

STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE

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

TS.

At Austin, Texas.

Date February 9, 1914.

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Austin, Texas, Feb. 9th, 1914.

Met pursuant to adjournment at 9:00 A.M.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

NATHAN ADAMS, (Dallas, Texas) for the American
Exchange National Bank.

E. L. FLIPPEN, (Dallas, Texas) for the Armstrong
Pacing Company.

HENRY D. LINDSLEY, (Dallas, Texas).

ALEX SANGER, (Dallas, Texas).

J. R. BABCOCK, (Dallas, Texas) for the Dallas Chamber
of Commerce.

J. HOWARD ARDREY, (Dallas, Texas), Cashier, City
National Bank of Dallas, Texas, for the Clearing House
Association of Dallas.

W. M. CRANE, (Dallas, Texas.)

LOUIS LIPSITZ, (Dallas, Texas) for the Clearing
House at Dallas.

A. M. MATSON, (Dallas, Texas) General Manager of Butler Brothers, and Chairman of the Railway Committee of the Dallas Chamber of Commerce.

W. R. ERINGTON, (Fort Worth, Texas) for the Fort Worth Clearing House Association.

JEFF T. GIBBONS, (Houston, Texas) for the Houston Packing interests.

L. DAVIDSON, (Houston, Texas) for the National Bank.

ADOLPH BOLDT, (Houston, Texas) for the Houston Chamber of Commerce.

W. C. HOGG, (Houston, Texas) for the Chamber of Commerce and the Clearing House Association.

J. L. BROWNE, (San Antonio, Texas) for the Karnes County National Bank of Karnes City, Texas.

R. C. ROBERDEAU, (Austin, Texas) Vice-president of the American National Bank of Austin.

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The Secretary of the Treasury: Gentlemen, the hearing will come to order. I am going to ask Secretary Houston, as he is on his native heath now, to make the announcement for the Committee.

The Secretary of Agriculture: Gentlemen, this Committee is charged with the duty immediately of dividing the country into not less than eight nor more than twelve reserve districts and of locating in each district a city in which the Federal Reserve Bank shall be located.

This is a broad, national, economic problem. We must look at it from that standpoint. No community will receive the best benefits from such a measure as this unless this duty is performed in the broad national spirit contemplated by the law. We are compelled to disregard mere considerations of local pride or prestige and consider all the business interests of the nation. The law specifically requires that in solving this problem due regard be had for convenience and the customary course of trade. That furnishes the key to the solution of this problem.

We shall ask the witnesses to apply themselves to the furnishing of such information as will bear directly on that problem. The time is limited, and we desire to hear each

side fully and to know just what the wishes and interests of each community are. Both of us are quite familiar with the industrial conditions in this State. We will concede a wall around the state, and the ability of the state to produce everything that the people need, and many other things of that general character. What we desire to know is what, in your judgment, so far as this section of the United States is concerned, will best serve the business interests of this section. That ought to be the exclusive consideration: Where, in your judgment, a Federal Reserve Bank ought to be located that would best serve this South-western section of the United States and what district should be attached to that bank.

I understand that there are three cities that desire to present particular matters to the Committee, and we shall be glad to hear from Dallas.

I might add just this word, that we hope that gentlemen will confine themselves to presenting any facts in addition to what have been presented by those who precede them. We do not care for repetitions, and unless gentlemen who are to follow the first few speakers have additional facts or information to present, of course it will be scarcely

necessary for them to appear.

Mr. Moore: May I ask how much time is to be allotted to the several cities?

The Secretary of Agriculture: We have no definite allotment. We hope to hear them all fully before the day is over.

The secretary of the Treasury: We will hear Mr. Wright, of Dallas.

STATEMENT OF J. W. WRIGHT.

The Secretary of Agriculture: Mr. Wright, give your full name, address and occupation.

Mr. Wright; J. W. Wright; President of the Commonwealth National Bank, Dallas, Texas.

The Secretary of Agriculture: Do you represent any association?

Mr. Wright: I am chairman of the Dallas Businessmen's League, in presenting this matter.

The Secretary of Agriculture: Will you proceed, Mr. Wright.

Mr. Wright: I was only going to say on behalf of Dallas, that we would present Mr. Babcock first, that is all.

The Secretary of Agriculture: You do not wish to make any

statement yourself?

Mr. Wright: No, sir; none at all.

STATEMENT OF J. R. BABCOCK.

The Secretary of Agriculture: You may give your full name, residence and occupation?

Mr. Babcock: J. R. Babcock, Secretary of the Chamber of Commerce, at Dallas, representing the Dallas Chamber of Commerce.

Gentlemen, I desire to present this territory (indicating on map here produced). The territory consists of all of Texas, all of New Mexico and all of Oklahoma, that part of Louisiana which is west of the Mississippi River, 86 per cent, and that part of Arkansas which is south and west of the Arkansas River, 45 per cent of Arkansas.

We have drawn a memorandum on the side here, which gives you the percentages of the different vital facts in that territory. It includes 17.4 per cent of the area of the United States; 8.3 per cent of the population; 12.6 per cent of the national banks; 10.2 per cent of the state banks; 13.9 per cent of the annual farm production; and lest you may think that all the production in the territory

is farm production, I call your attention to the fact that the factory production is \$685,000,000.

This section has been designated by the Federal Government as the west south central division, for census purposes. It is an economic division, and made so on account of the correlation of its industries, the homogeneity of its people and the interdependence of its institutions. This territory has always been set off by itself. Without New Mexico that territory is designated by the railroads and approved by the Interstate Commerce Commission as the Southwest Classification tariff territory.

I call your attention to the natural boundaries, Mexico and the gulf and the river--

The Secretary of Agriculture: We are familiar with that, Mr. Babcock. Just omit the boundaries.

Mr. Babcock: Our greatest points in regard to this territory are in these figures here on the left of the map; 41.8 per cent of the annual cotton production of the United States is raised in this territory; 44.5 per cent of the annual cottonseed production of the United States, to the amount of \$54,000,000, greater than the entire wheat crop of Minnesota. 9.7 per cent of the annual live stock

production; 48.8 per cent of the annual cotton exports, which brings to this country 12.6 per cent of the total exports of the United States, bringing the balance of gold in favor of this territory.

From a competitive standpoint please note this line here (indicating). The points on this line are equi-distant between St. Louis and Dallas. There is no portion of the territory nearer St. Louis than Dallas, except that little corner of Oklahoma. This line here represents the 12 hour distance by rail from Dallas, that is all points this side can be reached from Dallas in 12 hours. It will be conceded that all the balance of the country is nearer Dallas than to any other point. Notice that the congestion of the population is within a radius of 200 miles of Dallas, and there are more people within 100 miles of Dallas than there are within 100 miles of Kansas City, and very nearly as many, lacking 100,000, as within 100 miles of St. Louis. Of course, you all know we are not all sage brush and cactus out here. Within the parcel post zone, within approximately 200 miles radius there was a population of 2,623,202 in Parcel Post Zone 2, and within 200 miles of Dallas, there are 3,691,063 people, which is 47.4 per cent of the popu-

lation of the proposed district, while constituting but 20.3 per cent of the total area. The value of the farm lands in the same territory according to the last census figures, was more than the combined capital of all the banks and trust companies in the United States.

I want to call attention to the growth of the territory, particularly, and the facilities for reaching the territory. You are building for the future and we are building for the future. The average growth of the United States was 21 per cent in population, while the average growth in the territory was 39 per cent. The growth in wealth and population annually was 88.9 per cent; in other words, on the basis of one billion dollars the annual production of that territory is \$88,900,000 a year.

The number of banks increased in the last ten years 454 per cent, and the total deposits of those banks increased 510 per cent.

These lines on the map show the distances from the other towns that have been considered and are to be considered. This is all with reference to Dallas. You will please note that of course Dallas is the centre of all the territory surrounding it, but it is a long way from New Orleans to

El Paso and from St. Louis to El Paso. Dallas is about half way, and occupies a geographical location there that can serve that territory properly, and I think we can produce the facts to prove that Dallas is the proper location. I would be glad to supplement this, if there are any other questions.

The secretary of Agriculture: Upon what theory do you include Oklahoma?

Mr. Babcock: We include it first on the ground that the country south of the river was settled from Texas and--

The secretary of Agriculture: We are compelled to have regard to the course of trade. Have you any expressions from the business men and bankers of Oklahoma that they desire to be attached to Dallas?

Mr. Babcock: Yes, sir, Mr. Lipsitz has that in full detail.

The secretary of Agriculture: And from New Mexico?

Mr. Babcock: Yes.

The secretary of Agriculture: To what extent is the trade in this direction?

Mr. Babcock: We show that we travel 657 men out of Dallas, and in trade relations sell \$44,000,000 a that

territory.

The Secretary of Agriculture: What expressions have you from those states that they desire to be attached to Dallas? That their trade is in that direction, and from Louisiana?

Mr. Babcock: You mean from the banks?

The Secretary of Agriculture: From the business men and bankers of those states.

Mr. Babcock: I have not any expressions from the business men in that territory, except that they do their trading in Dallas.

The Secretary of Agriculture: You have annexed it without consulting them?

Mr. Babcock: Yes.

The Secretary of Agriculture: And without consideration as to where the volume of their trade goes and what their banking relations are?

Mr. Babcock: No, we have considered where the volume of their business goes, and have statistics on that point.

The Secretary of Agriculture: From their point of view or yours?

Mr. Babcock: From their point of view and ours.

The Secretary of Agriculture: But you have no expressions

from them.

Mr. Babcock: Not from the business men, except in a few isolated cases, which will cover the territory, we think.

The secretary of Agriculture: We had expressions in several other places that Oklahoma desired to go to the north.

Mr. Babcock: All of Oklahoma?

The secretary of Agriculture: Practically, and that new Mexico desired to go to the north or west.

Mr. Babcock: Well, we cannot show by definite expression from the people in that territory that they want to be allied with Dallas, but we can show that the greater portion of the state is directly connected with Dallas in a trade way and is more convenient to Dallas.

The secretary of Agriculture: Any facts you have showing that the current of their trade sets southward, of course, we would be glad to have.

Mr. Babcock: We have that, I think, in very good shape to file.

STATEMENT OF M. H. WOLFE.

The Secretary of the Treasury: Will you give your name,

residence and occupation?

Mr. Wolfe: M. H. Wolfe; I am in the cotton export business in Dallas, and also vice president of the Guaranty State Bank & Trust Company .

The secretary of the Treasury: You know the problem we have, of dividing the country into districts. We should be glad to have your views.

Mr. Wolfe: I want to give information specially concerning the question of cotton, because that is my business.

The secretary of the Treasury: With relation to this particular district?

Mr. Wolfe: With relation to this particular district, yes, sir.

The secretary of the Treasury: Proceed.

Mr. Wolfe: We have in that district thereas laid down within 12 hours ride of Dallas, practically 49 per cent of the total cotton area of the south. We have in the south a total cotton area of 892,000 square miles and the area in this territory laid down there is 437,794 miles, making 49 per cent. Last year our total cotton production, according to the census of the United States and some other facts I have here was 14,104,000 bales, and we produced in this

territory 6,857,000 bales, or 48 1/2 per cent of the total production.

The secretary of the Treasury: Give us some facts with reference to the total production handled in Dallas.

Mr. Wolfe: Last year the Dallas cotton buyers bought 1,459,000 bales.

The secretary of Agriculture: How does that compare with Houston?

Mr. Wolfe: I have the figures from Houston, in fact all of the cotton cities. The Houston figures are rather ambiguous, and I will call your attention to that.

The secretary of the Treasury: Are they any more so than Dallas?

Mr. Wolfe: Yes, sir.

The ~~secretary~~ secretary of Agriculture: Does that come from the fact of the difference in the figures?

Mr. Wolfe: No, I am taking these things from Mr. Shepperson's book, who is the acknowledged statistician of cotton statistics of the world; he is the acknowledged authority.

The Secretary of the Treasury: Did he make the Houston as well as the Dallas figures?

Mr. Wolfe: We made the Houston figures and we have the figures here to back up the Dallas figures. The Houston figures are 1,381,000 bales handled last year, but opposite that MR/ Shepperson puts a star, which refers down to the foot notes, which says--

The Secretary of the Treasury: Is it a Lone Star?

Mr. Wolfe: Yes, sir, a Lone Star, which says that the Houston figures include f.o.b. cotton; that means free on board the cars passing through Houston, bought by Dallas buyers, perhaps, and going through Houston to Galveston. That is the reason I say they are ambiguous, because they do not represent the purchases in Houston, but the cotton passing through Houston.

New Orleans is the next cotton centre of the south--

The Secretary of the Treasury: What does he say about Dallas?

Mr. Wolfe: Mr. Shepperson did not have the facts of Dallas, because our Cotton Exchange was just organized a year ago, and this is the first year we have put up facts. We are posting our purchases last year for the first time, and that was not put in his report at that time, because

it was not on record.

The Secretary of the Treasury: Tell us how that crop was financed?

Mr. Wolfe: About \$80,000,000 of that \$92,000,000 was financed directly and indirectly by Dallas banks.

The Secretary of the Treasury: Tell us the procedure, the method by which it was done?

Mr. Wolfe: The procedure was that the buyers bought this cotton in Oklahoma, Arkansas, Louisiana and Texas, and largely gave drafts on Dallas in payment for it. We do that practically on all of our business, except in some cases where we give them New York Exchange.

The secretary of the Treasury: Where were those drafts financed? They were re-financed here.

Mr. Wolfe: Yes. We sell foreign exchange in New York largely, some in Chicago and a little in Philadelphia.

The secretary of the Treasury: Proceed.

Mr. Wolfe: Now, in Oklahoma we handled from Dallas last year of the Oklahoma crop, and I want to give you those figures as they might be interesting to show that Dallas, really is in the centre of the cotton trade and is handling a large percentage of it, we handled of the Oklahoma

233,000 bales last year.

The Secretary of the Treasury: What was the total crop of Oklahoma?

Mr. Wolfe: 1,057,000 total crop.

The Secretary of the Treasury: And you handled about 23 per cent?

Mr. Wolfe: Yes, that is from Dallas, you understand-- The Arkansas crop south and west of the Arkansas River, we handled last year 47,500 bales in Dallas.

The Secretary of the Treasury: What percentage is that?

Mr. Wolfe: Arkansas raised 505,000 bales west and south of the Arkansas River. They raised about 800,000 bales total, but south of the river about 505,000, according to the figures.

The Secretary of the Treasury: You handled about 9 per cent of that?

Mr. Wolfe: Yes. In Louisiana we handled last year 16,000 bales from Dallas.

The Secretary of the Treasury: What was the total in Louisiana?

Mr. Wolfe: 393,000 bales. The boll weevil has eaten them up and they have not raised much in three years. Of the

Texas crop we handled 1,162,500 bales from Dallas.

The Secretary of the Treasury: Out of a total of what?

Mr. Wolfe: Out of a total of 4,902,000 bales.

The secretary of the Treasury: About 25 per cent.

Mr. Wolfe: Yes, a little over 25 per cent. We export from this district about 68 per cent of the total export crop of the south. You understand, we only raise about 49 per cent, but east of the river they use it in their own mills.

The Secretary of the Treasury: What is the percentage of export from Dallas alone ?

Mr. Wolfe: About 90 per cent.

The Secretary of the Treasury: Of this district?

Mr. Wolfe: Of this district 85 per cent is exported.

The Secretary of the Treasury: From Dallas?

Mr. Wolfe: Not from Dallas, but from the whole territory.

The Secretary of the Treasury: You spoke of the total and I would like to know what percentage of that export is handled through Dallas?

Mr. Wolfe: We export about 90 per cent of the crop handled through Dallas, and the total export from this district is about 85 per cent.

The secretary of the Treasury: Exactly. Now of that 85

per cent, how much of it is handled through Dallas?

Mr. Wolfe: We handled, as you see, 1,459,000 bales out of 6,857,000. It is a question of calculation as to the per cent.

The Secretary of the Treasury: Take those figures and you can reduce it to percentages.

Mr. Wolfe: Yes. Now, as to our uniform needs of money, that is one point I supposed would be interesting, as to our needs for financing this crop. As you know, the cotton crop is the one we have the most trouble with in financing in this country. South Texas begins their movement along in July, and by the 1st of August they are in full operation in South Texas. We handle our South Texas crop practically by the 1st of October; it is nearly through down here, of course there is something doing, but not much after the 1st of October. Then we move our South Texas men up to Oklahoma and Arkansas. They begin up there about the first of October, and about the time they close up in South Texas, so we can take the same money and the same financing and handle the South Texas crop and the Oklahoma and Arkansas crop, making it a uniform demand so far as the demand is concerned.

Aside from the total value of the cotton produced last year in this district, taken from actual figures, I took off from my books 115,000 bales to see what it would average a bale, and it averaged a little over \$63 a bale. At that ratio the cotton crop in this proposed district comes to \$431,991,000. The raw seed is worth \$68,570,000 in the same territory.

The Secretary of the Treasury: Then you have about \$500,000,000 in the value of the crop and the seed?

Mr. Wolfe: Yes, a little over \$500,000,000 in cotton and seed together. It does not include manufactured seed, you understand, which is worth a little more.

The secretary of the Treasury: That is the raw seed?

Mr. Wolfe: That is the raw seed.

The secretary of the Treasury: Now what is the extent of the period of the year over which the entire crop has to be financed?

Mr. Wolfe: It has to be financed, the principal part of it, in about four months.

The secretary of the Treasury: Beginning when?

Mr. Wolfe: Beginning, you might say, the first of September and ending with the first of January. That is

the heavy period when finances are needed the worst. As I said, the South Texas crop is being financed when the other part of the territory is not needing any funds.

The secretary of the Treasury: What other crops in this territory have to be cared for during that same period?

Mr. Wolfe: Not much. The fruit and vegetable crop is marketed in the spring before this comes on. The grain crop is a little earlier, in the summer time. The cotton crop is the main crop which has to be financed during these four months; practically no other needs financing. The live stock is uniform all the year around.

The secretary of the Treasury: What is the next biggest crop, live stock or anything else, in this territory outlined on the map?

Mr. Wolfe: We have the figures there that will be presented a little later, that show those points. Another man has those figures and they are in a little book we have there but I have not it before me.

The secretary of the Treasury: That is all, Mr. Wolfe.

STATEMENT OF J. H. ARDRKY.

The Secretary of the Treasury: Please state your full name, residence and occupation.

Mr. Ardrey: J. Howard Ardrey; Cashier of the City National Bank of Dallas, and representing the Dallas Clearing House Association Committee.

The Secretary of the Treasury: You may proceed to tell us the specific reasons, in addition to those presented by the map itself, which contains the statistics, why you think this district should be created.

Mr. Ardrey: Mr. Rabcock has already mentioned to you the facts showing the integrity of this district, that is to say, that it has certain natural boundaries, and there has been--

The Secretary of the Treasury: Yes, you need not go over that ground again.

Mr. Ardrey: In the location of these regional banks, I take it for granted that the idea is to locate them according to the banking needs of the country, and primarily the service that each one of these banks is going to render to the territory within which it is located. The law contem-

plates and it has already been indicated by you gentlemen that in the location of these banks you give primary consideration to the district, first map out the district, and after you have mapped it out, to locate within it the city that can best serve the district.

The secretary of the Treasury: The law says we must have regard to the convenience and customary course of business.

Mr. Ardrey: I understand that.

The secretary of the Treasury: In laying out the districts?

Mr. Ardrey: Yes.

The secretary of the Treasury: Now tell us why you select this particular district or lay it out, with reference to that mandatory requirement of the Act.

Mr. Ardrey: Yes. Now, with particular reference to Texas, you gentlemen are familiar with the fact that of the capital and surplus and deposits of the national banks of the United States Texas is seventh in capital and surplus and seventh in individual deposits. Within the district we have mapped out here, as you will see on page Number 8, there are 943 national banks with a capital and surplus of \$107,000,000. It is able to support a bank having a

capital of \$6,500,000, and would have deposits of \$312,000,000.

The Secretary of the Treasury: Now we have those facts, but what I want you to address yourself to is the convenience and customary course of business in this district, as indicating that the district that is there outlined should be created and that Dallas should be chosen as the headquarters of the bank. Let me ask you a few questions. In the first place, upon what assumption as to the number of reserve districts to be created have you laid out this district?

Mr. Ardrey: Ten.

The Secretary of the Treasury: Where are the others?

Mr. Ardrey: The others would be located in Boston, in New York, in Chicago, in Cleveland, in St. Louis, Minneapolis, San Francisco and Atlanta.

The Secretary of the Treasury: And Atlanta?

Mr. Ardrey: Yes, and the location of them being largely determined as indicative of the course of business, by the capital and surplus of the banks.

The Secretary of the Treasury: Now, in laying out this district have you simply arbitrarily assumed a district in order to get the required capitalization, or have you

considered it with reference to the mandatory provision of the Act that the convenience and customary course of business in the district should be the primary consideration.

Mr. Ardrey: Unquestionably in all of Texas the course of business would be within its own borders. So far as Oklahoma, Louisiana, and New Mexico are concerned, we have mapped it out on the basis that wherever this bank should be located it would be a question of service to the member banks. If you concede a district that is capable of being self-supporting and capable of meeting the requirements, then it is a geographical question of the location of the bank for the service to the member banks in point of time.

The secretary of the Treasury: Let us begin with New Mexico. To what extent has New Mexico trade relations with Dallas?

Mr. Ardrey: As to banking relations, primarily their business would go to Kansas City. The Dallas banks, however, have a number of accounts. We have accounts at Carlsbad, Clovis, Roswell and Albuquerque.

The secretary of the Treasury: What size are those accounts?

J.

J. H. Ardrey.

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Mr. Ardrey: They are quite considerable. In dollars and cents they would not be so significant, and yet--

The Secretary of Agriculture: What extent have you consulted the New Mexico business men and bankers?

Mr. Ardrey: Speaking from a banking standpoint, we have not consulted the New Mexico merchants, but I do know that a number of New Mexico bankers prefer a location in Dallas as first choice and certainly they would as second choice. Of course, the problem of New Mexico is to locate them in some territory where they can be properly served, that can furnish capital enough to support one of the Regional Banks.

The Secretary of the Treasury: The question of the customary course of business in New Mexico, is, of course, one of the most vital importance. Business and exchange seem to have direct relation with each other; banking transactions indicate business relationships. The testimony presented up to this time before this committee is that New Mexico's trade relations are not in this direction.

Mr. Ardrey: I think in a measure that is true. Of course, all of the Pecos Valley of New Mexico comes this way.

The Secretary of Agriculture: We have had representatives

from the Pecos Valley asking to be attached to Kansas City.

The Secretary of the Treasury: And stating that their trade is mostly in that direction, from Roswell particularly.

Mr. Ardrey: They wanted to go to Kansas City?

The Secretary of the Treasury: Yes.

Mr. Ardrey: So far as trade relations are concerned it might be possible that that is true. So far as the banking relations are concerned, we are assuming that out of a Regional Bank located in Dallas they can be served as well if not better than from Kansas City.

The Secretary of the Treasury: Well, why?

Mr. Ardrey: In point of time. The banks in New Mexico, of the 45 national banks in New Mexico, are closer to Dallas in point of train service and otherwise than they are to Kansas City.

The Secretary of the Treasury: Are you not mistaken about that?

The Secretary of Agriculture: Suppose they say differently, which view must we take, yours or theirs.

Mr. Ardrey: I think theirs would be correct.

The Secretary of the Treasury: To what extent do the New Mexico banks carry reserves in Dallas?

Mr. Ardrey: I think they have about 10 accounts in Dallas out of New Mexico.

The Secretary of the Treasury: What inducements do you hold out to banks for the deposit of reserves, the keeping of reserve balances in Dallas, what rate of interest do you pay?

Mr. Ardrey: We pay them 2 per cent on their average daily balances.

The Secretary of the Treasury: Do you collect checks free?

Mr. Ardrey: No, sir. There may be some small banks that do, but I think it is conceded by all who have accounts in Dallas that the Dallas bankers pay them on the basis of 2 per cent and give them the benefit of such par facilities as we have.

The Secretary of the Treasury: I notice that the Dallas banks have reserves of other national banks amounting to \$3,392,000, total reserves of other national banks.

Mr. Ardrey: Reserves of other national banks?

The Secretary of the Treasury: Yes, that is according to the statement of the Comptroller of October 21st, 1913. Total banking capital of Dallas \$3,400,000, and surplus \$2,500,000. That makes \$5,900,000 capital and surplus.

Mr. Adrey: Yes.

The Secretary of the Treasury: Now taking Oklahoma, which I see you have included in this district, to what extent do the Oklahoma banks keep their reserves in Dallas?

Mr. Ardrey: Not largely. I think perhaps they have more bank accounts with Forth Worth than they would with Dallas.

The Secretary of the Treasury: As a matter of fact they keep very little of their reserves in Fort Worth or Dallas, do they not?

Mr. Ardrey: Not so much as they do at Kansas City.

The Secretary of the Treasury: And St. Louis?

Mr. Ardrey: And St. Louis.

The Secretary of the Treasury: The normal course of their business and of their exchanges is with Kansas City and St. Louis, is it not?

Mr. Ardrey: Primarily, yes, sir. Of course, you will bear in mind--

The Secretary of the Treasury: Have you consulted the Oklahoma bankers at all about their desires?

Mr. Ardrey: Yes, sir.

The Secretary of the Treasury: To what extent have you

any indications of preference on their part?

Mr. Ardrey: I found this, when I came to discuss the matter with them, that there was a confusion in their minds as to just what they should say. The department at Washington, in preparing for these hearings, asked the Oklahoma bankers to appear at Kansas City, and they asked the Arkansas bankers to appear at St. Louis. They appeared there, and so far as such testimony was given, it was perhaps favorable to Kansas City and St. Louis. But it is a fact that they were influenced largely by the consideration that inducements were held out to them, particularly by St. Louis, of a large district in connection with the clearing of their country checks. Now it has been represented, and I make this statement merely in answer to your question, that not only to the banks in that district but also in Texas, that unless they go into a district with St. Louis and have a large district, their items on points not within the district shall be taken for collection only, and if they have an item on a member bank in Clinton, Missouri, for instance, unless they are in a bank with Clinton, Missouri, they cannot get immediate credit for it. They have made that representation to the

banks not only there but in Texas.

The Secretary of the Treasury: Have you any circulars or letters which indicate that such a representation has been made?

Mr. Ardrey: Yes, sir, I have a telegram which, on the eve of this hearing, was sent to all the banks in Texas and Oklahoma.

The Secretary of the Treasury: Just read it.

Mr. Ardrey: It is addressed to the City National Bank of Dallas:

"For successful operation Federal Reserve Banks should have first large territory with diversified crops making seasonable demands at different periods of the year assuring accommodations when needed. Second, branch banks managed by local directors conveniently located in your state to re-discount furnish currency and handle your items on entire district for immediate reserve otherwise for collection. We believe territory outlined by St. Louis meets all requirements and trust you will consider favorably placing our name first on your request for location of bank to Organization Committee."

The Secretary of the Treasury: By whom is that signed?

Mr. Ardrey: By the St. Louis Clearing House Association.

The Secretary of the Treasury: What date?

Mr. Ardrey: February 3rd, 1914, and it was sent, there is one to Dallas (handing paper) and I have one in my hand sent to the City National Bank of Wichita Falls, who were kind enough to send it to me, and I have seen dozens of them from other banks. I think every banker who will testify here today, if you will ask him, will say that he got a telegram also. The representation is that only within the district in which we are located, may our items be received for immediate credit and reserve.

The Secretary of the Treasury: I presume that all the bankers, however, have read the Federal Reserve Act and they are not going to be guided by the interpretation which somebody else puts upon that Act, but by what the Act expresses. They will be influenced more by that than by this telegram, I mean, will they not?

Mr. Ardrey: I think it is fair to say that these bankers have accepted the interpretation that St. Louis has put upon it, at all event, and have been influenced largely in the matter by that consideration.

The Secretary of the Treasury: Well, you have not accepted it.

Mr. Ardrey: I have not, no, but I know this to be the case.

The Secretary of the Treasury: How can yo^u assume that others who have testified have accepted it? As a matter of fact, the testimony we have had from Oklahoma and these other places ante-dates this telegram.

Mr. Ardrey: But you will remember that prior to the St. Louis and Kansas City hearings those gentlemen up there canvassed the southwest by committee, making these same representations to the Clearing House Association. They came to Dallas and made these representations, and I happen to know they went to other reserve cities in Texas, Oklahoma and Arkansas, making the same representations.

The Secretary of the Treasury: These telegrams might be put into the record.

The Secretary of Agriculture: Aside from that, what has been the bearing of the present course of trade in those communities?

The Secretary of the Treasury: Between Oklahoma points and Dallas?

The Secretary of Agriculture: To what extent do Oklahoma

bankers look to Dallas as the financial centre, and to which their trade now trends.

Mr. Ardrey: Not now so much, perhaps, Mr. Secretary, but you will bear in mind that for 50 years St. Louis has been a central reserve city and only since 1902 has any part of this section had a reserve city located within it; Muscogee City and Oklahoma City only within the last two or three years, and Dallas and other Texas cities since 1902. Within the 50 years naturally they have formed banking relations which could not have been formed anywhere in this territory on account of the reserve requirements. And I take it for granted, in the consideration of this question, it is to be supposed, instead of concentrating these reserves in the three central reserve cities as heretofore, that this Act is for the purpose of decentralization.

The Secretary of Agriculture: We are bound to have eight districts under the law, so you need not discuss that.

The Secretary of the Treasury: And there will be a decentralization to that extent.

The Secretary of Agriculture: Have you any communications on the part of the Oklahoma people indicating their preference.

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Mr. Ardrey: No, but I do know it to be a fact that so far as bankers are concerned they could be served out of Dallas as well as they could from any other city, so far as the service in handling their items is concerned, and so far as their borrowing requirements are concerned.

The Secretary of Agriculture: There again, suppose they say the contrary?

Mr. Ardrey: If they should say to the contrary, of course I could not refute their statement. But here is the fact about that. If you have a Federal Reserve Bank within a given district that is self-supporting--

The Secretary of Agriculture: Yes, but the district is the main thing just now.

The Secretary of the Treasury: The district is the chief consideration.

Mr. Ardrey: Of course, you will concede that Texas is a part of any district in which it is to be located. In mapping out the district which we have, Texas furnishes \$76,000,000 of the capital and surplus of \$107,000,000 of the district we have mapped out. It would be impossible in locating these districts to give every fellow what he wants, but certainly the majority of the 519 banks in Texas would have

consideration given to their preferences as well as the 400 banks with only \$31,000,000 of capital.

The secretary of the Treasury: I may say now, you must not draw any inference from the questions we ask. You must not construe them as indicating any opinion or bent of mind on our part. We have to ask those questions in order to draw out the facts, so you may assume we have no preconceived notions about this matter, we simply want to get all the information possible.

Mr. Ardrey: I understand.

The Secretary of the Treasury: Now, coming over to Arkansas, you have a large part of Arkansas in this district.

