving by these routes equals the shipments from this port.

Likewise merchandise shipped from Alaska, Hawaii, Tutuila and Guam is covered only in the statistics made at ports of departures of vessels. These statistics for the fiscal year ended June 30, 1913, compared with previous years showing gradual increases, seem to warrant the statement that the value of merchandise shipped from Hawaii to this port for the calendar year of 1913 exceeded \$27,000,000; from Alaska, \$5,000,000; and from Tutuila and Guam an amount equal to shipments from here to those islands, viz: \$157,071.

The value of refined bullion exported to foreign ports in the year 1913 amounted to \$12,750,872, and the imports of the same amounted to \$3,318,909.

Gold and silver coin exported to foreign countries totaled only \$144,755 and the imports of the same \$1,718,941.

The shipments of gold and silver coin to Hawaii, Tutuila, and Alaska were valued \$248,708.

No figures are available covering the value of gold and

silver coin returned from Hawaii, but estimating from figures of previous years probably three-quarters of a million would not be an excessive figure. The value of shipments of refined bullion and coin from Alaska to this port is not available. During 1913, 18 vessels laden with domestic coal arrived from Atlantic ports via the Strait of Magellan or Cape Horn, and 6 vessels likewise arrived with general merchandise. Six vessels were cleared from this port for Atlantic ports via either the Strait of Magellan or Cape Horn, with cargoes of general merchandise.

Estimating the coal cargoes at double the vessels' net register tonnage (and often a coal cargo equals two and a half times the net tonnage), and the value of the coal at \$3 a ton f. o. b. Norfolk, the value of domestic coal brought into this port from the Atlantic coast totaled \$350,000.

Estimating the cargoes of general merchandise at \$165,000 each, the total value of such cargoes in and out of this port reached \$2,000,000. This is not an excessive estimate, when the fact is considered that the cargoes of vessels with general merchandise range in value from \$100,000 to \$500,000. The Matsonia, which cleared a few days ago for Honolulu, carried a cargo valued at more than \$200,000, and the cargo of the

Chiyo Maru, recently cleared for the Orient, was valued at more than \$400,000.

From the foregoing statement and deducting the value of imports by rail in bond (\$1,999,419), it would appear that the total deep sea commerce of this port, inward and outward, amounted to more than \$350,000,000 in the past year.

No customs statistics are available for the coastwise trade along the mainland, and the value of this trade can be estimated only by those familiar with or engaged in the same.

But as an indication of the importance of this port as a trade center, it might be well to note that forty foreign governments maintain their consular representatives in this city.

The daily travel in and out of this city also indicates the commercial importance. The official figures on file in the custom house shows that for the fiscal year ended June 30, 1913, 39,957,573 passengers were carried on the trans-bay ferries to and from the east shore and to and from Marlin County; 400,000 on river and other bay steamers; 1,300,000 by sea (domestic and foreign); and 7,000,000 by rail to and from San Mateo County and the south -- a total of nearly

49,000,000. This is a daily average of over 130,000, showing that 65,000 is the average number of persons that arrive in and depart from this city every day in the year.

COMPARATIVE STATEMENT OF CUSTOMS BUSINESS AT PACIFIC COAST.

PORTS FOR THE FISCAL YEAR ENDED JUNE 30, 1913.

Those figures from recent annual report of Secretary of the Treasury.

Ports	Imports	Exports	Receipts
Seattle	\$22,332,328	\$21,016,081	\$1,427,664.56
Tacoma	24,490,733	22,326,482	504,698.11
Portland	2,787,965	9,372,936	681,003.80
San Francisco	68,209,909	76,294,060	6,439,789.83
Los Angeles (Including San Pedro)	3,747,601	253,563	741,865.39
San Diego	625,657	541,881	94,304.98

The above figures do not include receipts, on account of the Departments of Commerce and of Labor, for tonnage tax, head tax, and other payments made at the Custom House for those departments, which amounted for the fiscal year ended June 30, 1913, to \$45,961.53 at Seattle; \$25,469.73 at Tacoma; \$3,187.30 at Portland; \$74,170.81 at San Francisco, \$7,942.87 at Los Angeles, and \$7,934.88 at San Diego.

SAN FRANCISCO'S SEA TRADE FOR THE CALENDAR YEAR OF 1913.

Imports for San Francisco,	\$62,650,398	
" forwarded in bond,	<u>7,485,307</u>	\$70,135.605
Exports (domestic Mdee.)	\$68,937,962	
(foreign ")	1,159,041	
(foreign ") (In transit)	<u>1,512,311</u>	71,609.214
Shipments to Hawaii,		19,994,091
Receipts from " (estimated)		27,000,000
Shipments to Alaska,		3,161,273
Receipts from " (estimated)		5,000,000
Shipments to Tutuila and Guam,		107,071
Receipts from " " " (estimated)		107,071
Shipments via Tehuantepec to Atlantic ports,		10,858,935
Receipts " " from " " (estimated)		10,858,935
Shipments via Panama to Atlantic ports,		6,010,339
Receipts " " from " " (estimated)		6,010,339
Exports and shipments of coin and refined bullion		
Cape Horn of Domestic Merchandise		1,000,000
Arrivals from Atlantic Coast, same route,		
Domestic Merchandise,		<u>1,350,000</u>
	\$	252,155,058
Less importations received by rail in bond		<u>1,999,419</u>
Total Deep sea trade through San Francisco,	\$	250,155.639

No custom statistics are available for the coastwise trade along the mainland, and the value of this trade in and out of this harbor can only be estimated by those familiar with such trade.

The exports from this port to the Phillipines in 1913 totaled \$6,074,387, and the imports here from those islands amounted to \$3,861,111 during the same period.

During 1913, the exports from this port to Japan totaled \$27,354,365 and the imports here from Japan amounted to \$24,915,316 from the same period. The trade of this port with Japan, both inward and outward, is, therefore, more than one-third of the total trade of this port with all foreign countries."

The Secretary of Agriculture: Is there anybody else who desires to be heard?

(No response.)

The Secretary of Agriculture: If not, the hearing will be closed in this city.

(Whereupon, at 12:40 o'clock P.M., the hearing at San Francisco adjourned.)