Mr. Ardrey: We have taken in such part as a bank at Dallas could serve within 12 hours.

The Secretary of the Treasury: What is the customary course of business in that district; where does it trend?

Mr. Ardrey: Primarily to St. Louis.

The Secretary of the Treasury: Primarily to St. Louis?

Mr. Ardrey: The present customary course of business.

The Secretary of the Treasury: Why do you include that in the Dallas district?

Mr. Ardrey: Because we can serve them with a Regional

Bank under the new law better than St. Louis could serve them.

The secretary of the Treasury: Is their seasonal demand just about the same as Texas? It is largely cotton production in that territory?

Mr. Ardrey: There is quite a great deal of diversity up there. They have apples and --

The Secretary of the Treasury: But the principal crop is cotton?

Mr. Ardrey: But the principal crop is cotton.

The Secretary of the Treasury: You take all of Louisiana except New Orleans?

Mr. Ardrey: Yes, sir; we take all west of the Mississippi River.

The Secretary of the Treasury: How do you explain that.

Mr. Ardrey: Why we do not take New Orleans?

The Secretary of the Treasury: No, why you take all except New Orleans. Don't you think well enough of New Orleans to include that?

Mr. Ardrey: Well, we do not, no, sir. We take in Louisiana, of course, on the assumption there will be no

bank located at New Orleans. If there should be, we would not, of course, take in Louisiana; but we take everything west of the Mississippi River on the assumption that there will not be one at New Orleans, and Dallas can serve all of this part of Louisiana better than any other city could.

The Secretary of the Treasury: What is the course of that business in that territory, to Dallas or New Orleans or northward?

Mr. Ardrey: From the northern part of Louisiana Dallas gets lots of business.

The Secretary of the Treasury: Cotton business principally?

Mr. Ardrey: Yes. While Dallas cotton men buy a great deal in the northern part, naturally in the southern part there is not much in amount, but most of the business goes to New Orleans.

The Secretary of the Treasury: Does the general course of business in this district trend toward Dallas?

Mr. Ardrey: So far as southern Louisiana is concerned it does not.

The Secretary of the Treasury: And northern Louisiana?

Mr. Ardrey: Northern Louisiana more so, but perhaps

northern Louisiana would go more to St. Louis than to Dallas, so far as the trade is concerned.

The Secretary of the Treasury: To what extent do these Arkansas and Louisiana banks now keep reserves in Dallas?

Mr. Ardrey : We have accounts in Dallas from Shreveport and Alexandria, Louisiana.

The Secretary of the Treasury: Only?

Mr. Ardrey: Only.

The Secretary of the Treasury: And in Arkansas?

Mr. Ardrey: We have an account with Little Rock, and some of the banks in Texarkana and some few towns there.

The Secretary of the Treasury : You have no expression of opinion from the banks or business men in this territory as to where they would like to go?

Mr. Ardrey: I think, if I may give an opinion, the Louisiana banks, from state pride and so forth, would express a preference for New Orleans.

The Secretary of the Treasury: And Arkansas.

Mr. Ardrey: I think they have already expressed a preference for St. Louis. The gentlemen who have been before you have been principally bankers, and their connections have been with the St. Louis banks for 50 years,

under the old law, by which it was a central reserve city. There is no reserve city in Arkansas, and they have been compelled to keep their reserves in St. Louis.

The Secretary of the Treasury: Tell me where the Dallas banks keep their reserves?

Mr. Ardrey: We are required to keep them in a central reserve city. 57 per cent in New York, 23 per cent. in St. Louis and 20 per cent in Chicago.

The Secretary of the Treasury: Is the bulk of your banking business here with New York?

Mr. Ardrey: Our sales of counter exchange, so far as that might be an indication, 93 per cent of the exchange we sell to our customers for payment of their bills is on New York, 5 per cent on Chicago, and 2 per cent on St. Louis. So far as our outgoing items are concerned, within a given period we sent out of \$185,000,000 of outgoing items out of the state \$88,000,000 to New York, which is 47 per cent, \$41,000,000 to St. Louis, or 22 per cent, \$23,000,000 to Chicago, 12-1/2 per cent; \$10,000,000 to New Orleans, which was 5 per cent, and \$6,750,000 to Philadelphia, which was 4 per cent. Outside of New York, practically all of those items were sent to those places merely for collection

because of collection arrangements, and not for the accumulation of reserves.

The Secretary of the Treasury: Assuming that there is a parring of exchange between these different Federal Reserve banks, how is that going to affect the situation as outlined by these figures?

Mr. Ardrey: We will have a necessity for keeping accounts with other cities; just which ones, would have to be determined by experience, because there is no provision here for clearing through the Regional Bank any items except on member banks. You cannot send city checks, you cannot send drafts on individuals or cotton exchange, or anything except on member banks. It will be necessary in collecting cotton accounts and things of that sort to have accounts with the principal reserve cities. We will not have to have them in all of them as heretofore, because we can send them to New York and the other cities only where the volume of business runs.

The Secretary of the Treasury: Do you think you have correctly interpreted that provision of the Act in reference to exchanges?

Mr. Ardrey: Yes, sir, I know I have.

The Secretary of the Treasury: Have you taken into consideration the fact that the Federal Reserve Board has the right to promulgate rules and regulations which may materially alter that?

Mr. Ardrey: Yes, that might be the case, but the present language does not provide for anything except checks on member banks or other Federal Reserve banks; that is the language of the statute.

The Secretary of the Treasury: Well, the language there is very broad, and will, of course, have to be subject to the interpretation of the Federal Reserve Board, subject to regulations, so I do not think it is quite safe to assume that your view of it is accurate yet. That may be a preliminary interpretation.

Let me ask you about the manner of financing this crop. The bulk of your financing is done in four months of the fall.

Mr. Ardrey: Yes, sir.

The Secretary of the Treasury: To move the cotton?

Mr. Ardrey: Yes, sir.

The Secretary of the Treasury: And the value of that crop is something like \$500,000,000 within this district, as

testified to?

Mr. Ardrey: Yes.

The Secretary of the Treasury: I understand the testimony to be that about \$92,000,000 is financial in Dallas; is that right?

Mr. Ardrey: The cotton buyers buy about \$92,000,000 worth, according to their statement. As a matter of fact, the exchange arising in this territory indicated there, the foreign exchange manufactured there by reason of the sale of cotton in this territory is \$180,000,000.

The Secretary of the Treasury: In the entire district.

Mr. Ardrey: One-half of it is here, and in that connection--

The Secretary of the Treasury: Did you say \$180,000,000 in the entire district?

Mr. Ardrey: Yes, foreign exchange.

The Secretary of the Treasury: And \$90,000,000 originated in Dallas?

Mr. Ardrey: No, that is Dallas I am speaking of. \$180,000,000 of foreign exchange was handled in Dallas, originating in this district.

The Secretary of the Treasury: How is that financed?

Mr. Ardrey: The foreign exchange itself is sold, about

70 per cent in New York and 30 per cent in Chicago.

The secretary of the Treasury: How much in New Orleans?

Mr. Ardrey: Practically none, it is negligible.

The Secretary of the Treasury: How much in St. Louis?

Mr. Ardrey: Practically none, it is negligible.

The Secretary of the Treasury: So New York and Chicago buy most of it.

Mr. Ardrey: So far as the foreign exchange is concerned, yes, sir.

The Secretary of the Treasury: To what extent do the Dallas banks re-discount in that period, or have to borrow money to finance their requirements?

Mr. Ardrey: This statement shows an analysis of the borrowed money. On page 8 there is a condensed report taken from the sworn report to the Comptroller on October 21st, which for this year is conceded to have been the maximum borrowing period. You will see there on October 21st the national banks in the territory we have laid out had re-discounts and bills payable of \$23,000,000.

The Secretary of the Treasury: Where do you re-discount, where do you get that money?

Mr. Ardrey: So far as the reserve cities in Texas are

concerned, they would borrow their money in New York. So far as the Texas cities included in this \$23,000,000, they would borrow their money principally from the other Texas cities.

The Secretary of the Treasury: To what extent did Texas receive aid from the government this last fall, how much of that \$23,000,000 was government money?

Mr. Ardrey: Loaned to banks?

The Secretary of the Treasury: Yes. Have you the figures?

Mr. Ardrey: I have not the figures, but Texas got \$800,000. They put \$200,000, I think, in Fort Worth, and \$600,000 in Dallas.

The Secretary of Agriculture: Would this district you have mapped out be a dependent or independent district?

Mr. Ardrey: It would be an independent district and could finance itself.

The Secretary of the Treasury: How could it be, with the necessity for re-discount to the extent your figures indicate?

Mr. Ardrey: Look at page 9. We have there an illus-

tration of the operation of the Federal Reserve Bank. The \$107,000,000 capital and surplus in this district would produce at six per cent, \$6,421,000.

The Secretary of the Treasury: You are figuring state and national banks?

Mr. Ardrey: No, that is national banks. We have state and national \$180,000,000. It would produce \$6,421,000 capital. The reserves of country banks on their individual deposits as shown on page 8, and in this analysis I have taken no national banks into account, are \$226,000,000. From the reserve city banks in the district \$86,000,000. The reserve under the new law, after 36 months, on the country bank deposits would be \$18,000,000. that this reserve bank in this district would hold for country banks in Texas.

The Secretary of the Treasury: That would not be compulsory. Five per cent only is compulsory.

Mr. Ardrey: Yes, but I cannot conceive in the operation of it where they would keep more in their vaults than they are now required to keep under the old law. They are now required to keep six per cent, and if under the new law they are required to keep four--

The Secretary of the Treasury: Is not your safe assumption the minimum reserve they would have to keep, I mean for the purpose of this discussion?

Mr. Ardrey: It might be, excepting for the considerations of the bill itself. There is no reason why, under this bill, a man should keep in his vaults any more than the minimum amount of cash, if the law in its operation is going to perform the function its friends think and that the bankers think --

The Secretary of the Treasury: It is better always to prepare these figures upon the mandatory requirements of the Act, because that we know we can depend on, and anything else would be speculative, of course.

Mr. Ardrey: Yes, sir.

The Secretary of the Treasury: You may proceed, however. We understand that.

Mr. Ardrey: The total deposits in the Reserve Bank would be \$26,000,000. The law requires them to keep 35 per cent of that in reserve. That would give \$17,000,000 of those deposits to be loaned; added to the capital would be \$23,802,000. The maximum borrowings on October 21st, 1913, which everybody will concede was the maximum for this year,

was \$23,000,000 only --

The Secretary of the Treasury: Just on that point, you say that is the maximum. That is the maximum which you actually did, but does that represent the maximum demand? In other words, did you absolutely meet the entire demand of the district? Most national banks, for instance, when they get down to their reserves, simply stop making loans or else they begin to contract credits, under the system that now exists, except to the extent that they reluctantly discount. Now the extent to which you re-discount here does not indicate necessarily what the normal demand would be, does it?

Mr. Ardrey: I think so, yes, sir. When you take into consideration the fact that of this \$23,000,000 of bills payable and re-discounts shown here, there is quite an amount of it that is pyramided; I have no way of telling how much, but if an interior bank borrows money from a reserve city bank, and the reserve city bank borrows from New York, the loan is counted twice, and the \$23,000,000 is the total for all the banks without any computation as to how much had been pyramided.

The Secretary of the Treasury: As a matter of fact, was

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not money very tight here, and was there not a considerable contraction of loans.

Mr. Ardrey: Yes, it was an abnormal period, and I think if this analysis would stand up under that abnormal condition, it would stand up better under a normal condition.

The Secretary of the Treasury: Suppose the normal demand, not the speculative, but the normal commercial, agricultural and industrial demand had been fully met, would it not have required probably a great deal more than \$23,000,000 to take care of it.

Mr. Ardrey: I can speak, of course, with better knowledge of the business of my own bank. I know that the burden which was on us this year in meeting the banks of this district, and I am sure it was with all the other banks, was because of the fact that many customers who borrow away from home normally were, on account of the conditions, borrowers of their local banks. You take the jobbers and merchants who sell their commercial paper, and who, under this system, are having created for them a broad market for their commercial paper, they would not have had the weight of their demands on the Texas Banks. And under this new system we are just that much better able to take care of it,

and, for that matter, under the system that we are now entering, the reduction of the reserves in the banks given an excess of loanable power of \$15,000,000 in this section alone, which would certainly have taken care of it. If you will look on that analysis, on the basis of \$312,000,000 individual deposits, three per cent of country bank deposits, of which we had \$226,000,000, and ten per cent of reserve city banks, of which we had \$86,000,000, would give \$15,000,000 lending power to the banks in this section alone more than formerly, and that would answer --

The Secretary of the Treasury: You are including that now in your figures?

Mr. Ardrey: I am including that in my figures to show here an excess of \$15,000,000.

The Secretary of the Treasury: Yes, assuming that the banks put that extra three per cent into the reserve bank?

Mr. Ardrey: No, I am figuring they will have it to loan and therefore will not be required to re-discount so greatly. We had \$25,000,000 loanable on the reserve bank, and they borrowed \$23,300,000.

The Secretary of the Treasury: That was upon the assumption that they put eight per cent in the reserve bank in the

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Federal Reserve.

Mr. Ardrey: Yes, but you see the final analysis shows \$15,000,000 over last year's requirements.

The Secretary of the Treasury: The point I was trying to bring out was this: Of course, under the system as it now prevails in this country, the national banks stop lending when they get down to their reserves, unless they re-discount or contract loans.

Mr. Ardrey: Yes.

The Secretary of the Treasury: They do not re-discount, unless they are forced to, as a rule?

Mr. Ardrey: Yes. A few do, however.

The Secretary of the Treasury: But to the extent they do re-discount, it is only to meet very great necessities of their customers?

Mr. Ardrey: Yes.

The Secretary of the Treasury: Therefore, the figures would hardly seem to indicate the normal demand for capital in this district in excess of what the banks are actually able to provide, and that is the thing upon which we would like to have as much light as possible.

The Secretary of the Treasury: To what extent was there legitimate business and good commercial paper that the banks could not handle, would you say?

Mr. Ardley: My deliberate opinion is that no legitimate demand was made upon the banks, in Texas at least, and I am more familiar with them than with the others, this past year, that was not met. X

The Secretary of Agriculture: Did you not say awhile ago that you contracted loans?

Mr. Ardrey: No, in answer to the question if it was not the practice to do it, to contract or re-discount?

The Secretary of Agriculture: I thought you said you did have to contract last fall?

Mr. Ardrey: No, sir.

The Secretary of the Treasury: Was there any substantial contraction of loans last fall in this district?

Mr. Ardrey: No, sir. When the banks in Texas, in August and September, when there seemed to be some tendency in that direction and with the assurance that Texas banks had from your department in the August 18th statement, that the reserves of the Treasury Department, \$500,000,000, were X

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available, the banks in Texas and in this district went their limit, in taking care not only of the legitimate needs of their country banks, but their wholesalers and business interests.

The Secretary of the Treasury: Then you do feel that this reflects an excess over the normal demand of the district.

Mr. Ardrey: Yes, I think every person will concede last year was a rather hard year, so far as borrowing was concerned.

The Secretary of the Treasury: And by reason of the fact that you had recourse somewhere, you were able to go the limit of your resources in taking care of business?

Mr. Ardrey: Yes, and we say that under the operation of this law with the reserves in a Regional Bank in this section, with the application of the reduced reserves of 3 and 10 per cent on individual deposits, we would be able to take care of it by ourselves.

The Secretary of the Treasury: Have you made any figures excluding the territory here which does not seem to be natural, on account of the customary courses of business and general convenience of business, that would not seem to naturally attach itself to the Dallas district; excluding

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much territory, for instance, as New Mexico and Oklahoma and Louisiana and Arkansas, and taking Texas alone, have you made any figures?

Mr. Ardrey: Yes, sir; we can stand that.

The Secretary of the Treasury: Where are they?

Mr. Ardrey: Right at the top of page 8. Texas alone would have \$76,000,000 capital and surplus, and it would have individual deposits of \$203,000,000 and it had borrowed money of only \$16,000,000.

The Secretary of Agriculture: Where do you get the \$76,000,000?

The Secretary of the Treasury: The total of these two items.

Mr. Ardrey: I figured the reserve cities separately, because they figure separately their ratios of reserves. \$76,000,000 would furnish a bank of \$4,500,000.

The Secretary of the Treasury: What would its resources be in the way of reserves?

Mr. Ardrey: About \$17,000,000.

The Secretary of the Treasury: Have you these figures tabulated anywhere?

Mr. Ardrey: No, because we did not figure Texas separately,

The Secretary of the Treasury: Suppose you file that as an exhibit?

Mr. Ardrey: I would be glad to do so.

The Secretary of the Treasury: If this district were created, there are other cities within it that want to have the reserve bank?

Mr. Ardrey: Yes.

The Secretary of the Treasury: Suppose, for instance, as bringing out the point I mentioned a moment ago with reference to Oklahoma, the course of trade and so forth from Oklahoma, which is northward, testified to by their bankers and business men; if Dallas were selected it would do violence to the course of business and exchange and compel them to come to Dallas, would it not?

Mr. Ardrey: Mr. Secretary, I cannot see why it would.

You take --

The Secretary of the Treasury: Suppose, on the other hand, Galveston was made the reserve city; that would alter the drift of your exchanges, would it not?

Mr. Ardrey: So far as the Dallas banks are concerned, it would not make a bit of difference to us. 95 per cent of the transactions, or a greater proportion than that with any

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member bank, which it is going to have with the reserve bank, are going to be by mail, and the probability is -- there is no necessity for their going there at all, and what difference does it make to a banker in Oklahoma or Texas, for that matter, when he bundles up these items for the Regional Bank, whether he takes a rubber stamp for Kansas City or Dallas?

The Secretary of the Treasury: That being true, what is your argument in favor of Dallas?

Mr. Ardrey: The point in favor of Dallas is in train service -

The Secretary of the Treasury: Would not the same thing apply to Fort Worth or Houston?

Mr. Ardrey: Yes, I concede it. Not Houston, so far as geographical location is concerned, but I will explain that so far as Houston is concerned we contend that because a territory within which you are going to locate a bank -- that the location of the reserve city therein should be geographical, so far as you can find a city that has the facilities for covering it.

The Secretary of Agriculture: Would not Austin be nearer the centre?

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Mr. Ardrey: I do not think it would, so far as member banks are concerned. It might be geographically.

The Secretary of the Treasury: It is not wholly a question of geography or accessibility, but it also has relation to other functions these reserve banks have to perform, assuming they exercise clearing house functions and --

Mr. Ardrey: That would be a question of being centrally located.

The Secretary of the Treasury: Yes, in a measure.

Mr. Ardrey: Yes.

The Secretary of the Treasury: But, on the other hand, that you have a bearing on the question of exchanges and the place where the greatest number of these exchanges would naturally occur would seem to indicate to some extent the location of the bank. I mean not wholly, but that is one of the considerations.

Mr. Ardrey: In this section we have mapped out here I do not think there is anybody but what would concede that Texas is located --

The Secretary of the Treasury: Dallas, you mean?

Mr. Ardrey: Yes, Dallas is located in the centre of the


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district as far as the member banks are concerned.

The Secretary of the Treasury: You do not claim that Texas and Dallas are synonymous, do you?

Mr. Ardrey: Yes, sir; very nearly so.

The Secretary of the Treasury: I asked the question because I noticed you were using them interchangeably.

Mr. Ardrey: So far as Dallas is concerned, I will say this, and so far as the Dallas banks are concerned, we believe that this action here ought to have a Regional Bank in it, and we believe it is necessary for the development of this section. And so far as we are concerned, if you do not think Dallas is the city in which to put it, we submit you ought to put it in Dallas or Austin or Houston or any other city located in this district that can best serve the member banks. We would much rather see you put it in Houston or Austin or Fort Worth or Waco than to tie us on to any city outside of this district. (Applause.) 

The Secretary of the Treasury: Let me ask you this question. Looking really to the success of this system, which is the only thing after all, which must be considered, regardless of local considerations, because localities themselves are going to be benefitted to the maximum degree,

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providing the fundamentals of this system are soundly laid, your figures have shown that this is a borrowing district at the time of seasonal demands.

Mr. Ardrey: Yes.

The Secretary of the Treasury: Now would it not be better in arranging these districts to incorporate into the district a lending as well as a borrowing end, so as to make them as self-contained as possible? For instance, is it or not wise to have the district altered and re-arranged in such shape that you would get a large surplus of lending power in one part which could be utilized in the borrowing part when the time for borrowing comes.

Mr. Ardrey: In the first place you would locate a given district, that would contemplate, so far as this section of the country is concerned, a withdrawing from this section of the country for eight months of the year the reserve deposits which are now being employed in Texas banks, or should properly be employed through the Reserve Bank, and employ it up here outside of our district, outside of the district from which it arises, and employ it up here for eight months of the year, because that is when we have a surplus, for the privilege of borrowing it back for four

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months.

The Secretary of the Treasury: But are you not wholly wrong about that? It does not make any difference where these reserves are deposited, according to your testimony a moment ago. The question is to have that reserve power somewhere to which you may resort when you need it. If you do not need it for eight months it is better for everybody in the district that it should be employed somewhere where it is needed. And one of the chief functions of this law is to provide a fund which may always be available for re-discounting at the time of real necessity or in case of emergency.

Mr. Ardrey: But you do that re-discounting for the member banks.

The Secretary of the Treasury: Exactly.

Mr. Ardrey: Primarily nobody borrows but the member banks. The member banks are not borrowers here except for four months of the year, but the industries in this section are borrowers the year round, and could profitably employ those funds for the eight months when the suggestion is that we put them up here and lend them to banks and other

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industries.

The Secretary of the Treasury: Not at all. Suppose the reserve bank is located in some other city than Dallas--

Mr. Ardrey: Say St. Louis, for instance.

The Secretary of the Treasury: Let us assume it was St. Louis, for the sake of the discussion. There is generally a surplus of loanable funds in St. Louis at all times of the year --

Mr. Ardrey: No, sir; you are mistaken.

The Secretary of the Treasury: I say generally there is, according to the testimony submitted to us, which has not been controverted heretofore. Now assuming that that be true, if there is a demand here for industrial or commercial or agricultural purposes which the local banks cannot supply, this fund, no matter whether it is located in St. Louis or Little Rock or any other place, is one to which you can have resort at any time with the eligible paper provided under the act.

Mr. Ardrey: You mean the other member banks, if needed?

The Secretary of the Treasury: Yes, the purpose of the Act is to supply them with that facility, and you say you do not need it for eight months.

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Mr. Ardrey: The banks in this section would be borrowers only for four months.

The Secretary of the Treasury: At the time when that four months came, that fund, wherever it is located, is likely to be available for that seasonal demand. Otherwise you get this situation, otherwise you have this to confront you, that this reserve bank then would have to do one of two things, if it was not a self-contained district, I mean; it would have to ask another reserve bank to re-discount its paper in order that the member banks of that district might get relief, or else have to apply to the Federal Reserve Board to compel some other reserve bank to come to the assistance of this bank. Now we ought not to create deliberately a weak unit in the system if we can avoid it. It is better to make these units self-sustaining so far as practicable, is it not?

Mr. Ardrey: Yes, sir.

The Secretary of the Treasury: Now with that in view, I am asking you as a business man and banker if we ought not to consider very closely in laying out these districts and make them just as self-contained as possible under normal conditions.

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Mr. Ardrey: I think so.

The Secretary of the Treasury: And would you not get really more relieve in this section with a district so created than if you created one which, from the very outset must rely upon some other reserve bank to take care of it in time of need.

Mr. Ardrey: Well, this district will not have to rely upon some other reserve bank to take care of it in time of need. It is self-contained. This district can sustain itself without borrowing a dollar, so far as the member banks are concerned, outside of the reserves they contribute.

The Secretary of the Treasury: Well, that is upon the basis of the figures you have presented here, and they are the result of a system which does not reflect a normal condition, because there is a lot of artificiality in the system as it now operates, therefore they cannot be relied upon as conclusive.

Mr. Ardrey: But if you reduce the figures to the new system and eliminate all pyramided loans which are figured in here and adjusted to the reserves, the banks are going to have enough.

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The Secretary of the Treasury: I say, assuming these figures are reliable, they reflect artificiality; unquestionably they do reflect considerable artificiality, therefore they are not reliable, I mean to rely upon them wholly.

Mr. Ardrey: The change would be more favorable to the figures than otherwise.

The Secretary of the Treasury: That relates back to the question I asked in the early part of the discussion, as to how far the demands of this district have really been met always.

Mr. Ardrey: I think it is fair to state that with the borrowed money that this section has always borrowed, we have fairly met their demands.

The Secretary of the Treasury: Assuming that in the arrangement of these districts, and they all have to be related to each other, they cannot be taken and considered absolutely independently, assuming that in the organization of this district different lines are laid down from these you have indicated and outside of the Texas cities, what would be your second choice outside of Texas cities for a reserve bank?

Mr. Ardrey: So far as the Dallas banks are concerned,

J. H. Ardrey

we would prefer to go to St. Louis rather than New Orleans, Kansas City or Denver.

The Secretary of the Treasury: Would the bulk of your trade and exchange be with St. Louis normally?

Mr. Ardrey: More so than with the other cities?

The Secretary of the Treasury: Yes.

Mr. Ardrey: Yes, but not at all of consequence as compared with New York. We would say St. Louis merely because of our contiguity, not from preference.

The Secretary of the Treasury: Considering New York, to what extent are your exchange relations with New York? That is the determining think in your mind at the moment?

Mr. Ardrey: Yes.

The Secretary of the Treasury: To what extent are the necessities of exchange with New York the result of an artificial condition under the present system rather than as reflecting normality?

Mr. Ardrey: It is because New York exchange now passes more at par everywhere than anything else.

The Secretary of the Treasury: Exactly, and your balances in New York are very largely for exchange purposes, are they not?

J. H. Ardrey

Mr. Ardrey: Yes, primarily so. X

The Secretary of the Treasury: With this Act in effect, that will to a very considerable measure disappear, because the exchange of this Reserve Bank will pass at par just the same as New York exchange.

Mr. Ardrey: Yes.

The Secretary of the Treasury: With this system going, would your exchange balance in New York be large, do you think.

Mr. Ardrey: Of course, if we have a Reserve Bank located somewhere outside of Texas and we are a member bank with St. Louis, we would create our balances wherever our reserve bank is, we would create our principal balances with the items that we clear through that medium. The only way we create balances with any of our reserve cities is through the items we send them rather than the currency we send them. X Now if Dallas is tied on to St. Louis, naturally we would accumulate more reserves there than anywhere else; that is where we would keep our reserves; St. Louis, New York and Chicago act now as reserves, and our balances with any of them count. We keep balances with St. Louis because

they collect our out-of-state items.

There is one function in that connection that is rendered to a Reserve Bank member by its parent bank that is most important, it is a twelve months preposition, and it is more important really than the matter of borrowing money, and that is the matter that we discussed in the beginning, about the clearing of these checks. If you locate one of these Regional Reserve Banks within a given district, it ought to be where that facility can be available of with the greatest efficiency. Now, overnight from Dallas we can reach every part of our section with these remittances, with these collection items that are sent in. A bank located down here at Corsicana can send its items to Dallas over night, and to the extent of 85 per cent of these items they can be presented the next day for payment.

The Secretary of the Treasury: Yes, I know that point. Suppose, on the other hand, you have a branch in Dallas of the Reserve Bank, wherever it may be located, you get exactly the same facility. The question of clearances would be through the branch bank for a particular district.

Mr. Ardrey: That of course, is to be determined hereafter.

J. H. Ardrey

The Secretary of the Treasury: Yes, but I say, assuming you had a branch, you would get all the clearance facilities and re-discounting facilities, for that matter, which you would get through the Reserve Bank itself.

Mr. Ardrey: You mean if the branch at Dallas has assigned to it a given territory?

The Secretary of the Treasury: I say that branches are mandatory under the law, and must be established. Now admitting that the Reserve Bank were established somewhere else with a branch at Dallas, you would get all these facilities.

Mr. Ardrey: You would get all these facilities, providing the items were sent to the banks alone rather than to the parent bank, but if we were tied up with St. Louis and had to send our items through the St. Louis bank, I would like to call attention that it is impossible for St. Louis to serve this territory down here in this district as well as Dallas can. Here is a copy of the Clearing House rules --

The Secretary of the Treasury: That cuts not figure. I am just going to ask you some questions as to the Clearing House provisions of the Act. All that will be altered. But necessarily the branch banks will be related to any district

when they are established, and if you had a branch in Dallas, certain territory would be allotted to that branch, because you cannot arrange the clearance system any other way.

Mr. Ardrey: I understand that.

The Secretary of the Treasury: Now let me ask you a question here. I would like to address this to the Dallas Clearing House, and the reporter can give you this question. Section 13 of the Act, on page 14, provides, and I will read the question, because I will ask it of the other Clearing Houses and then I will not have to repeat it to each of them:

"Upon the indorsement 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."

There are some further provisions, but that is the thing

to which I want to particularly direct your attention. We should like to have the Dallas Clearing House consider very carefully that question with a view to submitting a brief or memorandum at the very earliest possible moment, giving your views as to what would be the proper definition of commercial paper under this Act; and in considering the question, we should like to have you call our attention to any particular paper which is indigenous to this district, and also to suggest certain standard forms of notes, drafts, and bills of exchange which might be adopted for uniformity by the entire Reserve Bank System. If you can send that to us by the first of March, we should be glad to have it.

Mr. Ardrey: Yes.

The Secretary of the Treasury: Another point. Section 16 of the Act, on page 19 provides:

"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 like to have your suggestions and ideas as to the rules and regulations that the Board may adopt relating to the transfer of and charges between the banks, the Federal Reserve Banks and their branches and also give us your views as to the clearing house functions which you think these banks ought to exercise and as to the machinery which might be best employed for that purpose.

Mr. Ardrey: I would be very glad to do so.

The Secretary of the Treasury: You might incidentally take into consideration the preceding paragraph of the Act on page 19, which provides that:

"Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank."

That is something you referred to a moment ago --

Mr. Ardrey: Yes, unless this Federal Reserve Bank is permitted to perform all the functions --

The Secretary of Agriculture: You mean the branch?

Mr. Ardrey: No, I am speaking now of the Federal Reserve Bank and its branches, unless they are permitted to perform all the functions which Federal banks are now permitted to--

The Secretary of Agriculture: That is the intention.

Mr. Ardrey: I am sure that is the intention, and any construction that has been put upon it to insure larger districts with the idea of influencing such consideration is wrong.

The Secretary of Agriculture: You may be sure that any extraneous consideration or suggestions of that character will have no weight with this Committee.

STATEMENT OF LOUIS LIPSITZ.

The Secretary of Agriculture: Please state your name, residence and occupation.

Mr. Lipsitz: Louis Lipsitz. I am in the wholesale dry goods business in Dallas, Texas, and representing the commercial end of the Clearing House at Dallas.

The Secretary of Agriculture: You know the problem we are considering?

Mr. Lipsitz: Yes.

The Secretary of Agriculture: We will be glad to have your views.

Mr. Lipsitz: I have here some maps indicating the extent that the Dallas jobbers trade, and will confine my remarks entirely to jobbing interests, showing the territory which we are covering.

The Secretary of Agriculture: Does that show the territory in which Dallas is dominant?

Mr. Lipsitz: Yes, so far as Texas is concerned, but not as a whole. These maps simply show the name of the concern. We have just selected a few of the prominent companies doing business in our city, and these maps indicate the territory that they cover, and also indicate, if you please, the percentage of business that they have in the states described in the territory which has been previously described.

The Secretary of Agriculture: You may proceed.

Mr. Lipsitz: Do you want me to leave these with you, or read from them?

The Secretary of Agriculture: If you desire to make any comment or present anything for special consideration, you may.

Mr. Lipsitz: I want to say that Dallas has 318 jobbers

doing a business there of \$212,000,000, based on the 1913 figures. I want to say further that Dallas has located in her city 2200 traveling men who are traveling this entire territory, who make Dallas base or headquarters. Dallas has in addition 637 traveling men that cover the territory other than Texas alone, to wit, New Mexico, Oklahoma, and that part of Arkansas and Louisiana which we have referred to here. We sent our inquiries to 36 jobbers asking the volume of their business, or rather the number of customers that they had in the states that we have in our territory other than Texas, and we found the answer to be 44,650.

Dallas has at this time 26 implement houses doing a business of \$25,000,000 annually in this territory. She has 32 wholesale automobile houses doing a business in this territory of \$18,000,000, and in building material, exclusive of cement, an annual business of \$25,000,000. In electrical machinery and supplies she does an annual business of \$15,000,000. Dry goods, cloths, clothing, and so forth, \$25,000,000. The weekly payroll of the 2200 traveling men who reside in Dallas is \$129,000. Dallas has 42 business houses rated at over \$1,000,000, and has 118 concerns of national consequence or importance who are

rated at over \$1,000,000, where Dallas is the headquarters for the entire Southwest for these concerns to which I refer.

As an evidence that they have builded wisely and have selected with much care the jobbing houses of Dallas, I will say there has not been a failure in Dallas of any concern with a capital of over \$50,000 for a period of ten years. I mention that simply to show the wisdom of their selection. We have a trade log there, indicating the merchants who come there and register and have a refund of fare. While we have a great many more merchants who come during all periods of the year, there are two periods when they have a refund. And to mention the growth, I want to say that in 1901 Dallas registered 500 from this territory; in 1906, 1500, and in 1913, 2900. I mention that as an evidence of the immense growth of Dallas as a market.

Dallas has a house trade, meaning that the customers come into the houses to make personal selection of their needs, of 45 per cent, we believe the greatest per cent shown anywhere in the entire United States in proportion to the entire business done by any jobbing house in the United States.

So far as distance goes, we know Dallas goes just as

far as the rates will permit, because she is gaining rapidly in the physical position, so far as rates are concerned. I want to say I am speaking now from a dry goods point of view. The rate from Dallas is equal to the rate from St. Louis at the northern boundary of the Oklahoma line. In other words, we can go to the extreme northerly line we have indicated here before any other city of any consequence has any advantage over us. So far as New Mexico is concerned, we have a rate from \$1.18 up to \$1.52 to the middle of the state, enabling us to reach the eastern portion of the state or that portion which is fertile on a rate of \$1.18 or \$1.52, as against St. Louis \$1.82. And so far as reaching the western part, our rate is \$1.82 or the same as the St. Louis rate, which is our nearest competitor of consequence. In Oklahoma we go to the northern boundary line and in Arkansas and Louisiana we about split the territory, we about reach them midway. From a rate point of view we go to El Paso at \$1.00 as against \$1.70 from St. Louis, and \$1.47 from Denver, and as against \$1.72 from New York.

I mention that to show the physical condition which makes it possible for Dallas to go out into this territory.

The Secretary of Agriculture: Would you say Dallas

dominates Oklahoma and New Mexico?

Mr. Lipsitz: No, I would not. I would say that Dallas would secure, conservatively, 15 per cent of the business of Oklahoma and New Mexico. Dallas will be able --

The Secretary of Agriculture: Which cities are your principal competitors?

Mr. Lipsitz: St. Louis, Chicago and New York, are the only three that are competitors of consequence.

The Secretary of Agriculture: Kansas City?

Mr. Lipsitz: No, not in our line. Kansas City has only two houses in our line and only one active.

The Secretary of Agriculture: You are speaking now of the jobbing business?

Mr. Lipsitz: Yes, sir, of the jobbing business.

The Secretary of the Treasury: What branch of the jobbing business?

Mr. Lipsitz: Dry goods. Dallas today is serving a greater portion of the dry goods to Texas than any other city in the United States, perhaps twice as much as any one city, and is growing very rapidly.

If I may be permitted to refer to our own particular business, we have been in Dallas seven years and have grown

342 per cent, and that is not peculiar to our own business, but is the condition of practically all the concerns which are there.

The Secretary of Agriculture: What percentage of your business do you do in these adjoining states?

Mr. Lipsitz: I would say we do 75 per cent in Texas, and 25 per cent scattered in the other states.

The Secretary of the Treasury: Next to Texas, in which state do you do the most business?

Mr. Lipsitz: Oklahoma, Dallas sells more goods in this territory than does either of her other competitors, Kansas City or St. Louis, and particularly surpasses them in automobiles --

The Secretary of Agriculture: In which territory do you mean, Texas?

Mr. Lipsitz: Yes, I speak of Texas. Automobiles, cement, dry goods, electrical supplies, groceries, harness, hats, caps, machinery, millinery, paper, petroleum products, paints and oils, saddlery and vehicles. In some of these lines no other point in the territory is equipped to handle the business, not having any one of these lines represented. We will say, for instance, in the millinery business, there

is no other point in this entire territory that has millinery facilities in a wholesale way. In wholesale hats we have perhaps 300 per cent more than any other city in the territory. Some of the larger concerns have recently moved to Dallas because of the accessibility to the territory described. The American Sash & Door Company have recently selected Dallas as their headquarters. Every coal concern, every mining company in Texas, Arkansas, Louisiana, New Mexico and Alabama have a selling office in Dallas, and Dallas is the only selling office they have in Texas, with one exception.

The trend of business is becoming more localized all the time. I would like to say that perhaps 30 years ago 95 per cent of the groceries sold, we will say in Texas, came from St. Louis and New Orleans. Today I dare say the jobbers are serving the retailers to the extent of 25 per cent, and not over 5 per cent is being brought in from the other states. In a dry goods way I will say that 30 years ago practically all the retailers thought it their duty and that they had to go to New York, and did not even stop at St. Louis. Twenty years ago they began to feel that St. Louis would serve their needs. For the last ten years they

have found out it is simply a question of trading with the point that has the best freight rate and the best facilities, and the business is becoming more localized, and today Dallas is supreme in that her trade far exceeds any other point in this territory.

The Secretary of Agriculture: To what extent are your houses branch houses?

Mr. Lipsitz: Practically none. Of the 114 concerns of national consequence I have referred to, two only are branches of St. Louis and one of New Orleans.

The Secretary of Agriculture: You are speaking of dry goods?

Mr. Lipsitz: No, I am speaking of all concerned.

The Secretary of the Treasury: What are those branches, what do they represent?

Mr. Lipsitz: One is a flour concern and the Hess Envelope Company, and the other is the Standard Milling Company, and the one from New Orleans is the Southern Wood Stock Company.

I mention that to show the growth of Dallas. I think the number of merchants visiting there and the fact that Dallas has more houses there shows more than anything else

the great convenience of being able to trade there. Dallas was recently favored by the government with a port of entry, which has been with us only eight or nine months and is now doing a business larger than any other point similarly situated, and made representations to the Treasury Department, showing in 1912, and this was covered by affidavits to the Treasury Department, \$1,030,000. It is the largest distributing house for Seers-Roebeck & Company outside of their parent company. We have a house which is producing its own business, as against the Kansas City house which is only a branch and delivers on the orders from the parent house. This indicates the volume of their business in that particular territory (producing map).

This is a map outlining the territory covered by the Butler Brothers firm. They have outlined practically the same territory we have here. This is not a branch of the parent house, but is a separate house, and this is the way they have the territory outlined for the United States. Seers-Roebeck & Company had their expert in the field and went over the situation very carefully from a distributing point of view; and while perhaps Houston will show that merchandise can be brought in there at a little lesser rate,

yet the fact that the final cost of final distribution to the retailer is so much greater and Dallas can serve them in so much less time, we believe induced them to select Dallas as the proper place for the branch house. In our own case, we lived in Tyler, Texas, and viewed all points in Texas with a view of finding where we could distribute to the best advantage, and after figuring on it for several years, we determined Dallas was the best place, and our growth indicates the wisdom of our selection.

The Secretary of Agriculture: File that with the reporter, and also the map.

Mr. Lipsitz: I will be very glad to. I want to say, if you will permit me one minute more, that as compared with the St. Louis market, the Dallas jobbers have a decided advantage in the matter of freights, and can reach the customers--

The Secretary of the Treasury: In what territory?

Mr. Lipsitz: All of this territory which we have described. Our average rate, if you please, from Dallas is, we will say, 50 cents per 100 pounds, and the average rate from the mill at Fall River, say, where we get our cotton goods largely, into Dallas would be \$1.04, or a total cost from the time it leaves the cotton mill in Massachusetts

to the average customer in Texas, of \$1.54. The rate from Fall River into St. Louis would be 88 cents, and from St. Louis to the customer in Texas it would be \$2.35.

The Secretary of Agriculture: You are speaking again of Texas only?

Mr. Lipsitz: With regard to this 50 cent rate, or a difference of 81 cents per 100 pounds in favor of the Dallas jobber. The average case of dry goods will weigh about 400 pounds, and you can see we will reach the customer at an actual saving of \$3.00 for every case of merchandise he receives by buying through the Dallas jobber as against the St. Louis or Kansas City jobber. I thank you.

The Secretary of the Treasury: You may file those maps and papers.

(The maps and papers were filed accordingly.)

The Secretary of the Treasury: Mr. Ardrey, I see you have 11 representatives of Dallas. Now there are other cities to be heard, and unless these gentlemen can contribute something new or additional to what has already been presented, I think it would be just as well to rather limit the number who may speak. Is there anyone else here whom you particularly desire to have heard, who can give us any new light?

Mr. Ardrey: If you will permit us, we would like to have Mr. Flippen speak. He is a large packer.

STATEMENT OF E. L. FLIPPEN.

The Secretary of the Treasury: State your full name, residence and occupation.

Mr. Flippen: E. L. Flippen, President of the Armstrong Packing Company, and Armstrong Refining Company, Dallas.

Mr. Secretary, I am representing the manufacturers of Dallas, and I have a resolution here from them which, if you will permit me, I will read.

The Secretary of the Treasury: Read it.

Mr. Armstrong: (Reading) Whereas, the Organization Committee is confronted with the problem of dividing the United States, under the Federal Reserve Act, into not less than eight nor more than twelve districts, and to locate in each district a Federal Reserve Bank; and

Whereas, the United States Census Department have always classified Texas, Oklahoma, Arkansas and Louisiana as the West South central geographic division; and

Whereas, Dallas is the logical and geographical centre of this territory; and

Whereas, this is practically the same territory that Dallas is asking for to be tributary to a Regional Bank at Dallas; and

Whereas, the diversified interests of this territory are such as to make it a balanced district and the demand for money uniform during twelve months in the year; and

Whereas, if annexed to any other territory it would redound to the benefit of said other territory and to the detriment of the Dallas territory; therefore be it

Resolved, by the undersigned manufacturers of the City of Dallas, that to conserve, foster and expand the Agricultural, Financial, Commercial and Manufacturing Interests of this rapidly growing section of the United States, one of the Federal Reserve Banks provided for under the Federal Reserve Act should be located at Dallas.

Respectfully submitted.

(Signatures of 30 concerns added.)

The Secretary of the Treasury: File it as an exhibit. Of course, those are expressions of opinion which would have to be backed up by some facts, which we are trying to get now.

Mr. Flippen: I would like to call attention to the fact

that Texas, from the standpoint of a packing centre, has a rate which has been in effect now about nine months on packing house products from Texas common points to Kansas City of 21 cents per 100 pounds. The rate from Kansas City to Texas common points is 60 cents per 100 pounds, about three times as great. The rate from Dallas to St. Louis is 36 cents per 100 pounds, and the rate from St. Louis to Dallas is 60 cents per 100 pounds.

The Secretary of the Treasury: What is the reason for that?

Mr. Flippen: The reason for that is on account of the great movement of tonnage to the Gulf ports for export, and the necessity of the transportation company to make whatever rates are necessary to encourage the manufacturing industries of this territory so as to get tonnage northbound for their empty cars.

Now on all grades of refined cotton oil, the rate from Dallas to Kansas City is 35 cents, and to St. Louis 35 cents, and from St. Louis and Kansas City to Dallas it is 60 cents per 100 pounds. 90 per cent of the Texas and Oklahoma meal and cake which reaches foreign markets, is exported through Texas ports by Texas refiners. The esti-

mated production of crude cotton oil is 700,000 barrels, of which Texas refiners will handle 88 per cent. The manufacturers of Dallas --

The Secretary of the Treasury: How do those figures make Dallas the point in Texas for this Regional Reserve Bank, if a district is created here? Relate those figures to Dallas now.

Mr. Flippen: These figures show that so far as Texas as a whole is concerned, they are entitled to a bank. The Dallas Committee is working for Texas primarily and for Dallas second. When it comes to the location of a bank, we will be glad to set forth the claims of Dallas, but we want you first to consider the claims of Texas.

Now I have here as an exhibit a letter from the Secretary of the Interstate Cottonseed Crushers Association, with headquarters at Dallas, giving the list of mills and people who are members of the association, and I would like to file that as an exhibit.

The Secretary of the Treasury: Just let that be filed.

Mr. Flippen: But as showing the importance of Texas and Dallas as a centre, we have the headquarters of the association in Texas.

I also have here with your permission, to file as exhibits, original broker's contracts covering the sales of goods by Dallas manufacturers to Copenhagen, Denmark, Liverpool and Manchester, England, all parts of Mexico, and as far north as Vancouver, Seattle, Milwaukee, and as far west as San Francisco.

(The papers above referred to were filed accordingly.)

Mr. Flippen: I have a report here from the Stockyards Company showing that Texas has over 10 per cent of all the cattle in the United States.

I have maps here from the different manufacturers and jobbers of Texas, most of which show the territory they cover and the percentage of business they do in the respective states, and showing that the claim of the Dallas Regional Bank Committee is justified for the territory that they have chosen.

Here is a cracker manufacturer that is now covering in all the state of Texas, a certain portion of Louisiana, 75 per cent of Oklahoma and about 15 per cent of the territory in New Mexico.

The Secretary of the Treasury: Are these maps you have got all of the same character, indicating different lines

of business?

Mr. Flippen: Yes, sir.

The Secretary of the Treasury: Suppose you file the whole book as an exhibit and we will examine it, of course, at the proper time. A mere reading of them now does not convey anything.

Mr. Flippen: I will be glad to.

(The maps above referred to were accordingly filed.)

Mr. Flippen: There is another question we would like to bring out from the standpoint of the manufacturers. They accumulate very heavy stocks of merchandise through the spring and summer months for distribution to the cotton sections at the time the crop is being gathered, and at the time the financial institutions need the money to finance the crops the manufacturers are liquidating and returning the money back to the banks to loan to the farmers and to the cotton buyers, and beginning the first of January, the manufacturers are borrowing that money back again, and most of them have connections in the east where we sell our paper through note brokers, and we pay four to six per cent interest on that paper; and the money we borrow is the money that is carried by Texas banks up there as reserves, on which they get two per cent; and the people who are carrying the money

got the balance; and we want that money carried in Texas so the entire six per cent will stay in Texas.

The Secretary of the Treasury: You have to do a great deal of your borrowing outside of the Dallas banks, then?

Mr. Flippen: Well, not necessarily, but the manufacturers have bank lines usually for their accommodation, and then they borrow the money on the open market and use their bank lines as an anchor to windward in case the paper falls due and they have not the money.

The Secretary of the Treasury: To what extent do you sell your paper outside? Take your own concern, as an illustration.

Mr. Flippen: Taking our own concern, we owed the Dallas banks practically nothing during the cotton movement last year.

The Secretary of the Treasury: Was that because you could borrow cheaper elsewhere?

Mr. Flippen: We could borrow cheaper or just as cheap.

The Secretary of the Treasury: Where you can borrow just as cheap, where do you borrow?

Mr. Flippen: We borrow from the local banks when they have idle funds.

The Secretary of the Treasury: Do you frequently find they have not idle funds and you have to borrow outside?

Mr. Flippen: No, aside from the fact our requirements are frequently in excess of the amount allowed by the National Bank Act, we could get all our money in Texas.

The Secretary of the Treasury: At the same advantageous rate?

Mr. Flippen: Practically the same.

The Secretary of the Treasury: Are you any more fortunately placed than most borrowers, in that respect?

Mr. Flippen: I do not think so.

The Secretary of Agriculture: To what extent do you look upon this as a creditor or borrowing or lending territory?

Mr. Flippen: Our experience in our business in this territory has been that it is the best balanced section of the United States.

The Secretary of Agriculture: Is it dependent or independent financially?

Mr. Flippen: I think it is independent.

The Secretary of Agriculture: Has that been your experience and the experience of this section, that it is independent or dependent on outside districts.

Mr. Flippen: My experience has been that it is independent.

The Secretary of Agriculture: That is all, thank you.

The Secretary of the Treasury: Have you anybody else, Mr. Ardrey?

Mr. Ardrey: We would like Mr. Matson to speak very briefly. We had asked Mr. Collier to speak, but he will speak about the general banking situation and can follow at any time.

STATEMENT OF A. M. MATSON.

The Secretary of the Treasury: Will you state your full name, residence and occupation.

Mr. Matson: A. M. Matson; general manager of Butler Brothers, and acting as Chairman of the Railway Committee of the Dallas Chamber of Commerce.

The Secretary of the Treasury: If you have any new light that you can shed on this problem, we would be glad to have you give it to us.

Mr. Matson: We thought that perhaps the evidence I could give as to Butler Brothers, located in Dallas, might be of interest to you. Five years ago we had five distributing

houses located in various sections of the country, and at that time we decided to locate a house in the southwestern district of this country, a distributing house. After carefully considering this matter from all sides, and investigating various jobbing centres in this district, we decided that for many reasons, Dallas was the proper place for us to locate our fifth distributing house. Texas was our largest state served by St. Louis prior to our coming here, and since coming here, in 18 months time, our business grew about 100 per cent, assuring us that we had located in the proper city to properly serve the territory, from a mercantile standpoint.

The Secretary of Agriculture: What territory do you serve from Dallas?

Mr. Matson: All of Texas principally, excepting the Gulf points, that are served from our New York house.

The Secretary of Agriculture: To what extent do you serve Oklahoma, New Mexico and Louisiana?

Mr. Matson: In Oklahoma we serve practically all that business coming to us south of the Canadian River, and in New Mexico very little excepting down the Pecos Valley on the Santa Fe Railroad.

The Secretary of the Treasury: Do you serve that from

St. Louis or Dallas?

Mr. Matson: Dallas mostly.

The Secretary of the Treasury: The Pecos River district?

Mr. Matson: The Pecos River district, yes, sir. In Arkansas, not very much, but perhaps more than five per cent of our total business from Dallas goes into Arkansas.

The Secretary of the Treasury: What about Louisiana?

Mr. Matson: The same applies there, a very small amount. As my map will show we serve but a very small district right through here (indicating).

The Secretary of the Treasury: Practically Texas?

Mr. Matson: Yes, sir, and Oklahoma and a little district off in the northwest corner of Louisiana.

The Secretary of the Treasury: That is all.

Mr. Matson: Would you like to hear our report of the railroad facilities for reaching this territory?

The Secretary of the Treasury: We are familiar with it. If you desire to file any data on that subject as an exhibit, you may do so.

Mr. Ardrey: We would have been glad to have Mr. Neville Brooks, who is the Chairman of the Fifth District of the Texas Bankers Association, to present a resolution which was

passed at their annual meeting on February 5th.

The Secretary of the Treasury: Let it be filed.

(The resolution was filed, and is as follows):

WHEREAS, the provisions of the Federal Reserve Act require that the country be divided into not less than eight, nor more than twelve districts, within each of which a Federal Reserve Bank shall be located; and

WHEREAS, the agricultural, commercial and financial importance, both present and prospective, of Texas and the contiguous states in the Southwest make it necessary, under the system to be established, that one of the Federal Reserve Banks be located within this section to serve properly the vast interests therein and promote the development of the wonderful resources thereof; and

WHEREAS, at this annual meeting on February 5, 1914, the members of the Fifth District of the Texas Bankers Association desire to record their views with respect to the location of the Federal Reserve Bank to serve the district, within which there are located 405 State and National Banks, having a capital and surplus of \$36,392,000, the same being thirty per cent in number, and thirty-one per cent of the capital and surplus of all the banks in Texas;

therefore be it

RESOLVED, first, that we hereby ratify and endorse as the logical and geographical designation of the district to be created within which to locate the Federal Reserve Bank, the following:

All of Texas,

All of Oklahoma,

All of New Mexico

All that part of Arkansas south of the Arkansas River;

All that part of Louisiana west of the Mississippi River;

Second, that the city within this district best qualified as the location of the Federal Reserve Bank, to serve the same by reason of its geographical location, commercial importance and unexcelled facilities, is the city of Dallas.

Third, That the Chairman of this District be, and he is hereby directed to appear before the Reserve Bank Organization Committee at its hearing at Austin on February 9th and 10th, and present thereto a copy of this resolution

and give such further testimony in support thereof as any may be necessary.

The Secretary of Agriculture: What part of Texas does that district cover?

Mr. Ardrey: The northeastern portion, bordering on Oklahoma and Arkansas, 513 banks with \$35,000,000 banking capital, and 31 per cent of the banks.

The Secretary of the Treasury: They favor Dallas?

Mr. Ardrey: Yes.

The Secretary of the Treasury: Have you any copies of telegrams or letters which you sent them, bearing on that subject?

Mr. Ardrey: They were in their annual meeting.

The Secretary of the Treasury: If so, we might have those filed.

Mr. Ardrey: I would say this, we had quite a number of postal card endorsements and other things in response to letters and telegrams, but just as we were accumulating those, the Department at Washington sent out a similar inquiry to every bank in this section, and we are quite content to let Dallas' claim rest on the poll taken in that manner, and consequently we have not filed the letters and

telegrams in answer to the latters sent out.

The Secretary of Agriculture: They were sent out before the government poll was taken?

Mr. Ardrey: No, as a matter of fact they were sent out afterwards.

The Secretary of the Treasury: The government poll is certainly likely to produce untrammelled and unrestrained opinions, without influence from any one.

Mr. Ardrey: Yes, sir, and so far as Dallas is concerned, we are content to let the matter rest on the opinion of the banks in answer to that question.

The Secretary of the Treasury: We will call from Fort Worth now, unless there is somebody else from Dallas who wants to be heard. Mr. Ardrey, before we close the Dallas hearing, if you desire to call any one else, you may.

Mr. Ardrey: We have some other witnesses whom we are quite anxious for you to hear, and I think they can give some new information, if you will indulge them.

The Secretary of the Treasury: If they can give any new information, all right.

Mr. Ardrey: We would like Mr. Robinson to speak. He is the president of one of the implement dealers in Dallas.

STATEMENT OF WILLIAM M. ROBINSON:

The Secretary of Agriculture: Mr. Robinson, will you state your full name, residence and occupation?

Mr. Robinson: William M. Robinson, Vice President, Parlin & Orenderff Implement Company.

The Secretary of Agriculture: What is the point you desire to present.

Mr. Robinson: Well, sir, Dallas is the largest distributor of agricultural implements in the southwest. It is second only to Kansas City in the United States. We have about 30 wholesale houses there.

The Secretary of Agriculture: What is the total volume of distribution?

Mr. Robinson: About \$35,000,000.

The Secretary of Agriculture: What part of that is done in Texas?

Mr. Robinson: About 85 per cent of it, and the balance is distributed in southern Oklahoma, southern Arkansas and New Mexico.

The Secretary of Agriculture: About what percentage in Oklahoma.

Mr. Robinson: About 10 per cent.

The Secretary of Agriculture: And in Louisiana?

Mr. Robinson: About 7 per cent in Louisiana.

The Secretary of Agriculture: Where does Oklahoma as a whole get most of her implements?

Mr. Robinson: Oklahoma city. All of Texas and northern Louisiana, the Pecos Valley of New Mexico, and a lap-over into Oklahoma from the northern boundary towns in Texas, are all served from Dallas.

The Secretary of Agriculture: What part of the business would you say is done by other Texas cities, Fort Worth, Houston, Waco and San Antonio?

Mr. Robinson: There is not any implement business or vehicle business or machinery business in the agricultural implement line done in any Texas City except through Dallas.

The Secretary of Agriculture: Have you any maps or data which you desire to file?

Mr. Robinson: Mr. Lipsitz, I think, filed our map with his statement. But the impressive point is that all the agricultural implements in the southwestern part are distributed through Dallas.

The Secretary of Agriculture: Thank you. I think that

give us the information.

Mr. Ardrey: If you will hear Mr. Nathan Adams, the Cashier of the American Exchange Bank, and President of the Texas Bankers Association?

The Secretary of Agriculture: Yes.

STATEMENT OF NATHAN ADAMS:

The Secretary of Agriculture: Mr. Adams, will you state your name, residence and occupation?

Mr. Adams: Nathan Adams, Cashier of the American Exchange National Bank of Dallas; President of the Texas Bankers Association.

Mr. Secretary, I had the pleasure of hearing your speech in St Louis, in which you stated that these banks were to be located more for the future development of the country than for the present needs --

The Secretary of Agriculture: I do not recall making just that statement.

Mr. Adams: Well, something on that line.

The Secretary of Agriculture: It is very important to know just what the line was.

Mr. Adams: If I remember you correctly, you stated that

the needs of the country would not be the convincing thing at this time, but the development of the country would be taken into consideration.

The Secretary of Agriculture: Well, that is a different statement.

Mr. Adams: That is the idea I meant to convey. Dallas, in 1904, had total banking resources of \$16,000,000, with five National Banks. In 1914 they had total resources of \$43,000,000 with five National Banks and five State Banks, In Texas, taking the Comptroller's report of October 21st, as the basis, the total number of banks in Texas was 1352 with assets, in round figures, of \$125,000,000 and individual deposits of \$296,000,000. In 1903 they had 377 National Banks with a total capital of \$37,000,000 and total deposits of \$88,000,000, showing an increase in ten years of \$208,000,000.

The Secretary of the Treasury: File that as your exhibit.

Mr. Adams: Yes.

(The statement was accordingly filed.)

The Secretary of Agriculture: You are speaking there of National Banks?

Mr. Adams: National and State. There were no State banks

in Texas in 1903. The State law came into effect after that time, and we think that these matters should be considered. Speaking of this territory claimed for Dallas, while I am not speaking for the whole association in Texas, and do not want to be understood as speaking in that capacity, I believe we are better able to serve the territory we have selected than St. Louis or New Orleans or either one of them, with the state divided. I think the history of the past 15 years will develop the fact that we have the right to expect that the increase in Texas in the next 15 years will be better than the increase in -- will be better than it has ever been, and we will be amply able to take care of ourselves. We had the experience in 1907 with St. Louis of not being able to get the banks north of us to take a check ~~from~~ that city. We do not believe they are the lenders of money that you have been led to believe. We believe we are amply able to take care of the district that we have chosen, and that the facts will develop it.

The Secretary of the Treasury: We will hear the superintendent of Banks, if he is here.

Mr. Ardrey: He has not come in, but he will testify for the state in general, and can fill in at any time.

The Secretary of the Treasury: We will hear from Fort Worth now.

Mr. Louis J. Wortham: If the Committee please, I am Chairman of the Fort Worth delegation. We have segregated Fort Worth's plea into several co-related topics, according to this inquiry, and we have the following list of gentlemen who will specialize on each one of those topics, and we would be pleased if the Committee would call their names in that order.

The Secretary of the Treasury: Yes. We will hear you Captain Paddock.

STATEMENT OF B. B. PADDOCK:

The Secretary of the Treasury: State your name, residence and occupation?

Mr. Paddock: B. B. Paddock, my address is Fort Worth, Texas, and my friend at Fort Worth designate my occupation as "town loafer".

The Secretary of the Treasury: I suppose we ought not to ask you if you deserve the title (laughter).

Mr. Paddock: You can ask me anything you have a mind to

and I will answer to the best of my ability. The only official position I occupy is that of honorary president for life of the Fort Worth Chamber of Commerce, and it is without emoluments, duties or obligations.

Gentlemen, the Fort Worth Committee have seen proper to assign me to the presentation of the railway and mail facilities for Texas, having divided up the different subjects and assigned them to those that they thought would be competent to present them intelligibly. But I do not want to trench upon any of my associates, but for fear they might not think of it, I want to challenge the statement made by my good friend of Dallas, Mr. Babcock, that Dallas gets all the trade from southwest Oklahoma. We get a little of it in Fort Worth, just a trifle.

If I have comprehended the intent and purpose of this Act rightly --

The Secretary of the Treasury: Will you speak a little louder, so the gallery can hear you.

Mr. Paddock I do not care about the gallery, but I want to get it into you.

The Secretary of the Treasury : If you get it to the gallery, we will hear it.

Mr. Paddock: If I comprehend the purpose of the Act correctly, it is to provide a financial system which will best serve the people and the business and productive interests of the country, and not so much the banking interests. We have laid out a district comprising Texas, Oklahoma and New Mexico, it being--

The Secretary of the Treasury: Your argument relates to the same district as presented by Dallas?

Mr. Paddock: No, sir, we do not include Arkansas or Louisiana.

The Secretary of Agriculture: Can you give us your map?

Mr. Paddock: We have a little map here that I got at Dallas. I do not want this Committee to think there is nothing west of Dallas there, any railroads. Have you the map there that shows the truth of this thing?

The Secretary of Agriculture: Do you want to file that?

Mr. Paddock: Yes, I want to file that -- no, I think I will have that framed and put in my library. We present to you this map (producing another map) as showing the other states on the paper. That map is a reproduction of the postal route map as platted by the Post Office Department, which shows every railroad in Texas, Oklahoma and New Mexico,

I believe. You will observe, gentlemen of the Committee, that there are 13 miles there in red which represent 13 Trunk lines of railway that converge at Fort Worth. I want to capitalize the word Trunk Lines for a reason which I will give you later on. This is the shortest line that we have, it is only 233 miles, but every other line there extends entirely across the state and adjoining states to the commercial marts of the country.

You will observe that there are three lines to Denver, to wit, the Fort Worth & Denver, the Santa Fe and the Rock Island. There are four lines to Kansas City, the Santa Fe, Rock Island, Missouri, Kansas & Texas and Frisco System. There are five lines to St. Louis, the M. K. & T., the Cotton Belt, the Texas & Pacific with its connection with the Iron Mountain, and two lines of the Frisco, one line running north, a little north of Fort Worth in a direct line, and the other running on the eastern line of Oklahoma, the distance between the two lines at this point being 109 miles, covering, you will observe, quite a considerable territory. There are five lines to Houston and Galveston, the M. K. & T., Santa Fe, the Houston & Texas Central, the International & Great Northern, and the Trinity & Brazos

Valley. There are two lines to the Mexican border on the southwest, and New Mexico is served by three lines from Fort Worth, there being a tri-daily service from Fort Worth over the Santa Fe lines to New Mexico, and there are two lines over the Texas & Pacific and the Orient, taking up the Pecos Valley, which is the most productive section of New Mexico, from an agricultural standpoint.

The Secretary of the Treasury: Have you any connection with Dallas?

Mr. Paddock: Yes, sir; we do not use them much (laughter). There are four, the Texas & Pacific, Cotton Belt, and the Rock Island, and then for their convenience we built them an Interurban railway which has a half hour service between the two cities. They are on this map as well as their interurban lines north to Denison and the southern line.

The Secretary of the Treasury: Yes, I see it now that you call my attention to it.

Mr. Paddock: Yes. You will observe there are no branch lines from Fort Worth in any direction or leading out to connect with any other road, and that condition does not prevail anywhere else in the United States, that every line

entering or converging at a given point is a trunk line.

We are doing more railway business than any city of anywhere near our size on this continent. I heard the boast made that one of our competitors handled 643 freight cars daily through their several yards in their city. The number handled daily through the yards of Fort Worth is 3052 plus, making 955,505 freight cars handled in Fort Worth during the year 1913.

The Secretary of the Treasury: What is the name of the competitor to which you refer?

Mr. Paddock: Here it is on that little map I gave you.

The Secretary of the Treasury: Where they handle 600 a day?

Mr. Paddock: Dallas, 643. Give them credit for all they do. There is a reason for this which is found in the fact that not only are we the centre of two of the greatest articles of commerce in this country, but that our lines are trunk lines, and under the ruling of the Railway Commission of Texas, which is also applied by the Interstate Commerce Commission to the Texas-Oklahoma points, a one-line rate is lower than it is over two or more lines, and as the lines converging at Fort Worth are trunk lines they take the one-

line rate, so that Fort Worth has an advantage to about 85 per cent of the points in Texas and Oklahoma, of the one-line rate as against the two or three line rate, which accounts in a great measure for the large number of freight cars that are passing through Fort Worth. Of these cars, 415,216 cars do no business in Fort Worth except the interchange from one road to another and the others are loaded and unloaded in Fort Worth.

The Secretary of Agriculture: Which city receives the most commodities over its railroads, Fort Worth or Dallas?

Mr. Paddock: Well, it would depend a little bit of whom you were making the inquiry, I think.

The Secretary of Agriculture: I am asking you right now.

Mr. Paddock: Fort Worth.

The Secretary of Agriculture: Which distributes the most commodities over these railroads?

Mr. Paddock: Fort Worth.

The Secretary of Agriculture: It has the largest business each way?

Mr. Paddock: We handle through our yards 3052 cars plus each day, their largest claim being, I believe, 643.

The Secretary of the Treasury: The question is, how many

of them originate there and indicate the business originating at Fort Worth and coming into Fort Worth and stopping there.

Mr. Paddock: Well, you would subtract 415,216 from the total and you have 540,289.

The Secretary of the Treasury: Loaded and unloaded?

Mr. Paddock: Loaded and unloaded.

The Secretary of the Treasury: Representing local Fort Worth business?

Mr. Paddock: The business coming into Fort Worth and going out.

The Secretary of the Treasury: That is what I mean, exactly.

Mr. Paddock: Fort Worth being the --

The Secretary of the Treasury: What does ^{the} bulk of that business consist of?

Mr. Paddock: Cattle, grain and cotton, and of course merchandise in and out, but the larger business is in cattle, grain and cotton. Most of the cotton goes through, all but 125,000 bales. Of something like 1,000,000 brought in Fort Worth, there are only about 125,000 actually handled there on the platform. There are 110 mail trains in and out of

Fort Worth every day, 110 trains that carry the mails, Fort Worth being the headquarters of the 11th Postal Division, established in November, 1888. It is a coincidence that it embraces practically the same territory that we are asking for, for a Reserve Bank, Texas, Oklahoma, New Mexico and they take in a part of Arkansas and Louisiana, which we do not. Our reason for not doing that was that we wanted to get a Reserve Bank and the trend of business we thought to be an important factor, and as the amount of business transacted between Texas points and Arkansas and Louisiana points is so small, we did not add it to the territory for presentation at this time.

Now with the mail facilities of 110 trains in and out during the day, we reach a point 220 to 225 miles from Fort Worth to which mail can be forwarded and an answer received within 24 hours. We also give it within 36 hours and 48 hours.

The Secretary of the Treasury: Is that a part of your pamphlet?

Mr. Paddock: No, it is not printed in the pamphlet, but I will file it with you .

The Secretary of the Treasury: If you will file it, please do so, because we cannot carry these figures in our heads.

Mr. Paddock: I will file it. We reach points varying from 220 to 225 miles, in which a letter can be dispatched and a reply received within 24, 36 and 48 hours.

As an evidence of the business that is being done by the Railway Mail Service, there are living in Fort Worth 257 employes of the mail service. There are two chief clerks and there are 156 parcel cars sent out from Fort Worth; that is a new department in recent years in the transmission of freight, sending small parcels to local points. 156 of these each day leaves Fort Worth loaded with small consignments to different points in the trade territory of Fort Worth.

We have added New Mexico to this territory for the reason that the principal industries in New Mexico are cattle, fruits and vegetables, and mining. Outside of the Pecos Valley and its tributaries, there is very little agriculture in New Mexico, as I understand and am advised. That business largely comes to Fort Worth. Most of the cattle, and I think practically all the fruits and vegetables

come there. It is no unusual sight to see several solid trains of these refrigerator cars coming into Fort Worth within an hour or two of each other. The California Fruit Company has its headquarters for the southwest at Fort Worth, where these cars are inspected, re-iced and distributed from there to the points in the north and northeast and northwest. Denver gets most of its fruits and vegetables through Fort Worth, from the southern part of Texas and from southern Arizona and New Mexico. Just the day before I left, one firm in Fort Worth paid a freight bill of \$20,000 on one shipment that came in.

Fort Worth, by reason of its railway facilities -- perhaps the personnel of Fort Worth people might have had some influence in the matter, but probably largely because of its railway facilities and convenience for the transaction of business, is the headquarters of the Texas Cattle Raisers Association. That name is possibly a misnomer, though it originated in Texas some 40 years ago, 38 years ago, I believe, most of its membership is in Texas, but it comprises members from Oklahoma, New Mexico, Kansas, Nebraska, and old Mexico.

The Secretary of the Treasury: I see you have Mr. Stafford

down here to speak on that.

Mr. Paddock: Yes, he will speak on that particular point, but I am speaking of its being made the headquarters, because of its railroad facilities. Also it is the headquarters of the Grain Dealers Association, the headquarters of the Farmers' Union of the Southwest, the headquarters of four of the railroads that converge in the city.

The population of Fort Worth as you will see by looking at the census reports, shows a percentage of increase greater than that of any other city in the United States for the last decade, being 174.7 percent, and it is growing as rapidly now as it did then.

The Secretary of the Treasury: What was the population by the census of 1910?

Mr. Paddock: 72,312, an increase during the decade of 174.7 per cent. We assume that this is building for the future, and we are expecting great things for our city and our section upon the completion of the Panama Canal, when all the products destined for the Orient will pass through Fort Worth seeking an outlet through the Panama Canal. I say they will go through Fort Worth for the reason that these lines of railway extend north into the Mississippi

Valley, and they are trunk lines of road and do not have to change and get off their own rails to reach the Gulf ports in Texas.

I believe, Mr. Secretary, that what little else you may find in this pamphlet upon that subject compares about what I wish to say about it.

The Secretary of the Treasury: We can rely upon that printed matter, I presume?

Mr. Paddock: I wrote it, Mr. Secretary, and I feel quite sure that that will be enough for you (laughter).

The Secretary of the Treasury: Knowing the authority I shall know what weight to give to it.

Mr. Paddock: Yes, sir, precisely that.

The Secretary of the Treasury: Can you give us three copies of that?

Mr. Paddock: Yes, sir, I will see that you get them.

The Secretary of the Treasury: Kindly file three additional copies.

Mr. Paddock: Yes, sir. If there are any additional facts or any questions you desire to ask me, I will try to answer them.

The Secretary of the Treasury: I do not think of any-

thing. That is all, thank you. We will hear Mr. Gage.

STATEMENT OF R. D. GAGE:

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

Mr. Gage: R. D. Gage; Fort Worth, Texas; Vice President of the First National Bank.

The Secretary of the Treasury: Have you a map outlining the district that you are advocating?

Mr. Gage: The ~~lines~~ lines, Mr. Secretary, that are entirely pleasing to us are coincident with the lines presented by Dallas a few moments ago.

The Secretary of the Treasury: You are in agreement upon that point?

Mr. Gage: Yes, sir. All of Arkansas, south of the Arkansas River, Louisiana --

The Secretary of the Treasury: As to the district itself, of course, we have had information.

Mr. Gage: Yes.

The Secretary of the Treasury: If you will kindly advise us why, if that district should be created, Fort Worth should have the bank as against any other city in the district,

we should be pleased to get that information .

Mr. Gage: To be entirely frank, Mr. Secretary, the honors are quite evenly divided, unless our large railway and mail facilities and our large grain business and our cotton business incline the scales in our favor. The two towns who are contesting here from North Texas, are within 30 miles of each other, and all that can be said about the one in a general way, can be equally truthfully said about the other. I have listened with interest, and of course it has been very instructive, to the line of your questions. Now, Mr. Secretary, Texas cannot pretend to enter the lists with St. Louis or Chicago, or with New York. If we down here understand that question, and you will excuse me if I go beyond what I ought to, it is with entire deference to you gentlemen, your line of questions which I have listened to -- we had the idea that the purpose of the law itself was to distribute and to prevent the vast aggregation of money --

The Secretary of the Treasury: Does not that inevitably follow, no matter where you put the reserve banks, so long as you divide the country into districts which the Act requires?

X

Mr. Gage: Not entirely so, we think. We think that this country down here, that is a developing country and a growing country, if we can show you by the figures and by the facts that we are safely beyond the margin of the minimum required under the law, if our deposits justify it, if our wants and our needs seem to warrant it, we think if there be any doubt in the minds of you gentlemen, it certainly ought to be resolved in favor of the southwest.

The Secretary of Agriculture: Now you are speaking for this whole district?

Mr. Gage: I am speaking for the entire state.

The Secretary of Agriculture: Only for the entire state?

Mr. Gage: Oh, no, you understand generally for the state. We want it in the state first. We think these minor differences ought to be sunk right here. Of course, there is a pleasant rivalry. We believe we have the edge over our other friends. We believe that Fort Worth has inclined the scales a little bit more heavily. But speaking for Texas itself, you speak about the trend and current of trade. Now I do not believe in any abrupt dislocation and disruption of these relationships, but to a certain extent that must be done.

The Secretary of Agriculture: The provisions of the Act in that respect are mandatory. It says we shall have due regard to the convenience and customary course of business in these districts.

Mr. Gage: I understand, but I do not understand that the conditions which have prevailed possibly for 50 years of the financial current through St. Louis and Chicago and New York, made artificially so by the fact that they are the great reserve centres --

The Secretary of the Treasury: We are not speaking wholly of exchange, but our inquiries are directed to all these business phases as well, as the line of questions which you heard indicate, and we are trying to ascertain what will best serve the customary course of business and convenience, which includes banking, but that is not the only interest, by any means.

Mr. Gage: No, I understand the agricultural and industrial interests are also considered.

The Secretary of the Treasury: And let me say again, and addressing myself to your opening remarks, about the purpose of this Act being to decentralize reserves, and that the purport of our questions would seem to indicate the

purpose to centralize the funds, the very Act itself creates decentralization which you speak of, and the organization of the country into not less than eight nor more than twelve districts is bound to bring about that result. The only question is what the lines of the districts shall be, and as to where the Reserve Bank itself shall be placed in each one of these districts.

The law also contemplates, and in fact it makes it mandatory, that there shall be branches of these banks throughout these districts, in order that the convenience and customary course of business may be best served in every direction.

Mr. Gage: I understand.

The Secretary of the Treasury: Now that is what the Committee is trying to ascertain, and as I said before, and I would like to try to repeat it here now, the line of our questions does not in any manner indicate any drift of our opinion.

Mr. Gage: So I understand.

The Secretary of the Treasury: But what we must do, as you gentlemen are advocating a particular thing, is to ask questions which ~~you~~ may seem opposed to your views, for the purpose of bringing out all the facts and developing the

argument.

Mr. Gage: I understand. I did not intend to convey the idea that you gentlemen were endeavoring to impose a condition upon us which was contrary to the drift of the financial current and trade current.

The Secretary of the Treasury: Not at all. I only wanted to emphasize the point and make it clear again, so that there may be no misunderstanding.

Mr. Gage: Temporarily there might seem to be by the formation of this district which we suggest, a breaking of ties and a disruption of relationship, but it does seem to us that, homogeneous as we are down here, with like interests, it could be done with the very least inconvenience, and certainly to the very great convenience of these people who are in the boundaries of the territory we suggest.

The Secretary of the Treasury: The normal relationships between depositors and the various banks in these states are not going to be disturbed, nor are the normal relationships between the banks themselves going to be disturbed. This Act creates the reserve banks for the purpose of providing a new and additional facility to those now existing.

Mr. Gage: So I understand.

The Secretary of the Treasury: Now the purpose, of course, in locating these banks and laying out the districts is to find out what will best accomplish that purpose for which this Act was passed. Now assuming this district, though, we had this same question as between St. Paul and Minneapolis; they both concurred in the district, but each wanted the bank in their respective cities. The question we had to ask them in the question we must ask you here, what prevailing or paramount reason is there for having this bank either in Dallas or Fort Worth, if this district be assumed? Now, as representing Fort Worth, if you can give us any prevailing reason why Fort Worth should have it as against any other city in the district, we would like to have it.

Mr. Gage: As I said before, the honors are even between these two cities, they are so close together that what helps one helps the other, except that we have the railroad and mail facilities, and we have been the headquarters for the Postal division for 25 years.

The Secretary of the Treasury: You base your claim on the large railroad and mail facilities?

Mr. Gage: Yes, and the handling of cotton.

The Secretary of the Treasury: Do you handle any more

cotton than Dallas?

Mr. Gage: Not more, no, sir. We financed last year \$1,000,000 plus. That will be furnished you by others. Of course, in cattle we are the easy leader of everything in the southwest south of Kansas City.

The Secretary of the Treasury: Supposing a district were created different from the one you have outlined, what would be your choice outside of Texas as the city for the Reserve Bank for this region?

Mr. Gage: Outside of Texas?

The Secretary of the Treasury: Outside of Texas, assuming that a district other than this were organized, and there were no Texas city named.

Mr. Gage: My personal preference would carry me to St. Louis.

The Secretary of the Treasury: That would serve more the normal course of business and --

Mr. Gage: I think so.

The Secretary of Agriculture: Is Fort Worth's business more with St. Louis than with Kansas City?

Mr. Gage: I think very largely so.

The Secretary of Agriculture: Where does the cattle

business go?

Mr. Gage: Kansas City is the second largest cattle market in the United States, Fort Worth third, and Chicago first. But you will observe that Kansas City is not a central reserve city, and therefore the reserve cities in Texas naturally take up the lines of least resistance and land in St. Louis.

The Secretary of Agriculture: I was speaking more of the flow of commodities and trade, rather than the banking relations.

The Secretary of the Treasury: Exactly, that is the point we are more concerned in, because when this Act goes into operation, after a short time, these central reserve cities will disappear, and so will the reserve cities disappear, and none of them will keep reserves of banks. Now in contemplation of that, where would you think the Reserve Bank should be, as between St Louis and Kansas City, so far as this territory is concerned, which would best serve the customary course of business?

Mr. Gage: When you got down into the cloth and shoe lines and lines of clothing of all kinds, then there is no comparison between Kansas City and St. Louis as to where we go,

in these lines of trade, but when it comes to live stock and grain, then of course the cars trundle down from Kansas City in this direction loaded with grain down to Fort Worth, and a great many cattle go from New Mexico and the west and are shipped directly to Kansas City. It is useless, I presume, to tell you about the banking capital of Fort Worth?

The Secretary of the Treasury: We are familiar with that. We have it in the comptroller's statements, of course.

Mr. Gage: Yes.

The Secretary of the Treasury: I would like to ask you where do you keep your reserves now, how are they distributed between the central reserve cities, and in what proportion?

Mr. Gage: The larger amount, of course, is in New York, We are bound to use New York exchange; and a very respectable amount in Chicago and a less amount in St. Louis. We distribute our normal exchanges in that way.

The Secretary of the Treasury: You keep your larger balances in New York largely for exchange purposes, I presume?

Mr. Gage: Yes, there is a greater demand for New York exchange, it is current everywhere.

The Secretary of the Treasury: You heard the questions I addressed to Mr. Ardrey. Do you concur in his views, that with the parring of exchange between these reserve banks, the necessity for carrying such large balances in New York will be obviated?

Mr. Gage: They will be largely diminished.

The Secretary of the Treasury: That will be the inevitable result, will it not?

Mr. Gage: Yes, largely so.

The Secretary of the Treasury: You heard the question I addressed to Mr. Ardrey about the definition of commercial paper and the clearing house functions to be discharged by these banks. Will you consider those addressed to the Fort Worth Clearing House Association?

Mr. Gage: Yes. We should like very much to broaden the definition of commercial paper.

The Secretary of the Treasury: Mr. Reporter, see that Judge Gage is furnished with a copy of this question.

Mr. Gage: According to our standpoint in the southwest, without reference to sectional lines, our best collateral, and a very large amount of which will be offered to the Reserve Bank, will consist of the most liquid and the most

solvent assets we think in the United States, and we get away from the narrow and hidebound commercial view of what constitutes commercial paper, and I should be very glad to give you our views.

The Secretary of Agriculture: To what extent do you think this district you have laid out would be independent or dependent financially?

Mr. Gage: We would not for the entire year, Mr. Secretary -- you take it in the latter part of the summer and the early fall months, the demand upon us to carry the cotton is tremendously heavy. Sometimes we escape. To illustrate last year the bank in which I worked did not discount at all.

The Secretary of the Treasury: Why was that?

Mr. Gage: The need was not so pressing. This year we borrowed \$300,000 from our northern and eastern correspondents, and \$100,000 from the government. But you understand it does not perpetuate itself year after year.

The Secretary of Agriculture: But normally do you have to rediscount in the fall, to move the crops?

Mr. Gage: Sometimes for 60 days, and rarely over 90 days. The turn of the cotton crop brings it in. The cattle crop brings it in twice a year and sometimes three times and the

money turns over and over.

The Secretary of Agriculture: One of the things that seemed to be in the mind of Congress in passing this Act and providing for these districts was that in normal times, that is, except in times of unusual stress, that these districts should be independent.

Mr. Gage: That is the proper view for this Committee, and we think that with our practically \$6,500,000, or \$6,420,000, to be exactly correct, as a capital for the bank, with the necessary and legal reserves you would hold, it would help out wonderfully and I think we would be able to take care of ourselves.

The Secretary of Agriculture: You have nothing to show the attitude of the people of New Mexico and Oklahoma towards Fort Worth?

Mr. Gage: That will be brought forward by others. A great many cattle men have interested themselves to the extent of writing in their concurrence in the view that Fort Worth is the most logical place, by reason of the heavy cattle traffic transacted there.

The Secretary of the Treasury: I would like to ask about the live stock paper you take there. Is the live stock

paper of Texas in the form of a note, practically the same as that employed in other sections, where such paper is used, like Denver and Kansas City?

Mr. Gage: You mean the form and character of the paper?

The Secretary of the Treasury: Yes.

Mr. Gage: I think so. The paper, of course, is mostly in the form of a chattel mortgage. Different people resort to different methods of certifying it, and they have the cattle counted and the brand examined.

The Secretary of the Treasury: But the same general method is followed:

Mr. Gage: I think so. I might say in closing, if you will permit me --

The Secretary of the Treasury: Any exhibits you care to file with your testimony, you may so file.

Mr. Gage: The bank clearings for Fort Worth, adverting to that for a moment, and then I shall conclude, have grown in the last ten years from \$84,000,000 per year to \$418,000,000 as shown by the statements.

The Secretary of the Treasury: What do you pay on your bank balances?

Mr. Gage: Two per cent on daily balances.

The Secretary of the Treasury: The same as Dallas?

Mr. Gage: Yes.

The Secretary of the Treasury: And how about check collections? Does the same practice prevail in Fort Worth as in Dallas?

Mr. Gage: As to the charges made?

The Secretary of the Treasury: Yes.

Mr. Gage: Practically the same.

The Secretary of the Treasury: What were the clearings of Dallas? I have forgotten.

Mr. Gage: We have not been able to ascertain.

Mr. Ardrey: We did not submit the figures, for the reason there is not a uniformity in Texas in the method of computing clearings. Dallas has never published her clearings because their methods of computation is different from the other Texas cities.

Mr. Gage: \$318,000,000 for 1912, and \$361,000,000 for 1913.

The Secretary of the Treasury: That is in and out, I suppose?

Mr. Gage: That is the daily clearings, but it represents actual clearings, with daily settlements.

The Secretary of the Treasury: Do you clear on the same basis?

Mr. Gage: On the New York basis.

The Secretary of the Treasury: What is the difference in the bases?

Mr. Gage: I do not know what his basis is, but we charge only in the one way.

The Secretary of the Treasury: Well, those figures may be filed.

Mr. Ardrey: The difference, I think between the methods of computation as between Dallas and Fort Worth I think, are that we settle every day, and cancel the balances and I think they clear back the next day some of theirs.

Mr. Gage: I do not really know what the differences consist of. I only know what the records show.

The Secretary of the Treasury: We will take a recess now until 2:00 o'clock.

Whereupon, at 12:00 M., a recess was taken until 2:00 o'clock P.M.

AFTER RECESS 2 P.M.

STATEMENT OF CLARENCE OUSLEY.

The Secretary of Agriculture: You may state your name, residence and occupation.

Mr. Ousley: Clarence Ousley, Editor of the Fort Worth Record.

The Secretary of Agriculture: You are familiar with the problem we are confronted with?

Mr. Ousley: Fairly so.

The Secretary of Agriculture: And we would be very glad to have you give us your assistance.

Mr. Ousley: I want to address myself to one or two points, gentlemen. I was very much interested^a while ago in the inquiries that Secretary McAdoo addressed concerning the definition and form of commercial paper. There is now pending a proposal for a system of Federal agricultural banks, and that is, to sat the most about it, only a hopeful experiment, far in the future, and I take it that for some years to come the only hope of improvement in the accomodation of produce is through this Act, and that it was wisely provided that farm paper, or paper representing staple

agricultural products, should be accepted as commercial paper and that the needs of producers in this southwestern country ought to be considered as well as the channels of commerce.

Now from that standpoint I am sure you will realize the importance of this southwestern country, this great producing area, as you will hear presently from Mr. Sanson and Mr. Stafford, who will testify concerning the live stock products, that rural paper will constitute a tremendous volume of transactions of these banks. That being the case I feel that the Board ought to consider the needs of producers in the more immediate and liquid accomodation of their desires than has been heretofore regarded by the banks. In other words, hereafter, under the provisions of this bill, agricultural paper will be a larger element than ever before in banking and in currency issue.

Now remember that Texas is the live stock of the union, and remember it produces one third of the American cotton crop, and that in those two assets alone it presents a problem of national importance, in the dispatch of those products from the farm to the consumer with the least waste of distribution through middlemen.

Now Fort Worth, as you will find presently, finances a greater part of the live stock industry of this entire southwestern region. You will find it finances almost the entire grain product of this southwestern region. You will find also that it finances as much of the cotton crop, in round numbers 14,000,000 bales, as any other city of this state. Therefore, Fort Worth finances the larger volume, two-thirds or three-fourths of the live stock and grain, and as much of the cotton crop as any other city in the state.

Secretary Houston is perfectly aware of what is now immediately in prospect in the economic revolution of handling farm products through co-operative enterprise, and if he will pardon me for saying this, he has made the wisest suggestion which has yet been made on that subject concerning the handling of farm products by the smallest unit, and it is only a question of the assembling of the legislature in this state and in other states contiguous to this section, when these efforts will be put into effect and this system, Dr. Houston, will not be fairly established before there will be bulk marketing under state acts. And when that comes to pass, the demands upon banks for the accommodation of farm products in the hands of producers is going to be

vastly larger than it ever has been. And I trust that the Board in considering the location of these banks, will have due regard to this new field of banking as well as to preserving the channels of trade and commerce, as Secretary McAdoo has referred to this morning.

Secretary of Agriculture: We include that as part of commerce.

Mr. Ousley: You do not include that as part of commerce?

The Secretary of the Treasury: Oh, yes.

Mr. Ousley: That being the case, then Texas is manifestly a section to be very seriously considered.

The Secretary of Agriculture: Yes.

Mr. Ousley: The truth is, you cannot put Texas into any region, either of eight banks or of twelve banks, without Texas being the largest part of that region. Now then, with these aggregated interests, certainly it is entitled to very serious consideration as the location of this Reserve Bank, and the relation of such parts of Arkansas, Oklahoma, New Mexico and Louisiana to this Federal Reserve Bank located in Texas, will not interfere with the channels of commerce. I hope you will bear that in mind, because those local merchants and dealers will still do their local business through their

local banks. It is the local member bank which will have relation to the Reserve Bank, and that will not interfere with any channels of commerce; I take it that the Act means you must not interfere with any channels of commerce. But I want to insist that compelling a part of Arkansas and Louisiana to do their reserve banking through a Texas Reserve Bank would not interfere with the transportation or shipment of commodities or the purchase of goods by the Arkansas or Louisiana merchant. He would simply have to have his reserve relations with Texas through correspondence and otherwise, instead of with St. Louis or New Orleans.

The Secretary of the Treasury: Mr. Ousley, of course we admit that the law makes more ample provision directly in the interests of the agricultural classes than the former law, which is a very wise provision, and we are aware of the great volume of commerce of the country which arises through these agricultural communities. Just what injury, if any, would be done to that trade if you had a larger district, perhaps incorporating in the district communities that were not so largely agricultural; for instance, if you had a district reaching from the edge of St. Louis or Kansas City, might there not be advantages in having the greater

diversity and perhaps a greater volume of lending power to meet the abnormal movements that come seasonally?

Mr. Ousley: Well, that would be a matter to be --

The Secretary of Agriculture: I am just asking for your opinion.

Mr. Ousley: Yes, that would be a matter to be calculated by the actual volume of assets that would be aggregated, when you come to add it up. My own impression from my casual study of the subject is quite in line with the testimony already delivered here, that this region is self-sufficient, and there would be no difficulty whatever in financing the entire crops of this region with their extra seasonal demand; there would be no difficulty in financing these crops in this region without going beyond.

The Secretary of Agriculture: I would like to ask you another question, Mr. Ousley? The Committee has discretion, within the number, to establish from eight to twelve districts.

Mr. Ousley: Yes.

The Secretary of Agriculture: Now we of course know that the country is developing very rapidly; we know that some sections are developing rather more rapidly than other

sections. Would it be your advice that the Committee establish the minimum number or a larger number than the minimum number, with a view to allowing for the location of other districts later, to meet the demands of developing locations?

Mr. Ousley: My opinion is in regard to that that within five years you will increase the number of reserve banks.

The Secretary of Agriculture: You mean by Congressional action?

Mr. Ousley: Yes, by Congressional action. So my judgment is that the committee ought now to establish the maximum number, because I think the greatest satisfaction will be rendered to the country by having the maximum number of units. I believe in five years you will increase the number of reserve banks, because I believe when they are established there will be development and inter-relation and contact that will solidify them among themselves and it will tend more and more to create a demand for those local units. I would not say that I favor such a plan, if it were not for the fact that all the banks are to be under the direction of a general Board which will have regard to the whole national welfare. I think the larger number of units, and the smaller the unit, the greater the satisfaction

and the more liquid the resources and the more satisfactory to the accommodation of the whole of commerce.

The Secretary of Agriculture: Your argument is primarily for the creation of such a bank in the southwestern region.

Mr. Ousley: Yes, sir.

The Secretary of Agriculture: And secondarily for Fort Worth as the location.

Mr. Ousley: Yes, sir.

The Secretary of the Treasury: Have you given any thoughtful study to the problem of the larger as against the smaller number of banks, at the outset.

Mr. Ousley: I was just answering that question to Dr. Houston. I think the larger number will give greater satisfaction to the country.

The Secretary of the Treasury: But I say, have you studied the phases of that problem, or is it an offhand opinion?

Mr. Ousley: It is not an offhand opinion; it is based upon a fundamental conviction of my own as to the wisest manner in the conduct of public affairs, and that is to have the largest number of automatic units and the smallest units consistent with the handling of the business.

The Secretary of Agriculture: My question grew out of

the experience we had in other sections. For instance, some gentlemen in one of the large and rapidly developing sections said very frankly that they did not think that a bank with a district in that particular section ought to be created at this time, but that they did think in five or six years such a district ought to be created, and they therefore urged the establishment of the minimum number of districts with a view to the segregation of that territory later.

Mr. Ousley: Yes.

The Secretary of the Treasury: The Federal Reserve Board is the power to readjust these districts and create a larger number up to twelve, if we started with the minimum.

Mr. Ousley: I quite understand that.

The Secretary of the Treasury: So that the opportunity for readjustment exists, if we begin with the smaller number, whereas if we begin with the maximum number the difficulty of readjustment would be greater.

Mr. Ousley: Oh, yes, you would have to take from one and add to the other, and I can understand that would be a difficulty.

The Secretary of the Treasury: So the question, of course,

arises in the minds of the Committee as to which policy would be preferable to begin with.

Mr. Ousley: I am frank to say I am basing my opinion upon a fundamental conviction that the best interests of the country will be served by having the largest number of units. I believe it will work better that way and give more satisfaction.

The Secretary of Agriculture: Is that based on a very thoughtful consideration of the functions of the branch bank?

Mr. Ousley: Well, I quite agree that the branch bank may serve to meet the requirements that are in my mind for local accommodation.

The Secretary of Agriculture: You understand, of course, Mr. Ousley, that the directors of the Regional Bank are drawn from the entire territory.

Mr. Ousley: Yes, and they can establish branch banks.

The Secretary of the Treasury: And that the directors of the branch banks are more likely to be local people, a larger number of them.

Mr. Ousley: Yes, that is true.

The Secretary of the Treasury: And they will therefore

have a larger knowledge of local conditions than the directors of the reserve bank itself?

Mr. Ousley: Yes, that is true.

The Secretary of the Treasury: That is all, thank you.

STATEMENT OF R. O. McCORMACK.

The Secretary of the Treasury: You may state your name, residence and occupation.

Mr. McCormack: R. O. McCormack; Secretary of the Chamber of Commerce at Fort Worth.

In the handling of food products, the question of financing and transportation is, of course, a very important one. First of the grain situation. Fort Worth is the only primary grain market south or west of the Missouri River points. It has been steadily growing for the last ten years, and last year handled 29,108 cars of grain, about one third of which were purchased by the Fort Worth grain dealers for local consumption and the balance of which was stored and treated in the elevators and warehouses or milled in the flour mills and afterwards shipped to the consumers for final consumption.

Fort Worth at the present time has 17 grain elevators and grain warehouses and 2 flour mills. The economical

method of handling grain teaches that the interest of the producer and the consumer can best be protected by having this grain treated in transit. This is a problem, however, that I take it you are familiar with, because you have probably heard this same argument at the terminal markets in the north, such as the Missouri River points, and likewise Chicago.

It has been estimated, as near as possible, that it requires the sum of \$30,000,000 annually to finance and handle the grain crop that moves through the terminal market of Fort Worth. About 60 per cent of the grain crop of Oklahoma is purchased by the Texas grain dealer. A large portion of that necessarily is purchased by the Fort Worth grain dealers, because Fort Worth has probably more grain elevators and warehouses than all the balance of the State of Texas put together. Thirty per cent of the Oklahoma grain crop approximately is purchased by the Oklahoma dealers, part of which is for local consumption, and a part of which afterwards moves to Texas. Ten per cent which comes in early moves to the northern markets, such as St. Louis and Kansas City. Within the last three months the administration at Washington has seen fit to make some radical changes in

the tariff on grain, and a new line of business has been created. Since the tariff was removed on corn, and it was first removed on corn, there have been something like eight cargoes of corn from the Argentine Republic unloaded at the Port of Galveston which have moved to interior Texas points for consumption. This year, owing to the peculiar crop conditions in the West, we have faced a shortage in corn. If it had not been for the importation of this Argentine corn, the price of corn in Texas now would have been in the neighborhood of \$1.00 and perhaps more, whereas on the other hand, the market during the time this corn was moving, and there were three boats at one time at the Port of Galveston discharging cargo, the market dropped something like 14 cents. A majority of that import corn has been handled by the Fort Worth grain dealers, for the reason that they are established in the business, they have their selling agencies, their organization, and they know how to handle this corn and know where to find the market. At the present time there are something like 300,000 bushels of the Argentine corn in storage at Fort Worth. Our dealers at Fort Worth who have handled this corn advised me that up to the present time they have been obliged to buy this through selling

agencies and to a certain extent finance this through New York, all of which has a tendency to hinder or encumber the business, which the consumer must pay for in the end. It has been suggested that in order to permit of the freest movement of this corn and the greatest benefits to the feeders and consumers, that if the final step were taken, to permit of the entire financing of this crop in the region where it will be handled, that it would be a long step in getting the benefits that were first intended by reason of the removal of the tariffs on this grain.

The Secretary of Agriculture: What percentage of this grain business is financed in Fort Worth?

Mr. McCormack: Well, I have not got the exact figures. I know that some is financed in Fort Worth, but the same argument in a general way that applies to the cotton will apply to the grain business at Fort Worth. They get their money there if they can, and if not, they must go where they can get it. But you understand, in treating this grain, a good portion of the grain must of necessity go through an elevator to be treated, to be dried, to be properly held. Our climate is such that corn will not keep in a crib as it will in the north; it will mildew, and therefore it requires

capital to do that business. It has to be worked over every so often and to be run through an elevator and dried, to get the moisture out of it.

The Secretary of Agriculture: Where is that financed?

Mr. McCormack:: If you will pardon me, we have a grain man from Fort Worth who is more familiar perhaps with where he gets his operating capital than I am. I made the general statement that it is financed in Fort Worth so far as possible, and then they have to go outside when they cannot get it in Fort Worth. That is a detail, however.

The Secretary of Agriculture: That is a rather important detail

Mr. McCormack: If you will pardon me, I will call Mr. Moore to answer it right away.

Mr. Moore, will you answer that please?

Mr. E. G. Moore: The money that is used to finance the grain that is handled in Fort Worth, Mr. Secretary, is furnished by the Fort Worth banks, that is, the greater percentage of it. The Fort Worth grain dealers and the Fort Worth millers both have borrowing accounts in the north, Chicago and New York.

The Secretary of Agriculture: Well, normally do you have

to borrow to a considerable extent from outside, to move that crop.

Mr. Moore: Normally we do not.

The Secretary of Agriculture: Do you have to do it every year?

Mr. Moore: Every year we have to borrow some outside, yes, sir.

The Secretary of Agriculture: What percentage, would you say?

Mr. Moore: Well, we have to go outside of Fort Worth only when the crop movement is heaviest, during the months of July, August and September, and then I presume that Fort Worth furnishes 70 per cent of the capital that is invested in the business.

The Secretary of Agriculture: And 30 per cent outside?

Mr. Moore: 30 per cent outside.

The Secretary of Agriculture: That answers the question.

The Secretary of the Treasury: On a crop movement of \$30,000,000 or \$32,000,000?

Mr. McCormack: Approximately \$30,000,000, that is annually.

The Secretary of the Treasury: And 30 per cent you finance outside?

Mr. McCormack: Although we have the exact number of cars, on account of the fluctuation in the market it would be hard to tell what that is worth. You can estimate that as well as we can. Now there is a movement of grain through Fort Worth that our dealers do not handle themselves, but it is handled under the system of what is called shipper's orders or bill of lading attached to a draft. It is shipped to Fort Worth because Fort Worth is the point of interchange from the fields of production to the fields of consumption on everything that comes into Texas from the grain producing territory, therefore a dealer or a grower, in shipping this, sometimes ships into Fort Worth to his own order, trusting to find a customer while the car is in transit. If they do, and it is necessary to reconsign this, it means that that financial transaction must be taken care of at Fort Worth. Back of it, however, when the grain goes out of our elevators to the final consumers, that money comes right back to the banks in Fort Worth.

Now in addition to the train movement, a large traffic and movement is developing in the way of produce, apples and vegetables and so forth. At the present time Fort Worth has a cold storage capacity of 482 cars. The fruit

and produce business is getting to be handled very much the same as the grain business. Instead of being stored in an elevator, in order to hold it until such time as the demands of the consumer require, it has to be put in a cold storage plant. Then afterwards it is reconsigned to the point of consumption, and the through rate from the point of origin to the final destination is applied. The reason for the location of the cold storage plants at Fort Worth is the same reason that applies for the location of the grain elevators at Fort Worth. They are in the direct line of transit, and the point of interchange, and can reach any point in the state or in the southwest after having been stored at Fort Worth, without going out of the direct line of transit, which means the application of the through rate under these transit privileges, as we call them, without any penalty or back haul. This is a new line of business that is developing as the country develops. The years ago Fort Worth was not known as a grain market, and ten years ago I doubt if they had cold storage capacity in Fort Worth for half a dozen cars, I mean public storage capacity. At the present time we have 17 elevators and storehouses for grain and our cold storage plants have a capacity of 482 cars,

and there is a demand over and above that right now. We had an inquiry --

The Secretary of the Treasury: What is the value of that business in a year, do you suppose?

Mr. McCormack: On the produce?

The Secretary of the Treasury: Yes, what does it amount to in a year.

Mr. McCormack: I have not had the time really to find out what the annual outlay is. I know that one of our storage plants was forced to pay about three weeks ago the sum of \$27,000 on freight charges alone on apples that came into this cold storage plant to be stored and later shipped out to the consumers. It is customary for the plant to advance the charges.

The Secretary of the Treasury: Have you any other matters to speak of, Mr. McCormack?

Mr. McCormack: No, sir, I think not.

STATEMENT OF M: SANSON.

The Secretary of Agriculture: You may state your name, residence and occupation.

Mr. Sanson: M. Sanson; I am president of the Cassidy

Southwestern Commission Company, Fort Worth, Texas.

The Secretary of Agriculture: You know the problem we are confronted with. What will be the best district for the southwest, and where ought the bank to be located?

Mr. Sanson: Well, we think Fort Worth, and Texas. The territory embodied as stated by the gentlemen who preceded me here, would be Oklahoma, New Mexico and Texas. Of course, there is a part of Arkansas and Louisiana that might be attached, but since their relations with Texas are so small, and the amount of capital that could be secured for banking capital and deposits would not help a great deal, we think probably Oklahoma and New Mexico should be included with Texas. Oklahoma in many respects is pretty closely tied on to Texas. Her grain moves this way and a great deal of her live stock moves to Fort Worth for market, especially her hogs, and a large per cent of the cattle.

The Secretary of Agriculture: Do you know what percentage, Mr. Sanson?

Mr. Sanson: I would not undertake to say, but I think the figures show that there is annually about \$3,000,000 in hogs alone just to Oklahoma City. I believe that is right, \$3,000,000 I think is the exact figure -- I mean sent from

Fort Worth to the state of Oklahoma, for hogs alone. Further, Oklahoma has been largely a grazing and feeding ground for cattle, for the movement of cattle from Texas to the south and west. These deals have been financed in Fort Worth largely. Of course, I may say in a way that Kansas City and St. Louis have something to do with the financing, for the reason that the commission people who finance these deals have offices in Kansas City and St. Louis, and some of them in Chicago. But the people who handle this business, their main office and the principal amount of business is done in Fort Worth, because people live here who handle these deals, and it runs into a very large amount of money.

As has been said probably here, we are now the third cattle market in the United States, and the only market in the United States that showed an increase in business for the year 1913, all the others showing a decrease.

The Secretary of Agriculture: have you the relative figures?

Mr. Sanson: Yes, sir, they will be filed here, the absolute figures. I want Mr. Stafford to give them to you. He follows me practically on the same proposition, and he is the manager of the Stockyards Company, and has the actual

figures, and I will leave this here, and he will read them and file them with you.

Now I may say the same for the horses and mules; we are the third market in the United States for horses and mules, handling 56,000 head of mules and horses, estimated to be worth about \$150 a head, requiring about \$9,000,000 to handle.

Now the point that we want to present to you is that in financing these propositions, Fort Worth finances more agricultural products today than any other city in Texas by a considerable amount of money. That is not by reason of the banks having the largest capital there, but the commission companies located in Fort Worth, by a custom that was established years ago, I may say for all time, and up to the present time, there has not been really adequate money to handle the live stock business with; there has been hardly any time when there was a plentiful supply of money to be had to finance their cattle bills. Now I have got some figures here that are absolute for what is handled from the Fort Worth offices alone, that does not enter into the banking proposition, that they have nothing to do with. At a given time, the close of business, for instance,

December 31st, the commission houses in Fort Worth had at that time about \$10,000,000 of loans on cattle, right around \$10,000,000. Now this paper is made for 60 days, 90 days, 120 days and up to six months. There is hardly a single instance where it runs over six months time. So we figure that this \$10,000,000 in the course of the annual business in one year is turned over two and a half to three times, making about \$30,000,000 that we annually finance outside of banks and trust companies doing business in Fort Worth. In order to handle this, and you understand the banks have about what they can take care of in grain and cotton and various other things, the commission man takes a mortgage on this cattle; they are being prepared for market with feed; we take a mortgage ranging in value from 50 per cent of their value up to their full value in many instances, with a good solvent man behind, who has his own feed; he prepares these cattle for market and this is a class of collateral that we are able to sell in almost any of the markets of the country that have money. I would say that Texas alone handles about 20 per cent of that amount, I mean the Texas banks located at various places; a great many small banks in small towns, and then the larger towns at

times buy very liberally of this paper. About 10 per cent of it is sold probably in Kansas City, about 10 per cent in St. Louis, and the balance of it is sold in Chicago, New York and other eastern cities.

Now I want to make an assertion that I will not back up, with reference to the real demands and deeds, and what is being taken care of in the live stock business of this country, I mean to say in the preparation of the cattle from the time the producer produces them until the middleman or feeder takes charge of these cattle and prepares them for the market. I think I am perfectly safe in saying today that there is \$100,000,000 of cattle paper held by the banks of the United States in the territory that we have mentioned, New Mexico, Texas and Oklahoma; and of course it does not apply so much to Arkansas and Louisiana, although we have had very insistent demands to finance them since the boll weevil has hurt their cotton; they are going into live stock there now, and it can be worked up very readily, and lots of money will be needed. These loans are taken care of in many ways by which they never show in bank statements until they are probably sold in New York or Chicago or some place of that kind by loan companies. A

banks that does not want to show any re-discounts and cannot afford to, will organize a loan company which the stockholders of the bank own absolutely outright, and they take these loans and turn them into the loan company without recourse, and the loan company sells this paper in the east, Of Course, the loan company is pretty close to the bank's correspondent, whoever it may be in the east, and they understand pretty well that they are giving them a good class of paper. Now we take the position further that -- really I know some banks that did not take any of the money to finance the cotton crop here this year, because they did not have commercial paper to put up as collateral, what is termed commercial paper, and this is the largest and best line of commercial paper that is produced in this country, in my judgment, and there is more of it; and again, it is paper that the country bank would buy as well as the larger banks in the cities, even in this state, when they are running easy in Texas, because they want their money in the fall when the cotton crop begins to move and they have got some money at this time of the year, and they have hardly anything they can put that money in except cattle paper that they can absolutely say will be paid in August and

September, at the time the cotton movement begins, and for that reason it is reasonable, when things run easy, and you would be surprised how small banks in this country have bought that paper. We have one bank with a capital of \$50,000 that bought \$175,000 of that line of paper last year. Of course, they had a large surplus and were a pretty strong bank and had no other use for their money and had done naturally more or less of it, and they figured they could rely on this money so they could have it to use when the cotton commenced to move. Of course, those conditions have not existed this year, and Texas banks have practically taken very little of this paper and we have had a great deal of trouble to finance it outside, for the reason they had all they could do to take care of the cotton.

The Secretary of Agriculture: From that point of view, would it be better to have a small district such as you have outlined, or a larger district?

The Secretary of the Treasury: With more lending power.

Mr. Sanson: Well, necessarily from the statement I have made here to start with, the demand for this line of paper is almost unlimited, and I do not believe, as some believe, that a bank located here with this amount of money would

render us any very great amount of assistance in handling it. But what we would like to do is this: The product is produced in this section of the country, we produce it here and we sell it here. Now if it could be arranged so that we could finance it here, it would be certainly better.

The Secretary of the Treasury: That is exactly the point, whether or not the bank with more power could do it.

Mr. Sanson: I am not going to say that it would be a very great improvement for handling this immense line of paper --

The Secretary of Agriculture: Just let me suggest there, of course the theory of this law, of what the law will accomplish if possible, is the creation of districts strong and diversified enough to be independent in all except very extreme time, and to take care of these re-discounts. Now your statement brings out the argument there or should bring out the argument very clearly, how, with this district which you have described there, can that \$100,000,000 of paper which you say has to be sent all over the country and that other 80 per cent of your annual operations, be taken care of in this district.

Mr. Sanson: Well, that brings on a great question to answer. Now for instance, we will say that you include

this territory that we are asking for here for a bank, we will say you turn that down and attach us to Kansas City or St. Louis as the case may be. Kansas City, being nearer by only one night's distance in mails and it does not make you lose any time, would naturally make it in my opinion a very desirable place for a bank if we could not get one, you understand. Now just how much capital you could concentrate-- we are quite familiar with the condition of handling this cattle paper in Kansas City, because we have an office there, and what paper we sell in Kansas City we sell to our own banks there. We find no market in Kansas City for our paper outside of the banks we actually keep balances in. They buy from us because we keep a balance with them.

As an illustration, you take the banks connected with this industry there, there are two of them located at the yards which do a very large business. The demand on them is so great that they organized in turn a loan company, and I think it is probably safe to state, I do not want to be quoted as exact, but I think around \$6,000,000 of this paper that loan company sells. Originally when they organized it they only had \$25,000, but they have a good deal of surplus now, and somebody must have a good deal of confidence in

the paper they sell. This paper is sold we know, because they take some of our paper and we know it goes on east, finding an outlet. So if you were to embrace all that territory in there, we would still have to go on somewhere else and find more money, because if we were tied on to them it still would not make any more money to take care of it.

The Secretary of the Treasury: Would the same argument apply to St. Louis?

Mr. Sanson: Yes, I think it would, practically the same thing.

The Secretary of Agriculture: Of course, under this law there would be probably the retention of a larger sum of money and any given territory than as heretofore obtained.

Mr. Sanson: You mean to say, instead of these banks keeping their money all in New York, they would keep more of it here?

The Secretary of Agriculture: Yes.

Mr. Sanson: That would be a great benefit and would help a great deal, but those are things that would have to be figured out.

The Secretary of Agriculture: And another thing, as you know, as it has been suggested here, it would make re-

discounting respectable.

Mr. Sanson: Well, we think it is now.

The Secretary of Agriculture: Well, I know, but some people have not thought so. There has been, as you know, a very considerable irrational prejudice on the part of banks --

Mr. Sanson: If a bank shows re-discounts, or borrowed money, some fellow is ready to criticise.

The Secretary of Agriculture: Yes.

Mr. Sanson: That is the reason they start these loan ^{it} companies, perhaps. I take it is a proper function of a bank, and you provide this bank to do it with, and I think it is proper.

The Secretary of the Treasury: This law encourages it and makes it desirable.

Mr. Sanson: certainly. Now, of course, it looks a little bit against us here that we produce -- you will understand that the very territory we are figuring on here is the breeding country of the world outside of the Republic of Mexico; I mean of this industry, the United States and the Republic. Cattle are not bred today to any extent. You take this very territory in Louisiana, that is one thing

they require. They do produce some cattle in Arkansas and Louisiana and will produce more. But if you take that territory and New Mexico and Texas, you have the breeding country of the United States. The Republic of Mexico furnishes us a great deal of cattle. Of course, these people come on and carry these cattle to the northwest and they go to market from the northwest and from the time they buy them they finance them in another direction. They buy our cattle and only 50 per cent of these cattle that go to those markets are consumed by the packers direct. Almost all the others are bought by feeders locally and otherwise and go on to market.

The Secretary of Agriculture: Have you some data you want to file, Mr. Sanson?

Mr. Sanson: Yes. In the first place, here is a telegram that will be explanatory to you. It is not one that especially concerns us. That is from Mr. J. D. Jackson, from El Paso. He wires "The National Banks at Marfa, Alpine, and Fort Stockton want to be placed in eastern district, either Houston, Fort Worth or Dallas and not in the western district." I suppose that is sent in answer to something.

The secretary of Agriculture: Yes.

Mr. Sanson: I just received it this noon, and he asked for it to be brought to your attention. He is the President of the Cattle Raisers' Association. You see that is right adjacent, and they are good towns, and it shows that the El Paso sentiment of not being tied on --

The Secretary of Agriculture: El Paso did not object so much to being tied on to some place in the east or northeast, but it wants to be attached to New Mexico and Arizona.

Mr. Sanson: Now if you will bear with me, I intended to start out by reading some telegrams from gentlemen who endorse Fort Worth for this bank, and when I had finished that, then to undertake to tell you the reasons. So I have told you the reasons I had, and now I want to read them. These are from the Executive Committee of the Cattle Raisers' Association, and the largest organization in the world, and for fear you ask me, I will say we asked for these endorsements when we sent the telegrams, and these are the replies that we received.

The Secretary of Agriculture: You asked for the endorsement?

Mr. Sanson: We asked them to wire the Secretary; in other

words, there was no opportunity for the Cattle Raisers to hold a meeting of this kind between that date and the time you were to be here, and this is what we take it to be, a practical endorsement.

The Secretary of the Treasury: You may file a copy of your telegram to them, to which these are the responses.

Mr. Sanson: Yes, I will do it. But there are a few of these I want you to pay attention to, because I think you know some of the gentlemen.

The Secretary of the Treasury: Suppose you read the inquiry first, because we can always better understand the responses then.

Mr. Sanson: Gentlemen, we will file that with you. I have it down there at the hotel. I thought it was embraced here.

This is from San Antonio, to Mr. E. E. Spiller: "I heartily endorse and recommend Ft. Worth for Federal Reserve Bank. Endorse fully members of Cattle Raisers' Association to that effect. J. M. Dobie."

This is from Slaton, Texas:

"Believing that the establishment of one of the Regional Banks in Texas would be of incalculable benefit

to the live stock and agricultural industries and knowing that development of all that section of country contiguous to your city has been greatly retarded because of inadequate banking facilities I heartily endorse Ft. Worth as the most logical place in this state for the establishment of one of the Regional Banks and the great number of banks that will take stock in same will unquestionably make it a very strong institution. A. B. Robertson."

Mr. Robertson is the ex-Vice-President of the Cattle Raisers' Association.

This comes from San Angelo, Texas:

"I endorse action of Association recommending Ft. Worth for Regional Reserve Bank. R. K. Harris."

He is a banker and cattle man also.

Here is one from Mr. N. H. Corder:

"I fully endorse Ft. Worth for Federal Reserve Bank, You can so sign resolution."

Mr. Corder is at Marfa, Texas.

The Secretary of Agriculture: Well, they are all the same tenor, are they not?

Mr. Sanson: Well, no. I want to read one or two that I believe make a pretty good talk, and if you will excuse me

I will ask you to listen to one more here anyway: I have one from R. J. Kloberg, Kingsville, Texas:

"Accept my endorsement for Ft. Worth as location for Federal Reserve Bank.

Here is one from Ike T. Pryor, San Antonio:

"Ft. Worth being leading cattle market of southwest and one of the principal markets of the United States am strongly in favor of Ft. Worth for one of the Federal Reserve banks. I believe live stock furnishes liquid collateral for more paper than any other product of the farms or ranch. Ike T. Pryor."

Now I have a number of others:

"Uvalde, Texas. As Executive Committeeman of Cattle Raisers' Assn. of Texas I heartily endorse Ft. Worth for Federal Reserve Bank. Hal W. Mangum."

"Marfa, Texas. Sign my name endorsing resolution. W. W. Bogel."

"Stamford, Texas. Mr. Hastings received telegram from Reynolds Burnett and Sanson requesting him to wire you endorsement to resolution for Federal Reserve Bank. Mr. Hastings is absent on Tongue River Ranch inspection trip. Frank Reeves, Secy. F. S Hastings."

"Clarendon, Texas. Your night letter 5th Pyle Sgd. Reynolds out city till Sat. night. Mag. delivered to Mrs. Pyle."

"Dalhart, Texas. I endorse resolution recommending Ft. Worth for Reserve Bank. A. M. James."

"Beeville, Texas. We endorse Ft. Worth Federal Reserve Bank. J. W. Cook and Son."

"Menard, Texas. Frame in your own language my unqualified endorsement of Assns. action in Reserve Bank matter. James Callan."

"Alpine, Texas. You may say that I recommend Ft. Worth for Federal Reserve Bank. I am starting El Paso to meet Houston today. J. D. Jackson."

"Delrio, Texas. I favor pt. Worth the most suitable place in Texas for location of a Government Reserve Bank. T. B. Jones."

Mr. Sanson: now I want to file a couple of letters here giving the reasons, signed by Mr. J. Ogden Armour and Mr. Louis Swift, why they located a packing plant in Fort Worth. Maybe I am talking a little too long, but I want to file them with you.

(The letters are as follows:)

"In establishing a live stock market in the Southwest, the interests who made the investment; i, e., for yardage, facilities, packing plants, railway yards and other general equipment necessary to a live stock market selected Fort Worth, Texas, primarily on account of the fact that it offers the easiest access to all sections of the state and to the Southwest by reason of its superior railway facilities.

The financial requirements of the live stock business in Texas are second only to cotton: Fort Worth is the clearing house of the live stock business of the Southwest and a concentration of financial power to assist in caring for this business would undoubtedly be of the greatest value to the State of Texas and adjacent territory if located in Fort Worth.

The central location and accessibility of Fort Worth affords it the opportunity to be of genuine service in the commercial and industrial development of contiguous territory and gives it a decided advantage over other cities as a point of concentration for the energies of trade and finance of the great Southwest.

(Signed) J. Ogden Armour.

January 24, 1914."

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"Swift and Company,

Chicago, February 2, 1914.

Mr. Roy C. Vance,

Chairman Regional Reserve Bank Committee,

Fort Worth Clearing House Association,

Fort Worth, Texas.

Dear Sir:-

In establishing a live stock market in the Southwest the interests who made the investment, i. e. for yardage facilities, packing plants, railway yards and other general equipment necessary to a live stock market, selected Fort Worth, Texas, primarily on account of the fact that it offers access to all sections of the State and to the Southwest by reason of its railway facilities.

Fort Worth has shown great progress and has grown to be a live stock center of splendid proportions; and the prospects are very encouraging; and, as the wonderful State of Texas continues to develop her remarkable possibilities, the future prospects are inspiring.

The figures below show receipts of live stock at Fort Worth for the year 1913, with approximate valuations, and indicate the importance of the live stock market to which

Fort Worth has grown:

<u>Kind</u>	<u>Number of Head.</u>	<u>Approximate Valuation</u>
Cattle	965,525	\$43,448,625
Calves	219,629	2,855,177
Hogs	403,761	6,863,937
Sheep	327,527	1,310,108
Horses & Mules	56,724	<u>8,508,600</u>
		\$ 62,986,447.

Yours respectfully,

(Signed) Louis F. Swift."

Mr. Sanson: Now, gentlemen, here are the people, 2500 strong, with their post office addresses and their signatures, and these will be filed with you, who are actual live stock shippers and raisers, and a great number of them are members of the Cattle Raisers' Association, who were sent a card asking them their views about where this bank should be located, and we asked them to sign the card and return. There are 2501 names there, who are bona fide cattle raisers in Texas, New Mexico and Arizona, and probably it will reach outside of that territory a little, because they are the people whom we got off the list, who are the actual shippers to that market. We want to file that with you.

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The Secretary of the Treasury: If you have the inquiry you addressed to them, it had better be put in now to accompany the exhibit. If you have not it here, you may file it later.

Mr. Sanson: We will file it later. This resolution right here is what we sent out.

In an effort to get the opinion of the live stock raisers and feeders of the southwest, they were asked for an opinion which brought forth the following resolution: "As one engaged in the live stock and cattle industry, I strongly urge upon your Honorable Commission the importance and necessity of placing one of these Regional Reserve Banks in the State of Texas and earnestly recommend the City of Fort Worth as the point at which this bank will best serve the cattle and live stock industry of the southwest."

Now that is exactly the resolution that each one of these 2501 people signed.

The Secretary of the Treasury: Yes, but what was the inquiry?

Mr. Sanson: That was the inquiry, and they signed that.

The Secretary of the Treasury: You just sent that to them and they signed it?

Mr. Sanson: Yes, sir, and it was returned, and there was no other communication sent to them whatever.

Now before this other paper is filed, I want to leave it for Mr. Stafford.

The Secretary of Agriculture: What percentage of the cattle of Texas are handled directly through Fort Worth and what percentage goes to some other market.

Mr. Sanson: Well, we do not have the exact figures on that, but I would say that about 60 per cent now probably are handled through Fort Worth.

The Secretary of Agriculture: In that increasing?

Mr. Sanson: Oh, yes. Mr. Stafford will give you the figures which will show you that that has increased greatly. Now when I say 60 per cent, of course there is a movement of cattle that are not going to markets, which may be going into Oklahoma out of this country, but for absolute market stuff, I expect I am a little low on those figures.

Now another thing I did not refer to, the fact is we are handling probably on an average, I will say, 75 carloads a day, 2000 or 25000 cattle from the Republic of Mexico, that are being sold in Fort Worth daily, and we handle all of that stuff, The fact is we are the gateway for the

Republic of Mexico for this stuff from Brownsville and from Tampico through Galveston by boat, which comes to us, and all the way up to El Paso we are the gateway, and every head practically of that stuff comes through Fort Worth and is bought there.

The Secretary of Agriculture: We thank you.

STATEMENT OF J. A. STAFFORD.

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

Mr. Stafford: J. A. Stafford, Assistant General Manager of the Fort Worth Stockyards Company.

The Secretary of Agriculture: If you will, please take up any new points and emphasize any essential point which you desire.

Mr. Stafford: I believe the Committee is thoroughly familiar with the essential points of the live stock industry, and I shall not go into it at all. The only two points I wish to touch on are the natural course of the live stock business and the trend of conditions, as briefly as possible. Taking the map which was filed with you this morning, or any map of this particular territory, you will find that

the breeding grounds, as outlined previously by Mr. Stafford lie in the southern part of Texas and western part, extending north and west a little above the Texas & Pacific Railway. The Panhandle is no longer a breeding ground, it is a feeding ground. This being the case, the map will show you that every line of railroad running from south or west Texas which is in that territory moves or runs through Fort Worth. In other words, every car of cattle excepting some small amount on the Orient Railway has to move through Fort Worth, or it is the natural route through Fort Worth going to any northern market. In other words, Fort Worth is so situated for the movement of live stock that the business must move through there, even if it is selling somewhere else. The result is that last year, in 1915, we handled in Fort Worth a total of 1,185,000 head of cattle and calves, as compared with about 263,000 head ten years ago. This amounts in round figures to \$55,500,000 paid for live stock on the Fort Worth market. That covers only edible live stock, cattle, calves, hogs and sheep.

On the movement of live stock, while of course the Regional Bank proposition does not yet include Mexico, we must take into account the movement of Mexican cattle. The

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removal of the duty on Mexican cattle is going to have a very marked effect, in fact it is felt already in the movement of that commodity; Last year we handled at Fort Worth market --

The Secretary of the Treasury: Has not that all been covered already?

Mr. Stafford: I do not think so.

The Secretary of the Treasury: In the statement made by Mr. Sanson.

Mr. Stafford: I do not think so. 90,000 head of Mexican cattle, valued at \$2,811,000. Up to the 31st of January, have 1914, we handled 18,000 head of Mexican cattle, showing, in other words, about three times as many Mexican cattle this year already as for the same period last year. This shows in our opinion the fact that we must depend to a large extent upon Mexican cattle, and all of that movement is handled in some way through a Texas bank. At the present time a great deal of it is deposited and left in Texas banks, at least it is all paid by checks on Texas banks. The Mexican business in that connection coming from Tampico, Brownsville, Laredo and Eagle Pass, must move through Fort Worth, and it is just as natural a route through El Paso to

Fort Worth as any other way. 90 per cent of the cattle from Mexico marketed at any market were marketed at Fort Worth.

Our reason for thinking that Oklahoma would be an important feature from the Fort Worth standpoint -- we do not control all of southern Oklahoma business, but in 1913 we paid from Fort Worth to southern and western Oklahoma shippers, \$3,900,000 for hogs, something over 200,000 head of hogs. The movement of sheep from New Mexico is now in the direction of the Fort Worth market. We cannot give you the figures on that, because they are brought into Texas and finished in Texas and sent to market. There was a recent movement of 6000 head into San Angelo from Mexican points. The railroads facilities to Oklahoma probably favor Fort Worth more than any other market with the possible exception of Kansas City.

We have another industry connected with live stock, horses and mules. We are the third largest horse and mule market in the United States.

The Secretary of Agriculture: That has been presented.

Mr. Stafford: I did not hear that.

The Secretary of Agriculture: To what extent do you have to do with the financing of this business?

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J. A. Stafford.

Mr. Stafford: Nothing whatever.

The Secretary of the Treasury: That is all, thank you.

Mr. Stafford: I will file this statement now.

The Secretary of the Treasury: Yes.

(The statement is as follows:)

In picking the district named with Fort Worth as the central point, the idea has been kept in mind that each district must, in itself, be self-sustaining, that is, the commerce of each district must be well balanced and an equal amount of returns made to the moneys paid out, each district independent of the others.

With the immense live stock, cattle and grain business of the southwest, this is nearer accomplished in the city of Fort Worth, than any point in the proposed district.

For details of the live stock and cattle business, see Exhibit 1.

Coincident with the live stock, may be mentioned the question of feed. This consisting of cotton seed products, such as cake, meal and hulls in the first case, and grain in the second. The moneys for the purchase of this feed come from the cattle loans and a large part of the transaction of the purchase of such feed struffs is at the city

of Fort Worth by reason of selling agencies on the cotton seed products, and elevators and warehouses on the grain

Fort Worth is the primary grain market of the Southwest, created by reason of its superior transportation facilities. In the year 1913, 29,108 cars of grain were received at this market, the value of which was approximately \$20,000,000. Most of this grain goes into the elevators for storage or treatment and is later shipped to the consumers. Thus a working capital of millions of dollars is required to handle this one commodity, and later, the returns on this grain are made direct to this city, thus maintaining the working balance. Most important at this time to the Southwest is the new line of industry created by the recent cancellation of the import traffic on grain. Already several cargoes of grain have moved to the consumers of the Southwest through the Texas Gulf ports. This has been of immense benefit to the consumers and a potent factor in reducing the price of feed the present winter. Under present conditions, all this import grain traffic is handled and financed through New York, thus permitting of a middleman's profit and much unnecessary inconvenience and delay, all of which tends to increase the cost of delivering

this commodity to the consumer. With the free movement of the grain crops thus created, should be provided the further facilities of giving to the people the full benefits this and other acts of the administration intend.

In the conservation and distribution of food stuffs, experience dictates that certain commodities, such as fruit and vegetables, must be kept in cold storage at a central point to thus prevent deterioration, and, at the same time be available to the markets.

The reason of the great number of railroads entering Fort Worth, and the further fact that Fort Worth is the point of interchange (or junction point) on a majority of the traffic to and from the southwest, here is located the storage and transfer point for practically all of this traffic.

The capacity of the cold storage plants at Fort Worth is now 482 carloads of produce. This business is one that is continuous even in the winter season. The climate is such that cold storage is necessary and therefore requires capital the year around, with the returns always coming back to this point.

Coincident with the claims of Fort Worth for the

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proposed federal reserve district, we would call attention to the fact that Fort Worth is headquarters for the Eleventh Division of the Railway Mail Service of the United States, and the Eleventh Division comprises the states of Texas, Arkansas, Oklahoma and New Mexico, which is almost identical to the suggested reserve district. This, in itself, is a strong argument of the accessibility of Fort Worth to the territory named.

Of the immense traffic to and from the State of Texas through the Southwest, Fort Worth is the point of interchange of not less than 70 per cent of the total, as attested by the fact that 955,905 loaded cars moved through the railroad terminals in the year 1913.

The package, or less than carload shipments of freight for the proposed district is concentrated at Fort Worth for distribution in much the same manner as the United States mail, and this concentrated freight requires 165 package cars daily from Fort Worth to the various cities in the Southwest.

In further support of the importance of this city as a railroad center and point of interchange, it might be pointed out that the California Fruit Co., in the year 1913,

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inspected 15,000 carloads of fruit at the city of Fort Worth, onehalf of which was re-iced at this point on its way to destination.

With a steady demand for working capital, Fort Worth has 266 jobbing and manufacturing concerns, besides the packing house, live stock and grain industries.

Poll tax receipts show total number for last four years -- 1910 - - - - 14,915.

1911 - - - - 15,170.

1912 - - - - 14,902

1913 - - - - 21,329.

From this it is shown that the Poll Tax payments of 1913 compared with 1910, show an increase of 43 per cent.

EXHIBIT #1. LIVE STOCK INDUSTRY.

At the present time the State of Texas and the Republic of Mexico are the principal breeding grounds of cattle of America.

Large quantities of young cattle are sold and shipped each year from Texas to stock pastures and feeding grounds of the North and Northwest. This movement of cattle, alone, creates an enormous demand for money in this territory.

The Tariff bill of the present Administration moving

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the duty on live stock gives this section the benefit to a peculiarly large extent of the immense breeding grounds and ranches in Mexico, thousands upon thousands head of cattle have already moved from Mexico into the pastures and markets of Texas, as well as large numbers of sheep; these cattle and sheep are used by the ranchmen of Texas to breed-up to thoroughbred bulls and re-stock their ranches. This in itself requires an enormous amount of money in this territory.

Owing to its wonderful advantageous location from a transportation and geographical standpoint as affecting the live stock industry, Fort Worth is necessarily the centre of the live stock industry of the entire southwest. From a small total of 265,000 head of cattle and calves handled in this market in 1903, it has jumped to third place in the handling of cattle in the United States, with a total of 1,185,154 head of cattle and calves for the year 1913; Fort Worth showing the greatest increase in cattle and calves for the year 1913 of any United States market. The total amount of money required to handle the cattle, calves, hogs and sheep on the Fort Worth market alone for the year 1913 amounted in round figures to \$55,500,000.

every dollar of which is paid out on the day on which the live stock is sold, necessitating a very large amount of money in this territory to properly handle the business. This movement of cattle included a total of 90,000 head of imported Mexican cattle, valued at \$2,811,000.

The year 1914 already promises to put Fort Worth in second place as a cattle market. For the month of January there is an increase in cattle and calves over previous January, of over 25,000 head, or 34 per cent, as against a heavy decrease at Missouri river markets for the same period, and as a further indication of the possibilities of the movement of live stock from Mexico to this centre, would call attention to the fact that during this last January we have received a total of 18,000 head of Mexican cattle, or one-fifth as many as received for the entire year of 1913, and while, of course, Mexico is not a party to our reserve Bank law, every dollar of the money paid for these Mexican cattle is handled through some Texas bank. It is a peculiar transportation condition that provides that all cattle coming from Mexico through the ports of Galveston, Texas City, Laredo, Brownsville and Eagle Pass going to any northern market, the route would naturally be through Fort Worth, and

on El Paso the route through Fort Worth is just as natural from a transportation standpoint as via any other junction, the result being that 90 per cent of the cattle moving from Mexico direct to market comes to or through Fort Worth.

This, we consider of extreme significance in the location of a reserve bank in the southwest as the centering of the live stock industry from Mexico on Fort Worth and the very fact that every Mexican interested in any way in live stock will have his mind fixed on Fort Worth as the point from which he draws his profit and revenue on his business and the fact that the majority of these shippers sooner or later visit this market, it is only reasonable to suppose that Fort Worth will in time become the trade centre with Mexico, especially the entire northern tier of Mexican states.

LIVE STOCK INDUSTRY.

Another live stock industry centering on Fort Worth and which should be considered in any question of finance in the southwest, is that of horses and mules. This market has jumped to third place in the entire United States, with a total of 56,724 head of horses and mules handled at this market during the year 1913, with a value of \$9,000,000. It in reality requires at least \$20,000,000 to handle this

business, as these horses and mules come to this market from west Texas. New Mexico, Oklahoma, Kansas, are paid for through the banks here and are later sold to planters in east Texas, Louisiana, Mississippi, Alabama, Georgia; in fact, the entire Southeast.

Another great argument in favor of the location of this reserve bank at Fort Worth, is the enormous amount of business centering on this point from the State of Oklahoma. A glance at the map will show that practically every railroad in Oklahoma on which live stock is produced is a natural route to this market. The proof of this is the fact that in addition to the large number of cattle and calves received at this market from Oklahoma, we handled a total of over 200,000 head of hogs from that State during 1913, for which \$5,900,000 was paid, drafts being made from Fort Worth to practically every bank in Oklahoma.

It is practically significant that the proposed territory for the Southwest reserve bank is almost, if not entirely, identical with the territory supplying the Fort Worth market with live stock; that is, Texas, Oklahoma, western and southern Louisiana, western Arkansas, Old Mexico, and New Mexico.

in the preparation of cattle for market, and when bought by men who prepare them with feed and pasture to ship, it usually requires from three to six months to get them in proper condition for marketing.

It has been and is the custom of those who are engaged in this line of business to buy these cattle from the producers in various parts of the country, and after buying them they usually secure loans from 50 per cent of their values up to, in some cases, their entire value, the feeder or handler of these cattle furnishing his own money for grass and feed.

It requires a large amount of money to take care of this kind of business. The greater part of this money is usually furnished by commission merchants who take loans secured by mortgages on such cattle; in turn they endorse this paper and sell it in such parts of the country as they can secure the best market, it having been demonstrated that this is a very desirable class of paper and is really about the only large line of commercial paper that is handled in this country.

In the handling of this line of business the commission merchants of Fort Worth, Texas, finance annually about

twenty-five million dollars in addition to what the banks of Fort Worth handle direct. It will show that Fort Worth really finances more loans than any other city in Texas. Of the paper sold, usually about 20 per cent is handled by Texas banks, about 10 per cent by Kansas City and 10 per cent by St. Louis, the balance in Chicago, New York and other eastern cities.

This class of paper is regarded as very desirable for banks for the reason, first, it is short time paper, and, second, these cattle when prepared for market always bring the money, it being a class of paper that can be depended upon to be paid at maturity.

The live stock interests of Texas, a large part of Oklahoma and a part of New Mexico, including some of Arkansas and Louisiana, nearly all look to the Fort Worth commission people to finance their dealings, and it is done through them. This is one of the strong reasons why a reserve bank should be located at Fort Worth, which is practically now the live stock market of the Southwest, and where all these deals are financed, and would be of great assistance to those financing the deals to have a bank located here, thus furnishing it a large line of commercial

paper that is desirable and paid promptly at maturity.

In the past it has been impossible for commission dealers located at Fort Worth to supply the legitimate demands made upon them. For this reason a large amount of this paper has been taken by Kansas City and St. Louis banks and endorsed over by them without recourse to Loan Companies controlled by the same banks and sold by said loan companies to investing bankers in the east. By so doing they do not show liability of re-discounts or loans in their statements. The amount handled in this way runs into many millions of dollars, which should be handled in the country where produced and sold.

In considering the live stock industry in the Southwest or in the United States, perhaps the most significant fact of all as relating to Fort Worth is the establishment of permanent headquarters at this point of the Association most vitally interested in the production and marketing of live stock; namely, the Cattle Raisers Association, the largest organization of its kind in the world, including in its membership almost every raiser of live stock in Texas, Mexico, Oklahoma, New Mexico, and a large number of members in Louisiana and Arkansas. The Farmers Union, which is

encouraging in every way possible the increased production of live stock. The headquarters of the Southwestern Boys and Girls Hog Clubs, embracing all the proposed territory for this Regional Bank. Headquarters for the Baby Beef Clubs of the Southwest.

The most significant fact of all as it affects the establishment of this bank in Texas, and especially in Fort Worth, is that where the live stock industry of other sections of the United States is waning, as shown by the reports of practically all other markets, the Fort Worth market is showing a continued increase in receipts of all kinds of live stock, and a careful study of live stock conditions in the United States will convince any thinking man that the great production of live stock must come from the region above outlined for ensuing years and that the grazing and feeding of cattle in the Northwest is rapidly declining, with the result that each year there will gradually be a narrowing of live stock trading in large quantities to this section, with a consequent increase in the importance of the present acknowledged centre of the live stock industry of the Southwest, Fort Worth.

In an effort to get the opinion of the live stock

raisers and feeders of the Southwest, they were asked for an opinion which brought forth the following resolution:

"As one engaged in the live stock and cattle industry I strongly urge upon your Honorable Commission the importance and necessity of placing one of these Regional Reserve Banks in the State of Texas and earnestly recommend the City of Fort Worth as the point at which this bank will best serve the cattle and live stock industry of the Southwest."

Signed by 2501 feeders and Breeders of Cattle in the States of Arkansas, California, Idaho, Kansas, Louisiana, Oklahoma, Mississippi, New Mexico/and Texas.

The original signatures are on file and can be submitted if desired.

Also the same resolution was adopted by the Executive Committee of the Cattle Raisers Association of Texas. The votes to this effect are on file and can be submitted if desired.

In conclusion, attention is called to the fact that of the entire receipts at the Fort Worth market, 53 per cent of the cattle are sold to others than the Fort Worth packers, most of them going back to the country as feeders on short loans, and again to the market when fat. Fort Worth is

recognized as the greatest feeder market in the west, and will eventually be the only large one.

STATEMENT OF W H FUQUA.

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

Mr. Fuqua: W. H. Fuqua; I am in the banking business and stock business, and I farm some.

Mr. Wortham: Mr. Stafford failed to bring out one point which we particularly desired to have him bring out, namely, the item of where these horses and mules were bought and sold. That involves a financial proposition. May he return to the stand for a moment?

The Secretary of Agriculture: Yes.

FURTHER STATEMENT OF J. A. STAFFORD.

Mr. Stafford: The horses and mules coming to the Fort Worth market are bought largely in Kansas, Oklahoma and New Mexico, and a few from Nebraska. They are paid for on arrival at Fort Worth and are sold exclusively east of Fort Worth; in other words, they do not move back to the same territory, as is sometimes the case with cattle. The

largest sale is in Louisiana, Arkansas, Mississippi, Alabama and Georgia and also North and South Carolina to some extent. It practically means it takes about \$10,000,000 to cover the amount of horses and mules handled in Fort Worth annually, and it practically means twice that amount of money, because they are brought in and paid for and held and sold, and the money comes from a different direction.

There is another feature I would like to bring out in that connection in regard to the amount of business, which I do not think has been covered. Fort Worth is probably the largest buyer of cottonseed oil, in the southwest. They handle annually about \$1,125,000 worth of cottonseed oil.

FURTHER STATEMENT OF W. H. FUQUA.

The Secretary of the Treasury: Now, Mr. Fuqua, you may proceed.

Mr. Fuqua: I am president of the bank --

The Secretary of the Treasury: Which bank is it?

Mr. Fuqua: I am away out in the northwest portion of the state, at Amarillo; the First National Bank.

The Secretary of the Treasury: Now will you please give us new
any/light which you can upon this problem.

Mr. Fuqua: I do not know that I can give you any particularly new light, but I would like to say that, coming from the northwest nortion of Texas, it is the great desire of the bankers and the financial men of that district that we have a bank in Texas, first.

The Secretary of the Treasury: Where do you keep your reserves now?

Mr. Fuqua: New York, Chicago, Kansas City and St. Louis.

The Secretary of the Treasury: Do you keep any of it in Dallas or Fort Worth?

Mr. Fuqua: We have never had designated a reserve bank in the state.

The Secretary of the Treasury: You have no reserve bank in this state that you use?

Mr. Fuqua: No sir.

The Secretary of the Treasury: But your desire is to be connected with the Reserve Bank in Texas, if one if located here?

Mr. Fuqua: By all means.

The Secretary of the Treasury: You want Amarillo to be in this same district?

Mr. Fuqua: Yes sir.

The Secretary of the Treasury: What would be your second choice?

Mr. Fuqua: Personally Kansas City would serve us better than any other point, aside from Texas, but we are uncompromisingly for Texas, if it is possible to get one in this state. I am interested in about forty odd banks, and I am speaking for all of those, and also for a number of other banks in the northwest part of the state.

The Secretary of the Treasury: Will you file a list of the banks you are speaking for?

Mr. Fuqua: Yes, I can do it later.

The Secretary of the Treasury: If you please, so it may be an exhibit to your testimony. They all favor a reserve bank in Texas?

Mr. Fuqua: Yes sir.

The Secretary of the Treasury: But which city?

Mr. Fuqua: Of course, Fort Worth is a little nearer to us, but we will be glad to get it in the state. It is for Texas first, and for the cities afterwards, according to your good judgement.

The Secretary of Agriculture: To what extent do you think Texas would be able to take care of this district.

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W H Fuqua

Mr. Fuqua: I notice that point was made this morning and I believe if it were possible for Texas and the adjoining territory that would naturally go with it to be able to maintain its reserves and its funds at home, that they would practically be able to take care of the needs of this entire district. You understand at present, while we get a great deal of our assistance from the east and north, yet in many times we are only asking for the balances that we carry there and sometimes we may exceed that, but if it were possible for us to carry our reserves more at home, we would not be required to go east for the accommodation that we do now.

The Secretary of the Treasury: Is it not a fact that you do not ask for as much as your balances, even?

Mr Fuqua: Yes, sir, that might be.

The Secretary of the Treasury: You usually have a surplus, I mean the banks of the country as a rule have a surplus always in New York.

Mr. Fuqua: Yes, sir, the banks of the country do, but that is not the case in my particular section. We are a great borrowing section up there; it is a new country and we handle a great deal of cattle there. And in fact, I may state, if I may be permitted to do, that for six years

Amarillo, the little town I come from, enjoyed the distinction of loading more cattle from the range than any other point in the world. That was for six years. That has been passed now for 14 years, since the establishment of the many railroads. That was a quarter of a century ago, when I went there.

The secretary of Agriculture; You spoke of your particular section as being a borrowing region. To what extent would you regard this entire section as a borrowing region?

Mr. Fuqua: Certain small towns at all seasons of the year are borrowing towns; at certain times they have large sums of money, but at portions of the year the smaller interior towns in the district are borrowing towns.

The Secretary of the Treasury: At the height of the season?

Mr. Fuqua: Yes, at the height of the season.

The Secretary of the Treasury: Do you think as a banker that it would be wiser to create a district which is wholly a borrowing one or create a larger district that would have more lending power?

Mr. Fuqua: There are certain portions of the year that

this district referred to has a surplus of money and at other points it would be a very heavy borrowing section. In the spring, say from December to August, is the heaviest borrowing time in the northwest, and in the fall season we are shipping our money, we have already marketed our grain crop. We raise considerable grain in that country, and our live stock then are coming to market, and at the time when in and around Fort Worth, Dallas and Houston, and all this country here they are needing their money, we will say from August to January, we would have more money than any other time, under ordinary or common conditions.

The Secretary of the Treasury: Normal conditions?

Mr. Fuqua: Yes, sir. But that condition has not prevailed for the past twelve months.

The Secretary of Agriculture: You ~~xxx~~ probably heard the statements made this morning, that a considerable part of this territory which you have indicated in this district is asking to be included with cities to the north.

Mr. Fuqua: Yes sir.

The Secretary of Agriculture: To what extent would you suffer detriment or disadvantage if a larger district were created with a reserve bank in Kansas City, we will say, for

the sake of discussion, or St. Louis, with a branch at Fort Worth.

Mr. Fuqua: I do not know just what is going to be the latitude or the duty of these branch banks.

The Secretary of Agriculture: Under the law it may have the functions of the reserve banks. There are no limitations.

The Secretary of the Treasury: Subject to the general supervision and control, of course, of the reserve bank.

Mr. Fuqua: Would it be improper for me to ask here ~~e~~- I have heard that branch bank question discussed-- about how many branches could or would there be, probably?

The Secretary of the Treasury: It depends entirely upon the districts and what will be approved by the Federal Reserve Board. The reserve banks are compelled under the law to establish branches under the rules and regulations to be prescribed by the Board, and the tendency will be to establish these branches, of course, from time to time as the business of the districts require them.

Mr. Fuqua: Yes. Well, I believe, sir, that with the completion of the Panama Canal right soon, it is going to put Texas on the highway of commerce, and if that be the

case--

The Secretary of Agriculture: We have run across the Canal all the way from Pittsburgh to Seattle.

Mr. Fuqua: I understand.

The Secretary of Agriculture: It is going to put every city in the country on the map.

The Secretary of the Treasury: It began really at Boston.

Mr. Fuqua: I think that is quite correct. But you are getting much closer to the outlet as you approach the Gulf and near Texas.

The Secretary of the Treasury: In every city we have been the Panama Canal is an Aladdin's Lamp.

Mr. Fuqua: I believe I will go a little further and say that Texas, as perhaps the gentlemen here know - I hope they are not particularly a clannish set, but they are a very loyal set, and I believe a bank established somewhere in Texas will be not only a very satisfactory bank, but I believe it is the next thing to a necessity, for the development of this southwest country. I do not know, I am not tempted to say there these banks should be established, but I do believe that Texas with its great unlimited, and I may say entirely undeveloped resources, in many respects, ought

to have, from what it can and will be able to do for the government and for this Republic of ours, some consideration as far as a reserve bank is concerned. As to where it is to be located, that is for you two gentlemen to decide after you have heard all this evidence. But I believe Texas is entitled to it. I believe its great volume and great possibilities really entitle it to a reserve bank.

The Secretary of the Treasury: We are here for the purpose of giving it consideration. That is the object of this hearing. That is all, thank you.

Now Houston is ready to be heard, I believe.

Mr. Wortham: This pamphlet contains a compilation of all the facts which have been submitted.

The Secretary of the Treasury: That may be filed as an exhibit.

(The pamphlet was accordingly filed.)

Mr. Oscar Wells: The State Commissioner of Banks is here, and inasmuch as his testimony might perhaps have some weight with all the cities, we should like to have him come ahead of Houston. He will only take a few minutes.

The Secretary of the Treasury: We will hear from him.

STATEMENT OF W. W. COLLIER.

The Secretary of the Treasury: Mr. Collier, you may state your name and residence and occupation.

Mr Collier: W. W Collier, Commissioner of Insurance and Banking in Texas.

The Secretary of the Treasury: You are the State Commissioner of Banking, I believe?

Mr. Collier: Yes, sir. I assume that the reasons for the local committee having asked me to appear before this Committee was to testify as to the facts of the number of state banks in Texas, their capital and resources, and the number eligible to become members of the Reserve Bank.

The Secretary of the Treasury: We should like some information as to that, and also whether state banks, under your law, are entitled to become members in this system.

Mr. Collier: Yes, sir, there is nothing in our law to prevent them becoming members.

The Secretary of the Treasury: Is there anything that authorizes them? Are they permitted to own stock?

Mr. Collier: Yes. Under the statutory provision they can own not in excess of 10 per cent of the capital stock

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W W Collier

of the corporation in which they are investing.

The Secretary of the Treasury: You mean 10 per cent of their own capital.

Mr. Collier: No, 10 per cent of the corporation in which they are investing.

The Secretary of the Treasury: That would seem to give them ample power.

Mr. Collier: Ample power, yes, sir.

The Secretary of the Treasury: Now you may submit any facts you have.

Mr. Collier: Shall I read the date, or shall I just file it, Mr. Secretary?

The Secretary of the Treasury: If it is purely statistical, it might be of more service to file it. You might give us a summary of it.

Mr. Collier: There are ^{state} 849 banks in Texas with a total capital, surplus and profits of \$44,645,000. I will omit the odd figures. They have total deposits of \$96,000,000 and total resources of \$149,000,000.

The Secretary of Agriculture: What has been the growth in the last five years?

Mr. Collier: The growth of the banks during the fiscal

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year 1912-1913, there were 111 new charters granted with aggregate capital of \$3,358,500. The growth of the deposits from the time the State Bank Law went into effect in 1906 was \$8,000,000; 1907, \$19,000,000; 1908, \$22,000,000; 1909, \$39,000,000; 1910, \$48,000,000; 1911, \$58,000,000; 1912, \$71,000,000; 1913, \$96,000,000.

The Secretary of Agriculture That is the growth in the last seven years.

Mr. Collier: That is the growth since the system was established.

The Secretary of the Treasury: How many are eligible under the Federal Reserve Act?

Mr. Collier: 377, with an aggregate capital and surplus of \$31,857,500.

The Secretary of Agriculture: And deposits?

Mr. Collier: I did not give the deposits, because I was not called on until this morning for this data, and did not have time to prepare that, but it is fair to assume that the deposits of these would be about \$60,000,000.

The Secretary of the Treasury: Have you any indication from these banks as to their purpose with regard to the Federal Reserve Act?

Mr. Collier: I will say this, Mr. Secretary. I have had, I suppose, inquiries from almost every one, and the attitude of the Department of Banking in Texas is to encourage them to become members.

The Secretary of the Treasury: Are they showing a disposition to come into the Federal Reserve system?

Mr. Collier: I believe it is fair to assume that more of them would become members if a Federal Reserve Bank is located in Texas, than they would if it was located otherwise.

There is one point I want to touch one, if you will pardon me. That is, it has been suggested that having a Reserve Bank located in Texas where it was entirely a borrowing country would not be advantageous or wise. I want to say that if the banks used their reserves, they would always be able to take care of themselves. At the date of the last call our state banks in Texas only had four and one-half million dollars borrowed, and had in eastern exchange over \$14,000,000.

The Secretary of the Treasury: What is your law here with reference to reserves?

Mr. Collier: They are required to carry 25 per cent.

The Secretary of the Treasury: 25 per cent?

Mr. Collier: Yes, sir. Hence I take it that would be no bar to their becoming members.

The Secretary of the Treasury: Not at all. They are only required to carry 12 per cent.

Mr. Collier: Yes.

The Secretary of the Treasury: That is a pretty large reserve for the average country bank, is it not?

Mr. Collier: Yes. However--

The Secretary of the Treasury: Are they required to maintain that reserve strictly?

Mr. Collier: Ten per cent in their vaults and the balance with reserve agents.

The Secretary of the Treasury: What reserve cities have you for state banks?

Mr. Collier: We permit any national bank in Texas which has \$50,000 capital to act as a reserve agent for state banks and also any state bank may act as a reserve agent for any other state bank providing it has a capital of \$50,000.

The Secretary of Agriculture: You do not know how many such state banks there are at present?

Mr. Collier: No, but I can state there are in Texas 164

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state banks that carry no out of state reserves. They keep their reserves all in Texas. They are small banks, however.

The Secretary of the Treasury: And what is the minimum capital which the law allows a state bank to have?

Mr. Collier: \$10,000.

The Secretary of the Treasury: There is no limit upon the maximum amount, is there?

Mr. Collier: No, sir.

The Secretary of the Treasury: That is all, thank you.

STATEMENT OF OSCAR WELLS.

The Secretary of the Treasury: You may state your name residence and occupation.

Mr. Wells: Oscar Wells; Vice-President of the First National Bank of Houston, Texas.

The Secretary of the Treasury: What do you represent?

Mr. Wells: I am chairman of the Joint Committee, acting for the Chamber of Commerce of Houston and the Clearing House Association of Houston.

The Secretary of the Treasury: Are you president of the Clearing House?

Mr. Wells: No, I am not.

The Secretary of the Treasury: But you are authorized to speak for the Clearing House.

Mr. Wells: I am, yes, sir, and we have other members of the Clearing House who will perhaps appear before you, who are also authorized to appear.

Now I want to say first that the plan that Houston has adopted in presenting its claim is perhaps a little different from any applicants who have appeared before you, because we have sought to condense such information as we thought would be valuable to you in a very small compass.

The Secretary of the Treasury: In this Map No. 1, the proposed district?

Mr. Wells: Map No. 1 is the proposed district.

The Secretary of the Treasury: You include in it New Orleans?

Mr. Wells: We include in it west of the Mississippi River, and it has been suggested that if in your wisdom New Orleans properly belongs in this southwestern district, it could very well be put in this district without any violence to her natural location, because the balance of power in this district would be in Texas, even including Louisiana and New Orleans.

The Secretary of the Treasury: In other words, you do not object to New Orleans?

Mr. Wells: We do not object to New Orleans.

The Secretary of the Treasury: You may proceed.

Mr. Wells: In the announcement emanating from Washington there were three determining factors suggested. We have taken those factors as the outline of our argument, the first being the geographical convenience, involving transportation facilities and ease and rapid communication with all parts of the proposed district. Looking towards the development of that factor we have prepared the map No. 1. The difference between our map and the map presented by Dallas this morning is that we undertake to defend only the southern half of Oklahoma, being that half lying south of the Canadian River, that part of Arkansas south of the Arkansas river, that part of Louisiana west of the Mississippi river, following the natural water boundary around including New Mexico.

The Secretary of the Treasury: The whole of New Mexico?

Mr. Wells: We include the whole of New Mexico on this assumption, that notwithstanding the disposition to do the least violence to the trend of business in other directions,

that perhaps in dividing up there will be necessary some arbitrary lines laid, and New Mexico being a stock raising territory largely, and doing a great deal of business now with Fort Worth, the live stock centre, and with railway facilities running from El Paso to Denver, could be handled in this district with a branch at El Paso, because of our accessibility to El Paso, the branch.

This map will show, Mr. Secretaries, the principal points in this territory. It will show the distance from Houston in hours and miles. It shows the location of the ports along the coast now in operation and being developed by the expenditure of government money. We have also--

The Secretary of Agriculture: What are these figures on here?

Mr. Wells: The top figures are the miles, and the bottom figures are the hours distant from Houston. That includes New Orleans, Baton Rouge and all points in this district and a little bit outside the district.

We have three telegraph and cable systems, those being the Western Union, Mackay and Postal, and two long distance telephone systems. I am speaking to No. 1 sub-topic of your outline. These reach every banking point in the pro-

posed district.

The Secretary of the Treasury: What is the extreme limit of your long distance service from Houston.

Mr. Wells: The long distance service can be carried on to any part of this district without any difficulty.

The Secretary of the Treasury: Outside of Texas?

Mr. Wells: We talk to Kansas City and St. Louis with great frequency, and sometimes with splendid service. That depends on climatic conditions, when you reach that distance.

Now the statistical data which I do not intend to read in detail cover the list of railways serving Houston and reaching Houston, there being 17 in number, with a total mileage --

The Secretary of the Treasury: We are familiar with it.

Mr. Wells: I was going to point out the percentage of the total mileage in Texas which centres in Houston. We have 79 mail trains daily in and out of Houston, and 106 passenger trains daily in and out of Houston. That does not include any electric interurban service.

We have water transportation facilities, utilizing Buffalo Bayou from the Gulf of Mexico to Houston turning basin, which is under process of completion, under contract

specifying an average depth of 25 feet, and an average width of 100 feet at the base. This work is being done by the United States government and the Houston Navigation District, and the contract is near completion.

The Secretary of the Treasury: When do you expect that to be opened?

Mr. Wells: It will be opened some time during the coming year, this year. Then we already are making provision for the establishment of dockage and slips and facilities for shipping.

Houston, as a shipping point, is 500 miles nearer the graneries of the west than the Atlantic and Pacific ports and 300 miles nearer than New Orleans. Then the Inter-coastal Canal is completed from Galveston Bay to Corpus Christi.

In this proposed district, tributary to Houston, are the following ports: Aransas Pass, Corpus Christi, Freeport, Galveston, Texas City, Point Bolivar, Port Arthur, Beaumont, Orange and Morgan City.

Now the second point of our outline has to do with industrial and commercial development and needs, involving the general movement of commodities and business trans-

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actions within a proposed district and the transfer of funds and exchanges of credit that result.

In the second map we show a product map, or at least show the predominating products of each section in this territory. You will notice the rice and sugar belt is along the coast, and the yellow pine, oak and hickory timber--

The Secretary of the Treasury: When is the rice crop marketed, when is the period of extreme demand for the movement of rice?

Mr. Wells: I was going to suggest, we have here as a witness every one of these industries represented, and while we do not come here prepared with a lot of statistical data to repeat the things laid down in this condensed form, they are here to answer any questions pertaining to their industries; and we want to say too, that any argument that we do touch upon here and which we have sought to condense and which you want elaborated, we stand ready to elaborate and verify this data at the same time.

You will notice the yellow pine, oak and hickory timber and cypress lying along the eastern part of Texas and the western portion of Louisiana and a portion of Arkansas included in there. One of the greatest claims that Houston

makes for the location of a Regional Bank is the diversity of interests which she represents now.

The live stock raising, while we are not a factor in the production of meats, we are a very strong factor in the breeding field referred to by the gentlemen from Fort Worth awhile ago; in fact there are more cattle produced in a territory tributary to Houston and 100 miles distant than any other point in this entire territory.

The cotton, corn, small grain and feed stuffs in the western portion of it, and the truck and citrus fruit in the southwestern portion, in fact all along the southern part, and the location of the oil fields, which is a very material part of our commercial activity-- these are all shown as indicated. These little black dots on that map represent the points of Oregon from which cotton was shipped last year to two of the cotton factors located in Houston, showing the trend of that commodity towards the Houston market to be sold on a commission basis.

The business of cotton factorage is peculiar to Houston and Galveston, and from all sections of this country where cotton is produced, that cotton is shipped to the Houston market to be shipped against advances and be sold

on a commission basis.

Following Map No. 2 there are statistical data and we give to you the square miles of the territory, the population, railroad mileage, and assessed valuation of wealth. And we take up and discuss briefly in condensed form the production of cotton. There were 7,125,000 bales in the district with a value of \$410,000,000. The gross bales handled through Houston were 3,324, 000. Those are the figures referred to by the gentleman from Dallas, this morning, in talking about cotton which passed through Houston. The net bales were 1,301,000, including the net bales recorded at the Houston Cotton Exchange, the f.o.b. cotton which is actually paid for and handled and financed by the exporter or buyer.

The Houston Cotton Exchange has 47 members, devoted to the marketing of the cotton. Houston factors handled 223,679 bales in 1912-1913. That cotton, by the way, all the Houston factors' cotton, or practically all, is handled by Houston banks. Perhaps one large factor goes outside for a portion of the money, or he did this year on account of abnormal conditions, or perhaps three of them did, but ordinarily the large percentage is handled by the Houston

banks.

There are no available statistics showing the number of bales exported, but it is conservatively estimated that 85 per cent of the net volume handled by Houston cotton firms is exported, valued at \$66,389,220, against which foreign exchange is drawn and sold from Houston through local and eastern brokers.

Next to the production of cotton is the production of cottonseed products. There were 1,932,623 tons, from the best statistics, crushed for manufacturing purposes, with a valuation of \$46,000,000. There are 1,627,277 tons used for feeding, fertilizing and planking, of a value of \$43,000,000, which do not go to the crushers.

The Secretary of the Treasury: How much is crushed at Houston? Have you large mills here?

Mr. Wells: Yes, we have large oil mills there, and about 7 per cent of the entire seed of this district is used for manufacturing purposes, and they turn out a greater volume of manufactured products than any point in the south, the value of which is \$15,500,000. We have a number of producers of cottonseed lard products, from the cotton seed.

The value of the manufactured products is \$62,000,000.

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and they export about \$17,000,000 of it.

Now the territory consuming these by-products or the products of the cottonseed, reaches to Arizona on the west, Kansas on the north, Porto Rica on the south, and the Atlantic Seaboard on the east. The Houston mills purchase and crush 7 per cent of the seed, and so far as I know the financing is done exclusively by Houston banks.

Then we have corn, wheat, oats, hay and other feed stuffs produced in 1912, valued at \$188,000,000.

The Secretary of the Treasury: You mean produced in this district?

Mr. Wells: Yes. The next item perhaps, Mr. Secretary, is lumber. We are the home of the lumber industry, so far as this district is concerned. The estimated stumpage of feet in this district outlined on that map is about 150,000,000,000 feet. The output from that stumpage in feet was 6,313,000,000 in 1913, with a value of \$88,000,000. and odd. A great part of this was done by 48 lumber companies in Houston, employing a total capitalization of \$21,835,000. When I say lumber companies, I mean manufacturing and selling companies. There are no consequential lumber organizations outside of Houston in this district

handling lumber, either manufacturing or selling.

Next comes the volume of production of petroleum. There are 13 oil fields located in Texas which produced in 1913, 15,500,000 barrels and 8 oil fields in Louisiana which produced in 1913, 14,000,000 barrels, that produced in Texas being valued at \$15,600,000, and that in Louisiana \$14,000,000, or a total production of 29,500,000 barrels, or 81,000 barrels daily, valued at \$29,800,000. A part of that financing is done in Houston, and a large portion of the capital of these companies is contributed by Houston citizens, and they borrow money and the transactions are handled through the Houston offices and Houston banks, although they do not confine their borrowings to this territory.

During 1913 it is estimated that the Gulf Ports received from Mexico 8,500,000 barrels of crude petroleum, valued at \$6,500,000, which was handled and financed by the companies doing business in Houston.

This proposed district contains 14 oil refineries, representing an investment of \$13,000,000, exclusive of pipe lines and stocks of oil, and manufacturing refined products of a gross value of \$84,000,000, at least 40 per cent of which is exported via Port Arthur, which is located

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within the district, and one of the points we claim as tributary to Houston. In Houston there are 28 oil companies incorporated and capitalized at \$88,526,000, producing and marketing the greater part of this output.

We are growing as a rice territory. In 1913 there were 772,800 acres of rice land in this district which produced 6,149,000 bags, valued at \$23,000,000. This is 90 per cent of the entire crop of rice of the United States, of which 3.8 per cent goes to foreign markets, 21 per cent to Porto Rica, and 75.2 per cent is consumed at home.

We are also a sugar growing territory. In 1913 there were 359,350 acres devoted to sugar raising in this district, producing sugars valued at \$15,000,000. That estimate was gotten from the offices of several sugar producers.

The Secretary of Agriculture: That is a repetition of what is in here, is it not?

Mr. Wells: I am simply summarizing here.

The Secretary of Agriculture: I have read it already.

Mr. Wells: Have you also read about the exports and imports and the values related to each?

The Secretary of Agriculture: Yes.

Mr. Wells: I would like to call your attention to two

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or three things as we go along, because it might develop into the asking of some questions.

The Secretary of the Treasury: Touch upon the specific points you wish to emphasize.

Mr. Wells: Yes, I will be glad to do that. In fact all these points --

The Secretary of the Treasury: You could not emphasize them better than you have them in this volume.

Mr. Wells: I understand that.

The Secretary of the Treasury: So if you want to say anything in an explanatory way, you may do so.

Mr. Wells: One of the points we would like to touch upon and emphasize is the favorable location of Houston for a Regional Bank particularly as it may pertain to the development of the foreign exchange dealings by the Regional Bank. That is one of the things for which it makes provisions, involving exports and imports. I say that because Houston is adjacent to these ports already located and those being located, and the volume handled at Galveston was \$289,000,000 and at Port Arthur \$27,000,000, and all these other ports are being developed by the expenditure of money, but down the Ship Canal we handled in 1913, \$35,930,000.

The miscellaneous data concerning Houston I do not think is especially pertinent.

The Secretary of the Treasury: We will examine that any way. Reading it is of no value.

Mr. Wells: There is only one other thing, and that is that the Houston inbound freight rates are favorable to the continuous building of Houston as a distributing point, and that will be touched upon by other witnesses.

The Secretary of the Treasury: I notice that the proposed district outlined would give the Regional Bank a capital of \$5,824,000 and deposits of \$17,562,000. Is that based upon the minimum requirement of the Act?

Mr. Wells: Yes, 5 per cent of time deposits, and we have separated the deposits as to reserve cities and member banks and the amount of deposits as shown by the statement.

I would like to call your attention to Map No. 3, showing the location of the banks doing business in Houston, carrying a portion of their reserves there, the number of banks at these points, and the number of accounts carried by those banks in Houston, as simply showing the distribution of them over that area.

The Secretary of the Treasury: What is the point you want

to bring out?

Mr. Wells: I simply want to show that these little rings show the location of the banks now carrying accounts in Houston.

The Secretary of Agriculture: What rate of interest does Houston pay?

Mr Wells: Two per cent.

The Secretary of Agriculture: And the same check collection arrangements as the other cities?

Mr. Wells: Yes, sir. I do not think there is any difference in the Texas cities in doing that business.

The Secretary of the Treasury: To what extent is Houston able to finance these operations, to what extent does it have to go outside?

Mr. Wells: During normal times the Houston banks borrow comparatively little money outside, and that only in the very extreme portion of the movement of the cotton crop. Of course, there are a great many commercial paper manufacturers who go outside for money just as they will go outside after the Regional Bank has been established. We do not think that that point would stand in the way of the operation of a Regional Bank in this territory as compared

with the operation of a Regional Bank in any other territory, because there will be a certain amount of supply of standard commercial paper, and if we manufacture it it will be found in the open market, and a country that is continuously developing cannot hope to find all its lending power located at one point, even if a Regional Bank is located there.

The Secretary of the Treasury: Do you think a Federal Reserve Bank located in this district as you have outlined it, located Houston, would preserve the customary course of business and conserve the greatest convenience of business in southern Oklahoma, and all of Louisiana west of the Mississippi River.

Mr. Wells: I do think so, for this reason --

The Secretary of the Treasury: What are your trade relations with that part of Louisiana and southern Arkansas?

Mr. Wells: We have very little trade relations with southern Arkansas ourselves. However, there are some trade relations in the northern part of the state with southern Arkansas, and we have some trade relations in Oklahoma, because of the fact that our crop moves earlier and we can frequently, in normal years, after we have begun to get relief from the cotton crop in the southwestern territory,

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loan money very readily to the North Texas and South Oklahoma banks, and do frequently do so, before they reach the peak of the load.

The Secretary of the Treasury: To what extent would Houston be a better point, considering the normal course of business throughout this district, to what extent are Houston's advantages superior to those of Dallas and Fort Worth for this particular purpose?

Mr. Wells: For the whole district.

The Secretary of the Treasury: Yes.

Mr. Wells: We maintain that our advantages lie in our increased railway facilities over the North Texas points, we think even greater than Fort Worth, and we believe greater than Dallas, so far as railway facilities are concerned. We believe that the surety of Houston's future because of the development of the waterway system will make it the largest town, therefore the logical one now to select. And it has a railway system connecting with the lower corner of Louisiana, the Southern Pacific running across to El Paso, and can reach the southwestern corner by railway. And it is significant that that country will be developed, reaching towards Tampico.

The Secretary of the Treasury: Is the commodity movement between Fort Worth and Dallas towards Houston?

Mr. Wells: All export commodities naturally flow that way, for instance, cotton, and that is the biggest commodity produced in this country.

The Secretary of the Treasury: But outside of that?

Mr. Wells: Outside of that the cattle would go to Fort Worth.

The Secretary of the Treasury: But if you had a Regional Bank at Houston, for instance, the matter of exchanges and various other transactions would necessitate the reversal of the normal trend, would it not? It would be brought southward instead of trending northeastward, as it does now.

Mr. Wells: I do not think so, as evidenced by the number of bank accounts and reserves carried there by banks all over this territory.

The Secretary of the Treasury: To what extent do you have exchanges now with Fort Worth and Dallas?

Mr. Wells: It would be difficult to give you the exact figures --

The Secretary of the Treasury: Would it be as great your way?

Mr. Wells: We sent them as great a volume, taking it for 12 months in the year, as they sent to us. We buy as much exchange in covering the balances from northern points as they buy from us.

The Secretary of the Treasury: Is it not easy enough to get the exact data on that?

Mr. Wells: Perhaps that could be done.

The Secretary of the Treasury: We should like to have that submitted as an exhibit.

Mr. Wells: When you say North Texas, we have a good many points--

The Secretary of the Treasury: No, I am speaking of Dallas and FortWorth. What are your exchanges with Dallas for a period of a year, and with Fort Worth for a period of a year? I would like to have Fort Worth and Dallas give it too, from their end of it. You will please file that information.

The Secretary of Agriculture: Have you taken into consideration Louisiana's preference in the matter?

Mr. Wells: No. That would be for New Orleans. We did that upon the assumption that there mightnot be a bank established at New Orleans, and we do that upon the further

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assumption that we now handle a great portion of Louisiana's production, in that we handle their lumber and oil, and it would not do violence to the trend of business. Of course, you appreciate all the trend of business is eastward under the present system. Southern Arkansas would be an arbitrary line, so far as Houston is concerned.

The Secretary of Agriculture: We are not speaking so much of banking as the general trend of business.

Mr. Wells: We do some business up there.

The Secretary of Agriculture: And Southern Oklahoma?

Mr. Wells: They are a cotton raising territory, and it would do no violence for their business to come that way because it does to a certain extent come there now. It comes south, not necessarily to Houston, and the cattle business comes to Fort Worth, which is what we are undertaking to defend, so far as the territory is concerned.

The Secretary of the Treasury: This is a very considerable borrowing district at certain times of the year, is it not?

Mr. Wells: At certain times of the year they borrow a great deal of money, but we believe --

The Secretary of the Treasury: What do you suppose the

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maximum demand from this district is for a year?

Mr. Wells: I have not undertaken to make any figures.

The Secretary of the Treasury: I mean in the peak demand.

Mr. Wells: I have not undertaken to make any figures.

I assumed Mr. Arday's figures, which he gave this morning, were a proper report of the amount of borrowing, as they were from the Comptroller's report of October 31st.

The Secretary of the Treasury: That would not be a proper indication, because they would not show the entire demand --

Mr. Wells: Absolutely, and there was some pyramiding, as he suggested also, so it would be difficult to ascertain what would be the amount necessary to be borrowed. We believe this, that with the release of the percentage of reserves which is to be released under the new law, and that would come to us from the sale of standardized commercial paper on the open market, because we believe this bill will create a central discount market.

The Secretary of the Treasury: You mean it will create a central discount market in each district?

Mr. Wells: I mean a general district market; it may not bring it into each district, but it will be in certain parts

of the United States and there will be money to be had over and above the reserves carried by the reserve banks, which are now used in other channels, and we believe we will get some relief from the sale of that paper, and that in addition to the note issuing power of the bank at the time we need it most to move the crop, would take care of our requirements under normal conditions.

The Secretary of the Treasury: You mean by resorting to the Federal Reserve Board?

Mr. Wells: Yes sir.

The Secretary of the Treasury: Instead of to some other bank.

Mr. Wells: Yes, instead of going to New York, Chicago, or St. Louis as now, because we carry our reserves there, and it would be sufficient to take care of us because of this issuing power.

The Secretary of the Treasury: In other words, your theory is that by resort to the issuing power, you would under all occasions be safe.

Mr. Wells: We believe in anything, in every emergency we would be safe; we believe the power of the Regional Bank would be sufficient to take care of us, and our borrowing

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facilities are extended to us now based on the reserves carried at those points.

The Secretary of the Treasury: Of course, the question would arise from a business standpoint which was the most advantageous thing for you to do, whether to borrow from some other reserve bank or resort to the Federal Reserve Board.

Mr. Wells: That would be for the Board to decide.

The Secretary of the Treasury: No, it would be for the bank to determine. Of course, the Board would have to give you permission to deal with another reserve bank.

Mr. Wells: Yes. We assume that the reserve bank will resort to this issuing power, because that is part of its earning power.

The Secretary of the Treasury: It would not, providing it could get the money from another Federal Reserve Bank on better terms.

Mr. Wells: No, but in any event it would do no violence to the system to use the issuing power, on which we can rely.

The Secretary of the Treasury: Is it your judgment it would be better to create a district that is wholly a borrowing district at some periods of the years or create a district which is ~~x~~ more balanced, for instance, with one end of it

able to extend at such times as your extreme demand came --

Mr. Wells: I want to call attention to the condition which I spoke of a moment ago, which is frequently done in the heavy movement of crops, and that is that we not can get money very readily from the movement of this lower country, fast enough to take care of the demands up here in the north.

The Secretary of Agriculture: But do you?

Mr. Wells: We do. And if you will let me refer to a personal transaction of our own bank, in 1912 the bank deposits in the bank which I represent, struck the low ebb on August 18th, going down to \$2,200,000. By the 23rd day of September, which was about 33 days later, our bank deposits from country banks were \$5,300,000, or \$3,100,000 increase, or at the rate of \$100,000 daily, showing the liquidating power when the cotton begins to move.

The Secretary of Agriculture: Is it not a fact that outside of the bank operations, there are large interests in this state that have to go to outside territory to get financed?

Mr. Wells: I think they will, if you put the bank in a larger territory, even. I think they will have to do that.

If you could create a district and get far enough away from our own district in the other direction, where the diversity would be unquestioned, then I would say if we could have those two elements brought together at one point, we could work to better advantage by using the surplus money in that section while ours is busy, but the extent to which you could do it by creating a geographical division here is negligible.

The Secretary of the Treasury: But the only question is whether you can approximate it.

Mr. Wells: It is desirable to the extent to which you can reach it, but we do not believe you can reach it by carving out any larger territory than we can take care of ourselves, because we can take care of it ourselves, being a smaller section, by being a smaller district and not so unwieldy.

The Secretary of Agriculture: That would not necessarily follow.

Mr. Wells: No it does not necessarily follow.

The Secretary of Agriculture: That is simply an assumption.

The Secretary of the Treasury: What would be your preference if you did not have a reserve bank in Texas, I mean a headquarters, what would be your choice outside of

Texas, as the city to which you should be attached.

Mr. Wells: I believe the first choice of the Houston bankers, outside of Texas, of course, relying upon the logical location we would go to, realizing that we cannot skip a territory to go beyond, would be St. Louis.

The Secretary of the Treasury: In other words, the normal and natural trend of business is more to St. Louis from this section?

Mr. Wells: Of course, the bulk is towards New York. Our exchange is sold in the east.

The Secretary of the Treasury: But you are going to have a different situation under this system.

Mr. Wells: That is the reason we say a Regional Bank in Houston would be a good thing, because it will have an importation and exportation trade out of the business from these ports.

The Secretary of Agriculture: What would be your attitude towards New Orleans?

Mr. Wells: We can hardly reconcile ourselves to going to New Orleans, for the reason it represents a weaker territory than we do, and we would have the balance of banking power of any district you might carve out.

The Secretary of the Treasury: Your argument as to foreign exchange would make New York more logical?

Mr. Wells: That is true for the present, but I am talking of the development of the ports, which are being developed.

The Secretary of the Treasury: Of course, the question of New York exchange will become less important after this system is established, but at the same time it does not alter the fundamental fact that the greatest strength you can give through natural and economic causes to each one of these districts is desirable.

Mr. Wells: That is true.

The Secretary of the Treasury: To what extent do you carry reserves now in New York?

Mr. Wells: About 50 per cent, I should say.

The Secretary of the Treasury: Where do you carry the remainder?

Mr. Wells: 25 per cent in Chicago, 25 per cent in St. Louis, these being the three central reserve cities, and our city being a reserve city.

The Secretary of the Treasury: To what extent were Houston banks compelled to re-discount last fall?

Mr. Wells: Well, our statement made in January showed

about a million and half still carried in January. I do not know how indicative that is. I should say twice as much as that anyway, taking our own bank as an indication.

The Secretary of the Treasury: Does that represent the extreme of the discounting that was done or --

Mr. Wells: Unquestionably we borrowed more money last fall than ever before.

The Secretary of the Treasury: I mean to say do you frequently re-discount through indirect means?

Mr. Wells: I cannot say as to that, because I am not familiar with the other banks. We publish ours.

The Secretary of the Treasury: What I mean is this, frequently the banks resort to indirect methods of re-discounting --

Mr. Wells: I say we do not. We borrow money and advertise it as bills payable.

The Secretary of the Treasury: You put it in your statement --

Mr. Wells: I assume some of that is done. I think that is true in all sections of the state.

The Secretary of the Treasury: When you get down to your reserves, do you then simply stop lending money or

do you re-discount?

Mr. Wells: Well, Mr. Secretary, we did not stop last summer, because we thought the normal movement of the cotton crop would soon give us relief, and we borrowed very liberally and freely to take care of that movement, and all mercantile interests too, but we were not able to take care of all the demands. I think we took care of every reasonable demand, based upon the value of the account carried with us, and we did not stop making such loans except those that we felt had no right to apply to us under those conditions, and perhaps some of them we would not have made under normal conditions.

The Secretary of the Treasury: But so far as legitimate business demands are concerned, have you any idea how far each year they are seriously hampered by lack of funds required at the extreme period.

Mr. Wells: I do not think it is seriously hampered at any time. You understand that the network of the commercial activity of this country is built around the movement of that one dominant crop of cotton. The country merchant borrows a little more money until the crop is harvested, or the country bankers, and the merchant borrows more in

the reserve city, waiting for payment, and it all goes up a little bit higher until we get relief from the movement of that crop. That is the condition with which we have to contend, and I believe in normal conditions that the legitimate demands made upon a bank by its customers, and especially for the crop movement, are taken care of by a free use of the re-discount privileges of the reserve city bank, because they realize that it comes back readily and ordinarily the loans created in Houston are paid before the first day of October.

The Secretary of the Treasury: What is your opinion as to the number of banks which ought to be established at the beginning?

Mr. Wells: As a banker my views would be for the minimum number, but when it comes to distributing the number over the country, it seems to me like the best service would be to increase that minimum perhaps to nine or ten.

The Secretary of the Treasury: Have you prepared this district with relation to the division of the country?

Mr. Wells: We have not, only in a general way.

The Secretary of the Treasury: Do you think it is very important in the laying out of any district that is

should have an absolute relation to the rest of the country?

Mr. Wells: Yes, I do not think there is any question, from your point of view, but I mean to say I have not taken any specific point in the southeastern country, but the only district --

The Secretary of the Treasury: What other districts i did you have in mind when this district was laid out? Now would the rest of the country be apportioned?

Mr. Wells: In the southeast country I would say Atlanta or Birmingham, to serve that portion of the country east of us, and to the coast, and north of that would be Richmond.

The Secretary of the Treasury: Would you not put New Orleans with Atlanta?

Mr. Wells: No, I would put New Orleans with us.

The Secretary of the Treasury: You have not got it with you here.

Mr. Wells I suggested that to you modestly.

The Secretary of the Treasury: Yes you said it would not be objectionable.

Mr. Wells: It would not be objectionable.

The Secretary of the Treasury: But if it was not put

here, where would you put it, with Atlanta?

Mr. Wells: If it did not go to us, and in your judgement it should go the other way, making the Mississippi River the dividing point.

The Secretary of the Treasury: That is all.

Mr. Wells: There are two or three things in the book, showing the total remittances and the currency operations which I think are indicative of the banking operations in Houston, and I should like to call your attention to them, although I do not want to take up your time.

The Secretary of the Treasury: Yes, it may be filed.

(The book was filed accordingly.)

Mr. Wells: Now we have a number of witnesses, for instance, Mr. Cleveland is here as a cotton factor to substantiate the things which have been said.

STATEMENT OF A.S.CLEVELAND.

The Secretary of the Treasury: You may state your name and residence and occupation.

Mr. Cleveland: A.S.Cleveland, of Cleveland & Sons, Houston.

The Secretary of the Treasury: What is your business?

Mr. Cleveland: Wholesale grocer and cotton factor.

William G. Cleveland & Sons.

The Secretary of the Treasury: You have some data you want to submit?

Mr. Cleveland: Only in confirmation of the facts about Houston, Mr. Secretary. My firm is engaged in one department as cotton factors. We receive cotton on consignment from every cotton raising county in Texas. That cotton is shipped to Houston to be sold there; sometimes to be held and sold later, and sometimes to be sold on arrival. We advance against those shipments, perhaps on 75 per cent of our shipments to make advances against it. The man owning the cotton wants his money ahead of the sale. 25 per cent is shipped us on open bills of lading, either for sale or for holding.

The Secretary of the Treasury: What is the percentage of the crop, would you say, which is held in warehouses?

Mr. Cleveland: It is right hard for me to answer that question, but this will give you an idea. We have received practically 100,000 bales of cotton this season, and we are holding 20,000 bales.

The Secretary of the Treasury: About 20 per cent?

Mr. Cleveland: Yes.

The Secretary of the Treasury: How is that financed?

Mr. Cleveland: As respects ourselves?

The Secretary of the Treasury: Yes, how do you finance that?

Mr. Cleveland: We buy no cotton ourselves. We advance on the cotton and sell it to exporters, to cotton buyers. We borrow money from our Houston banks until they cannot lend us any more, and then we borrow elsewhere.

The Secretary of the Treasury: What percentage of your requirements are usually met by the Houston banks?

Mr. Cleveland: In normal seasons we can and do meet all our requirements at home.

The Secretary of the Treasury: You get them at home?

Mr. Cleveland: Under normal conditions.

The Secretary of the Treasury: But last fall, for instance, to what extent did you have to go outside?

Mr. Cleveland: For about half.

The Secretary of Agriculture: Do you have to go outside every year at some period?

Mr. Cleveland: No, Mr. Secretary, we do not. But I should say we would go out of town 50 per cent of the year

for money. We do it oftentimes because we can and because we think that the banker induces us to do it occasionally, and if we can get money on the outside generally we should do it.

The Secretary of Agriculture: You are speaking as a business man?

Mr. Cleveland: Yes.

The Secretary of Agriculture: Is it your judgment that the district would be better served with this district as proposed or with a larger district?

Mr. Cleveland: I do not know that I am competent to answer that question, Mr. Secretary: I would be disposed to say that this district is proper.

The Secretary of the Treasury: That would be largely on account of the local feeling about the problem, or would you be determined in that by the economic conditions which should be covered.

Mr. Cleveland: I think I am persuaded on that possibly by the first influence.

The Secretary of the Treasury: It is rather difficult to get away from that in the consideration of problems of

this character. Where do you sell most of your foreign bills, to the local banks or to New York?

Mr. Cleveland: We sell none at all. We are not concerned with that. The man who buys from us has that to do.

The Secretary of the Treasury: I thought you made some direct sales.

Mr. Cleveland: No, none at all.

The Secretary of Agriculture: Have you any data you would like to file?

Mr. Cleveland: No.

Mr. Wells: All of our data is in those books. Mr. Evans is a cotton exported, and he will not take up very much time.

STATEMENT OF J. W. EVANS.

The Secretary of the Treasury: State your name, residence and occupation?

Mr. Evans: J. W. Evans, Evans & Company, cotton exporters, Houston.

The Secretary of the Treasury: What facts do you desire to submit in addition to those contained in this book?

Mr. Evans: Well, I had very little to say except to con-

firm that which has been already said, and to call your attention particularly to the fact that Houston actually and physically handles more cotton than any town in the United States.

Now these gentlemen here today have spoken glowingly of the amount of cotton which is financed from different points. Houston actually handled 900,000 bales, that is, there is that much brought in there, classed, weighed and shipped in even running lots to foreign countries.

The Secretary of the Treasury: Have you figures on Dallas and Fort Worth?

Mr. Evans: No, I can only say what the actual receipts of cotton in those two towns averaged something around 100,000 bales each, in other words about one to nine as compared with Houston.

Now the second largest town in the United States from a cotton standpoint is Memphis. They handle on an average each year about half a million bales. Of course, this does not include the cotton which is financed in Houston and shipped through from the country, possibly amounting to half a million bales more, or in round figures, in a normal year, probably \$90,000,000 of foreign exchange.

The Secretary of the Treasury: How is that financed?

Mr. Evans: Largely through Houston banks. I should say, to give you some idea of how that is handled under normal conditions, we frequently have a stock there after Christmas of 150,000 bales, which you may say is worth from \$9,000,000 to \$10,000,000 and I venture to say under normal conditions there will not be more than \$300,000 or \$400,000 borrowed away from Houston on that cotton.

The Secretary of the Treasury: The Houston banks can take care of it?

Mr. Evans: Yes, they do. That foreign exchange is usually sold either to New York, Philadelphia or Chicago, and sometimes New Orleans.

The Secretary of the Treasury: Do you sell much of it to New Orleans?

Mr. Evans: No, I should say from 5 to 10 per cent of the whole. New York and Philadelphia get most of it.

The Secretary of Agriculture: Is there any other point you wish to bring out?

Mr. Evans: No, I do not believe there is anything more.

STATEMENT OF J. E. McASHAN.

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

Mr. McAshan: J. E. McAshan, Vice President and Cashier of the Southwestern Commercial Bank of Houston.

The Secretary of the Treasury: Are there any facts in addition to the facts contained in this volume that you wish to present?

Mr. McAshan: I do not know as there is anything new which I could say. I think the statistics are all well compiled. But I do wish to say perhaps a little further than that, that as this is a new system of finance, we are very anxious for Texas to be represented in it, and Texas will no doubt furnish the greatest banking power of any other unit of any district that it may be placed in, therefore we wish the Reserve Bank to be placed in this state. As you know, we have formed a group of states, parts of some states and all of some states. You will see the map in that book. The natural tendency of the commerce in these states is towards the gulf ports, and our wish is for the banking business and exchange to follow the natural tendency of the shipments,

and for that reason we are asking the consideration of Houston.

Now the Houston banks are very large lenders of money, very large, and I think they hold more reserve money for interior banks than the banks of any other two cities in the state, which shows the natural tendency of reserves in that direction.

The Secretary of the Treasury: Your inducements in that respect are not superior to any other Texas city, are they?

Mr. McAshan: Not that I know of. We pay the same rate of interest that the others purport to pay; we pay 2 per cent. And so far as giving par facilities are concerned, the bank with which I am connected does nothing that any other bank in any of the reserve cities in the state would not do.

The Secretary of the Treasury: If you did not have a bank in Texas, I mean if the headquarters bank was not in Texas, where would you prefer to have it for this region?

Mr. McAshan: For this region I think our preference would be St. Louis or possibly Kansas city, but I think largely St. Louis. The tendency of trade in this section is north and south, and for that reason the southern tendency of

trade would bring a great portion of this district to Houston.

The Secretary of the Treasury: In view of the fact that this is largely a borrowing territory, as has been testified to by numerous witnesses, would you or not, now dismissing all local consideration, and looking to the strength of the system itself and the greatest facility for this section of the country, say that it would be better to have a larger and stronger district.

Mr. McAshan: I think it would be better -- now you are asking my opinion and nothing more?

The Secretary of the Treasury: Yes, we want your opinion.

Mr. McAshan: My opinion is this, I would rather see a bank established with Texas wholly as a district than to put it in any other system; that is my personal preference. I do not know that ~~xx~~ all of us coincide with those views, but here is the point; The time that we are closest run for money is in the early summer. It is a little later than that in North Texas, but in South Texas we are closest pressed for money between the first of July and the first of August. Last summer money was very close with us, although we used the borrowing privilege very slightly in our own institution and hardly ever use it at all; but on the first

of August we were very anxious to get some of the government money that was going to be placed in the southern banks. While it did not come quite as soon as we anticipated it would, when the time arrived for placing it, I do not believe any of it went to Houston. I do not think. We did not take any of it. We were relieved by the first of September.

The Secretary of the Treasury: It was saved for you, but you did not take it?

Mr. McAshan: Yes, we did not need it, in other words. On the first of September the natural condition of business had eased us up.

The Secretary of the Treasury: But in the meantime to what extent was legitimate business compelled to suffer from lack of accommodation?

Mr. McAdam: Not much.

The Secretary of the Treasury: Not much?

Mr. McAdam: No, sir, not much not any more, I should say, that it did in any other city of equal consequence in the country.

The Secretary of the Treasury: Yes, but is it not desirable to eliminate all legitimate business suffering of that

kind?

Mr. McAshan: Of course, as a humanitarian principle, it is very desirable to eliminate all suffering.

The Secretary of the Treasury: No, but as a good business principle in business, is ^{it} not wise not to compel unnecessary commercial suffering or losses, if it can be done?

Mr. McAshan: Surely.

The Secretary of the Treasury: In that aspect of the case, and looking at it from an economic standpoint, would it not be desirable to organize a district which would be self-contained and able to meet the demands at all seasonf of the year?

Mr. McAshan: Yes. But as I understand it, there would be a power placed somewhere which would control the circulation and the issuing of notes of Federal Reserve Banks, and will also control the shifting of balances, the seasonal chifting of balances.

The Secretary of the Treasury: But that does not mean that we ought to deliberately create unnecessarily weak units, does it?

Mr. McAshan: But, Mr. Secretary, any one who has been engaged in the banking business knows very well that it is

often good policy to re-discount in order that when the case comes and the easy time comes, you may have a full line of loans outstanding; that is, that you should not have a large surplus of money on hand.

The Secretary of the Treasury: Exactly, but if you have not the ability here to re-discount, then you cannot take care of the demand. Now the purpose of this Act is to create as strong units as possible, so that that re-discounting privilege may always be available.

Mr. McAshan: Yes, I say that would be an ideal condition. Now as to commercial paper, I do not know that we have touched on that. We have commercial paper offered to us from all sections of Texas, and of course a great deal of the best paper that is offered to us, and the most satisfactory paper in every way, paper that liquidates itself by the sale of the things that secure it, is cattle paper. We handle a large line of cattle paper in our city, the banks in our city.

The Secretary of the Treasury: You have heard the questions that we addressed to the Clearing Houses of Dallas and Fort Worth?

Mr. McAshan: Yes, sir, I heard it, but I would like to

hear it over again.

The Secretary of the Treasury: I will ask the reporter to give copies which will be presented to Mr Wells as Chairman, and we should like to have your Clearing House present your views as soon as possible, say by the first of March.

Mr. McAshan: On what point is that?

The Secretary of the Treasury: On the definition of commercial paper, and also on the matter of exchanges between the Federal Reserve Banks and their branches, and the matter of exercising clearing house privileges, and functions.

Mr. McAshan: I presume all those matters will be answered to their own satisfaction by the Federal Reserve Board when they come to them.

The Secretary of the Treasury: But we are getting the views of commercial bodies and clearing house associations for the purpose of enabling the Federal Reserve Board to consider them.

Mr. McAshan: Now in reference to the shipment of commodities, it is mentioned in this little book of ours that the distances from the great grain fields of the west to

Galveston and Houston are much shorter than they are to any other Gulf ports, and that inevitably has a tendency to bring them along the lines of least resistance.

The Secretary of the Treasury: Do you do much grain business in Houston?

Mr. McAshan: Yes, a great deal of it, both of importing and exporting. We handle some very large grain interests. But I do not think we handle anything like the figures which were given for Fort Worth this afternoon. Still it is a very important item. This is an undeveloped state, and practically all the wealth of the country is now coming out of the south and west that is, that comes out of the ground, except coal perhaps, and we would like to be in on this new deal.

The Secretary of the Treasury: Well, there is no way to keep you out, you are bound to get in.

Mr. McAshan: You might keep us out so far as a Reserve Bank is concerned.

The Secretary of the Treasury: You are bound to get the benefits of this system.

Mr. McAshan: Yes, that is so.

The Secretary of the Treasury: And we are very eager that you should have it to the very fullest possible extent.

Mr. McAshan: Thank you very much.

STATEMENT OF LYNN TALLEY:

The Secretary of the Treasury: Will you give us your name, residence and occupation?

Mr. Talley: Lynn Talley, Cashier First National Bank, Houston.

The Secretary of the Treasury: Give us any new light you are able to on this question.

Mr. Talley: I have been more personally interested in the study of the Federal Reserve Act from the standpoint of open market operations. It is not our desire nor would it be my desire, to place a tax on the commerce of this section by advocating such a small district that would not adequately take care of the commerce within the lines of that district, but I realize if such a tax were placed on that commerce by an increasing interest rate, that the increased interest rate in itself is bound to cause a flow of money into this district to seek investment from districts where such a high rate is not obtainable.

The foreign exchange operations alone would furnish a Federal Reserve bank located in Texas with an excellent opportunity for business. I might say here that if a Regional bank is placed in Texas, from the standpoint of the bankers, we are interested in seeing it have an all the year round business, because we want to see it earn money, as we have our money invested in it, and as our discount rate would increase, as our credit would expand, we would be bound to increase those foreign exchange operations, because gold will follow the lines of the best earningpower.

It must be remembered that the district that we have outlined in the data we have laid before you is about 1000 miles square, that is 1000 miles from the extreme southern portion to the extreme northern portion, and also east and west it is safe to say it is about 1000 miles. We are bound to have within that district a sufficient sequence of climatic conditions to create a reasonable diversification. I know that, taking last year as an example, by reason of the excessive rainfall which set in during our harvesting season, that the City of Houston, by reason of its southern location and by reason of the number of banks scattered

over a wide area doing business with it, increased its cash holdings very considerably between the 25th of July and the 15th day of September, by no other reason or from no other cause than the fact that our cotton crop begins to move and begins to be converted into money at least 30 days before even that section which we term northern Texas, without going outside of the state, and Oklahoma is a little bit later. Our highest point with reference to our loans to country banks is reached during the month of July and the first part of August, and as those loans begin to decline our loans on cotton increase, as you will notice from the tables as laid down in that chart there.

The Secretary of the Treasury: Now, Mr. Talley, on the question of the strength of the district itself, looking at the economic foundation and organization of these banks and dismissing local considerations, as we must view this from the economic standpoint, because you gentlemen yourselves are going to get the maximum benefit if we get a sound district laid out --

Mr. Talley: We appreciate that.

The Secretary of the Treasury: And we are more eager perhaps than you are yourselves, because we have no local

considerations to control or influence us, -- now with that in view, is it your judgment as a banker that it is better to lay out a district which is a borrowing district than to lay out a district which would be self-sustained and able to take care of itself, if it can be done.

Mr. Talley: I rather take issue with some of the testimony that has been given here, that we are altogether a borrowing district, and I think I can have the statement confirmed, that there are times in the year, I should say from the middle of October until the latter part of March, that we are large buyers of commercial paper in this state.

The Secretary of the Treasury: Yes, but at other points of the year you are large borrowers, are you not?

Mr. Talley: Yes, sir, that is very true.

The Secretary of the Treasury: Now, assuming that a district could be laid out which would, except in cases of emergency or extreme need be self-contained, would it or not be better to have that sort of a district than one which is at times a lending district and at other times a very large borrowing district.

Mr. Talley: We would prefer a district of that character, yes, sir.

The Secretary of the Treasury: As a matter of economic soundness, the self-contained district would be better, would it not?

Mr. Talley: I have never laid any special importance on the expediency of the Federal Reserve Bank requiring or permitting one Federal Reserve Bank to discount for another, because I do not think that that is of any expediency.

The Secretary of the Treasury: It is an emergency provision, in any event?

Mr. Talley: Yes. I take it as such. But there has been testimony given already that that was the intent of the law, for one regional bank to furnish another with money, and I do not take it that way.

The Secretary of Agriculture: Is it your judgment that we should start out with eight or more banks?

Mr. Talley: My judgment as a banker would be that you should start out with the minimum number, simply from the standpoint of any business man who is starting a new business, he would naturally prefer to load that business with as little machinery and expense as possible when he starts out.

The Secretary of the Treasury: You would rather start out

with eight of the strongest possible units for the success of the system?

Mr. Talley: Yes, eight or nine or ten. I do not see how the country can be adequately served with as few as eight banks. There is this large section up here --

The Secretary of the Treasury: You say you have studied the Reserve Act, and in view of the provisions for branches, which is made mandatory upon the reserve banks of each district, do you not think this district will be well served of a headquarters bank were put up even in St. Louis, with branches in these large centres?

Mr. Talley: No, sir, I do not, just simply by what the name branch implies. I think it would be far better to place the branches in remote districts like away out in the western part of Texas and New Mexico and around up in this territory in Colorado and such territory as that. I think every central reserve city and every reserve city should be directly affiliated with the parent bank.

The Secretary of the Treasury: Well, they would be affiliated with the parent bank through a branch. You know the provision of the Act, do you not?

Mr. Talley: Yes, sir, I understand what you mean.

The Secretary of the Treasury: Each branch bank is officered with seven directors possessing the same qualifications as the directors for the Federal Reserve Bank itself?

Mr. Talley: Yes.

The Secretary of the Treasury: And the purpose of giving a local Board of each branch bank is to bring the management of that bank as close to the community as possible.

Mr. Talley: But then if the district which we have mapped out is not ^a/self-contained district, it could not rely very much on a branch, because it would not have the authority --

The Secretary of Agriculture: But the secretary is not asking that --

Mr. Talley: I understand what he means. But we would not have as much immediate relief as if we had direct transactions with the parent banks.

The Secretary of the Treasury: Suppose this district you have suggested is laid out, with the headquarters bank at Dallas, for instance, do you mean under the circumstances Houston would prefer not to have a branch governed by her local people?

Mr. Talley: I would not hardly see the necessity of one

at Houston with the Regional Bank at Dallas.

The Secretary of the Treasury: Suppose on the other hand that New Orleans were incorporated into this district as suggested, would you say that New Orleans had better not have a branch because it did not have the headquarters bank, if it were located at Dallas or Houston?

Mr. Talley: Perhaps I do not altogether gather the import of branch banks, but I do not think that any reserve city would be depending primarily on the branch banks.

The Secretary of the Treasury: But here you have three reserve cities in Texas, four in fact.

Mr. Talley: Yes.

The Secretary of the Treasury: Within a comparatively short distance of each other.

Mr. Talley: Well, we have six.

The Secretary of the Treasury: Yes, Galveston and San Antonio, I was overlooking them.

Mr. Talley: Yes.

The Secretary of the Treasury: Now each one of them could not have a regional Reserve Bank.

Mr. Talley: I am not contending for that. You brought up the subject of branch banks, and my idea is that they

should serve the remote districts and not undertake to primarily serve a city like Dallas or Houston. What I mean by that is, it would be preferable, you understand, to have the transactions of all reserve cities go directly to the parent bank wherever it may be located.

The Secretary of the Treasury: But suppose you had the headquarters bank at Houston, would you say then that San Antonio would be better served without a branch than with it?

Mr. Talley: Well, I should think so, yes, sir. I understand the local organization of the branch bank too, you understand.

The Secretary of the Treasury: What would be your choice for a city outside of Texas related to this district, for the reserve bank, what would be your first choice outside of Texas?

Mr. Talley: Well, it is rather Hobson's choice; there is only St. Louis that could, possibly serve. But not by reason of our trend of business being towards St. Louis at the present time; we only use them as a convenience to clear items through.

The Secretary of Agriculture: Why of necessity would it be St. Louis? Would not Kansas City serve?

Mr. Talley: It would be St. Louis, because if the Regional Bank would be placed in St. Louis, it would be a very large district and would require all the capital obtainable. One objection I have to the large district is that I think it would promote the expansion of credit beyond the reasonable bounds. There is that danger.

The Secretary of the Treasury: Why so?

The Secretary of Agriculture: Why would it?

Mr. Talley: Simply because more people would be pulling on it and more demands made upon it.

The Secretary of Agriculture: Your individual banks are going to deal directly with the business as before.

Mr. Talley: Oh, yes, but then if you have a larger bank, then they think it has more ability to re-discount.

The Secretary of the Treasury: Is that all the fear, that because the larger bank would be a larger bank and would have more business, that there would be more demand upon it.

Mr. Talley: No, I mean it would be more frequently beset to grant credit.

The Secretary of the Treasury: Of course, its credit would be extended only to member banks.

Mr. Talley: Yes, I understand that.

STATEMENT OF E. A. PEDEN.

The Secretary of the Treasury: You may state your name, residence and occupation.

Mr. Peden: E. A. Peden, President of the Peden Iron & Steel Company, Houston.

The Secretary of the Treasury: Have you any facts in addition to those stated here which you wish to submit to the Committee?

Mr. Peden: Mr. Secretary, I wanted to attempt if possible to stress this feature of the case, that Houston is the great gateway through which a most gigantic tonnage comes from the seaboard of this country as well as from abroad.

The Secretary of the Treasury: Have we not got that fairly well covered here already in these figures?

Mr. Peden: You may have.

Mr. Wells: We thought as a jobber he could elaborate the advantages of an inbound freight rate, on account of Houston being located on a waterway.

The Secretary of the Treasury: All right, proceed, Mr. Peden.

Mr. Peden: There was a feature of the case which I thought might be worthy of your attention, and I jotted down a few leading commodities that we handle. My testimony is perhaps from a different angle from most of these gentlemen, because the products I handle are largely manufactured outside of the state and brought in for developing our resources here, and a large bulk of them originate in the

Pittsburg territory. Steet steel, for instancem enjoys a rate to Houston of 37-1/2 cents as compared with 63 cents to other jobbing points in the state, giving us an initial advantage of 25-1/2 cents. On wirenails we have a rate of 37-1/2 cents against Texas common points of 56 cents, giving us an initial advantage of 18-1/2 cents.

The Secretary of the Treasury: Is that the rail rate or water rate?

Mr. Peden: The water rate into Houston and the rail rate to common points. The combination of the two, where the railroads meet the water rate, which they frequently do. Wrought iron pipe, 57 cents to common points and 37-1/2 cents to Houston, or 19-1/2 cents in our favor. Loaded shells from New York City, 85 cents to Texas common points and 56 cents to Houston, giving us an initial advantage of 29 cents.

The Secretary of the Treasury: Now this question always arises with reference to these statistics: To what extent are they a factor in making Houston, for instance, a superior point over Dallas or Fort Worth for the location of the reserve bank of this territory you have outlined here. Now

that is the kind of information we like to have. Why do they make it better to have the bank in Houston because of that fact than to have it at Dallas or Fort Worth?

Mr. Peden: My theory was because of the immense amount of money that necessarily flows there in settlement for those commodities.

The Secretary of the Treasury: But those relations and transactions are with the banks just as now, after the Reserve Bank is established.

The Secretary of Agriculture: Does Houston distribute to as many people in the state as Dallas, for instance?

Mr. Peden: In these lines, a great deal more.

The Secretary of Agriculture: And to a larger population?

Mr. Peden: Yes, because of the fact that our freight rates are so arranged that we reach a maximum at about 245 miles first class, and a little nearer on the cheaper classes, and when we go beyond that we have a blanket rate, say on fourth class, of 58 cents per 100 pounds to all points.

The Secretary of the Treasury: You understand, of course, after this system is established there will not be any

alteration of your relations with your bank. This Reserve Bank holds the reserves of all the other banks in the district, and it is there for the purpose of re-discounting when necessary for member banks; so that these facts do not have any direct bearing upon the location of the Reserve bank.

Mr. Peden: Of course, if they are irrelevant I will not attempt to proceed further. But I presumed that the volume of business brought to a certain point by these advantages would have its weight, either directly or indirectly, and I was not banker enough to know just how you would look at it.

The Secretary of the Treasury: If you have summarized those facts, we would be glad to have them in the record.

Mr. Peden: I will promise to be a short horse soon curried, I have not much more to say. But in recognition of Houston's facilities, as I have attempted to suggest, I want to read you a few names of some of our very large corporations through the country who have recognized it as such, and the establishment of whose business there is going to mean more and more volume for that territory, and naturally more and more money to pass through our banks.

For example, the American Steel & Wire Association; the Texas Carnegie Steel Corporation; the Pittsburg Steel Company; the warehouse of Crane Company; the Western Electric; the Southwestern General Electric; the Westinghouse Electric; all these have recently established large branches there. The Oil Well Supply company, the Continental Supply Company, the Republic Supply Company, the National Supply Company. I refer to these because they all handle products which go to the development of our natural resources, and they are brought to the ultimate consumer cheaper through our gateway than any other.

These four commodities I mentioned awhile ago might be multiplied into the hundreds, with the corresponding advantage in favor of the tonnage being handled that way. What I have said so far is with reference to the inbound and a similar array of figures could be brought in herewith reference to the outbound traffic.

In further recognition of this location, one of our railroads alone spent there year before last \$6,812,000, \$4,000,000 of which went out in pay envelopes.

The Secretary of the Treasury: Thank you, Mr. Peden.

STATEMENT OF L. DAVIDSON:

The Secretary of Agriculture: Will you state your name, residence and occupation.

Mr. Davidson: L. Davidson, Continental Lumber Company, Houston, Texas.

The Secretary of Agriculture: What can you say that will throw any light upon this, that has not already been presented?

Mr. Davidson: I can tell you very little, Mr. Houston.

The Secretary of Agriculture: We know about the lumber business and forests there.

Mr. Davidson: I just want to make one or two remarks here, and I cannot add very much to what is in the book there. Houston receives from all over the United States and part of Canada and Mexico and Europe annually about \$18,000,000 from the shipment of lumber, which goes into her banks in the form of exchange for checks from all these sundry points, and I think from that standpoint a Regional Bank in Houston would be of great assistance in clearing those items and that exchange, which is a big item with us in the lumber business at the present time. All the other facts you have

in reference to lumber in this pamphlet. We have seven lumber producing railroads leading into Houston, of which Houston forms the hub.

The Secretary of Agriculture: Are your lumber operations the year round?

Mr. Davidson: Yes, sir, we operate the year round. The season is mild, and we can operate practically the year round. That is about all I can add to what has been said.

STATEMENT OF A. S. CAGE:

The Secretary of Agriculture: Will you state your name and occupation.

Mr. Cage: A. S. Cage; I am in the rice business.

The Secretary of Agriculture: Have you anything to add to what is in this book?

Mr. Cage: Gentlemen, the only thing I have to add is that the rice business is in its infancy entirely, that is by comparison with the possibilities, and I do not think that the time is far distant when we will be exporting rice very largely from this country; and Houston is the geographical centre of the rice belt, besides being the port through which the heaviest shipments would have to be financed.

Beyond that, I do not know that I have anything that I can add.

The Secretary of Agriculture: That looks rather to the future, you think?

Mr. Cage: Yes, sir, that is in addition to the present.

Mr. Wells: Unless you care to have us develop that question of favorable freight rates, showing the discussions of the merchandise from here, we will not call on the freight rate men.

The Secretary of the Treasury: Submit it in the form of a statement.

Mr. Wells: It is in the book, unless you want it elaborated.

The Secretary of the Treasury: It is not necessary.

The Secretary of Agriculture: We would like to hear from some of these other gentlemen.

Mr. Wells: I would like to call on Mr. Hogg.

STATEMENT OF WILL C. HOGG:

The Secretary of the Treasury: Will you state your name, residence and occupation, Mr. Hogg.

Mr Hogg: Will C. Hogg, Houston, Texas.

The Secretary of Agriculture: Will you give us some light on this problem?

Mr. Hogg: Simply as a student, Mr. Secretary, when I first began to look into Texas' claims possible for a bank centre to be located somewhere in Texas, without going into the matter, I thought that it would be impracticable for Texas to get a bank at all unless it was attached to St. Louis; that is, going on the assumption that there would not be over eight of these banks established in the beginning, leaving the further re-districting to future development. At least that was the intimation I got from a good many questions that I saw asked, particularly by Secretary McAdoo in some of the hearings. I inferred that that was about the basis on which his mind and maybe yours had operated. But then looking into it from the standpoint of studying impartially between the claims of any contestants in the strife for that bank here in the state, it occurred to me that when you get back to Washington you could not ignore the basis of production and trend of commercial commodities in this southwest country. In other words, if you are going to undertake to stress the one particular factor you announced when you started, then you are going to have to

give consideration to any territory like Texas, and the incidental attractions, which produced \$1,300,000,000 of raw material every year, and that is based on the last two or three years production, necessarily the exchanges of money and credits incidental to that production would make it such as if a district cannot be outlined with Texas as the centre, which would be self-supporting, it would at least be self-supporting so much of the year and such a large lender for eight or nine months when it is full of money, that by the inter-dependency of these ten or twelve districts over the country, she would get the service on a much better basis than she would ever get it if she were attached to St. Louis.

I think all of us have perhaps made a mistake in undertaking to attach New Mexico to any district that Texas should be in, following the idea that the trend of commerce and commodities should be observed if possible. I think lower Oklahoma south of the Canadian River and Louisiana west of the Mississippi, in fact all of Louisiana, with a district around New Orleans and a central bank in Texas, if you put a district back to New Orleans, you would have to put your central bank at Dallas and your branch at El Paso

and a branch in Houston, but if you take western Louisiana and leave New Orleans and attach it to some eastern district, perhaps Houston would command the position, due to the drift of its commodities to the seaboard. Of course, the main money item in the southwest is cotton, which you heard dwelt upon interminably this afternoon, but you cannot get away from the fact that the area of the eight or ten or twelve districts you are going to establish in this country, outside perhaps of some of the mining sections, will not produce any more raw material each year than Texas itself originates; in fact, Texas is sufficient for a district entirely to itself. It will show on the basis of the reserve bank at least four and one-half million dollars capital and about three and a fraction times that for its reserve, and the economic resources of the state are so tremendous and it is so tremendously developed, that the opening of the commercial facilities by waterways, coastwise, and the outlook we have to South America and Mexico, if the resolution ever plays out, so I do not see how you can get away from it.

Mr. Wells: Is it your intention to call on any of the bankers from the different parts of the state who are

gathered there?

The Secretary of Agriculture: We wanted to hear from Mr Ball of San Antonio.

Mr. Wells: We would like to have you hear from Colonel Ball, who is here.

The Secretary of the Treasury: We would like to hear from Colonel Ball.

STATEMENT OF THOS. H. BALL.

The Secretary of the Treasury: Will you state your name, residence and occupation.

Mr. Ball: Thomas H. Ball, Vice President Bankers Trust Company, and director in the Union National Bank, and a lawyer.

The Secretary of the Treasury: We would be glad to have you give us any light you can on this problem?

Mr. Ball: I will be as brief as I can. I was glad to hear the gentlemen state that they were here with an open mind. I knew they would be, although it was rumored that before they left they had decided upon it, and were coming around to satisfy us as to where would be the best place to

have a branch in Texas.

Now, in order to meet the possible mental attitude of the Committee, charged with this responsible duty, and I will try not to worry you, it occurs to me that some of the suggestions made were those that had to be made by the advocates of the central reserve bank. I have believed in this bill from a study of this as an economic proposition, and from the standpoint of the country at large. I believe in it yet. I believe that carrying out the purposes of this bill, serving the people in the best manner possible, with due regard to this State, that one of these regional banks ought to be located in Texas.

Now I want to call your attention to this fact, that necessarily much of the present commercial relations have been built up under artificial conditions and under a financial system that has become intolerable. I want to say that the only real injustice that has ever come to Texas has been by the impotency of the bankers here to get their money out of the banks in money centres where they were locked up. We got through the panic of 1893 with our money locked up, and we got through the panic of 1907 fairly comfortable with our money locked up. And I want to say in my judgment,

with some knowledge of all the principal cities of this union, having visited them and having become familiar in a degree while on the Rivers and Harbors committee with all their commerce and claims, that this Committee would be amply justified in making a regional Reserve Bank if it only had in it the limits of Texas alone, and that I would be willing, so far as my opinion goes, and that is shared by a great many gentlemen whose judgment I value, that a regional bank thus established will take better care of itself so established than any other bank, big or little, that you may establish under this system.

Now, as far as the question of lean banks is concerned, that is a relative term. It depends. A bank may have a lot of capital, a region may have a lot of money and be bloatedly fat without having a proper consistency of flesh. And to tack Texas on -- something has been said and properly said about the wishes of the people of a part of New Mexico and the wishes of a part of the people of Oklahoma and the wishes of a part of the people of Southwestern Arkansas, I respect their wishes, and I would that every man could be acknowledged in the organization of this system; but their wishes and their interest and their commerce and their

resources are nothing comparable with the resources, the business ability and capacity of Texas, and certainly ought not to weigh more in the mind of this Committee than to take this great state of ours and cause it to wag as the tail of either New Orleans or St. Louis.

Now, gentlemen, we have been the victim of a false financial system and a false tax system and a false money system. We do not want to be denied the opportunity to show ourselves in the formation of this. I believe there ought to be not less than eleven of these Regional Reserve Banks started to begin with. I know that in that I differ from a great many of my banking friends. But it must be remembered that the bankers as a rule who are now coming to see the great merits of this system were opposed to the passage of the bill at all, and the sentiment largely, and I think not well founded, was in favor of a central bank. There can be but one fault in this system, and that would be the failure to have a central bank. It is much easier to unscramble the eggs by creating eleven districts to begin with, and then if we find eleven are too many, and I answer that in deference to the suggestion made by a member of the committee, if it is found it is too many, it will be easier to reduce

them to eight than to advance them to eleven. If eight be found too many, then four can be selected, and then if, as a great many believe, a central bank is the necessary solution of the question, it would inevitably tend to that.

The committee will bear in mind that there was a time when there was no great harbor upon the Texas coast. The railroads built up artificial conditions by which the granaries of the west were compelled to seek the Atlantic Seaboard at tremendous loss and sacrifice to themselves. Then the gulf roads were established, and deep water at the demand of the trans-Mississippi country was had at Galveston. Now under the old conditions the grain and all went towards the Atlantic Seaboard, therefore when these new conditions were created, that commerce had to be disturbed, and you must disturb to some extent the existing conditions which are artificial, in the creation of this new system, which is to decentralize instead of centralize, which has proved a failure: Now the consequence was that under those changed conditions the government today has spent on the Texas coast over \$25,000,000, but more than that much is saved every year by reason of that development, to the granaries of the west in their freight rates. The consequence is that there has

been builded up on the coast of Texas a great port, our sister city of Galveston, whose foreign commerce exceeds the entire foreign commerce of the entire Pacific Coast. It has outstripped New Orleans and is today the second port in the United States and rapidly gaining upon that admittedly great port, the first in the union, New York.

Now, in addition, on the Texas coast there are four or five other deep water ports. The commerce of Oklahoma and the granaries of the west is tending gulfward, it is finding its outlet there, and it has increased by leaps and bounds enormously, out of all proportion to that of any other port in this country. And while that is being done, gentlemen, the banks of Texas have increased their capital and resources in almost equal proportion, and in advance of any other section of this nation.

I am not going to give you any new figures, but in 1891 the entire deposits of national banks in Texas were \$26,072,000. In 1901, the next decade, they had increased to \$74,805,000. In 1905, and I take that year because that is the year our state banks were created, they had increased to \$101,285,000. Now from 1905 to 1911, the national banks had increased to \$156,000,000, and you have

the figures here, both by Dallas and Houston as to the present. As to that, if you will add the state bank deposits of \$100,000, you will find that within that comparatively short period of time we have practically trebled our banking resources.

Not only that, the question has been asked about our ability to take care of ourselves. The report of the Comptroller shows, and I may make a little blunder, but you will find me out if I do, and it will not be intentional if I do -- the report of the Comptroller shows that the total borrowing of the Texas banks was somethinglike \$12,000,000 at the time of that statement, re-discounts.

Mr. Ardrey: It was \$16,000,000 for Texas banks, all told.

Mr. Ball: Well, I suppose that was in this district we have proposed.

Mr. Ardrey: \$12,000,000 for country banks, and \$4,000,000 for reserve cities.

Mr. Ball: I only counted the national banks. Anyhow, the difference between the reserves that are required to be kept in these would make up that difference, to say nothing of the rapid accretion of resources and the ability of the banks to take care of themselves.

Now it was asked by the Secretary of the Treasury awhile ago if we did not suffer by having to borrow money and being crowded. It is a good thing to be crowded some times and not have money too free. But I want to say from my knowledge of the state and especially of our own territory, I do not know of a single business that went to the wall during that time that assigned as a reason for it that they were unable to obtain the proper banking accommodations, with any degree of truth.

The Secretary of the Treasury: My question was how far legitimate business had suffered for a lack of sufficient accommodations; that was the whole point I was trying to get at.

Mr. Ball: And that is my answer to the question, first, that I do not believe legitimate business suffered in this state. I believe it is helpful to legitimate business sometimes not to always be able to borrow money cheaply; in other words, to have a little pinch. I think it is helpful to the individual too.

The Secretary of the Treasury: It is a good thing to pinch illegitimate business, but is it a good thing to pinch and handicap the legitimate business interests?

Mr. Ball: My answer to that is I do not believe that they ever had been handicapped.

The Secretary of the Treasury: I did not assert that they hadbeen, but I am asking for information.

Mr. Ball: And I am answering the committee for their information, and I do not believe they have.

The Secretary of the Treasury: But what I wanted to do was to correct your interpretation of my question. You seemed to infer that I thought there had been some restriction.

Mr. Ball: No, I assume you are asking for information.

The Secretary of the Treasury: Yes.

Mr. Ball: And I am sure you did not think we were any harder up here than they are anywhere else, because we were not.

The Secretary of the Treasury: I found when I started out that most of the country was hard up and all wanted money.

Mr. Ball: Yes. Now then, St. Louis could no more conveniently take care of us, because if the burden of taking care of us, assuming that we are a burden of that sort, is imposed upon her, her ability to take care of the other part of the district would be correspondingly decreased,

of course.

The Secretary of the Treasury: May I interrupt you there. I would just like to say this, and repeat it again. The questions of this committee do not represent in the slightest degree any preconceived notions or opinions. We have not any. We are simply trying to get the facts, and it is necessary to ask these questions to bring out the argument. But when you say that if St. Louis has the burden she could not take care of you here, the mere location of a Reserve Bank, if it were located in St. Louis, would not put the power in the hands of St. Louis to deal with the situation at all, because the directors of that bank under the law are chosen by the banks in the district, and naturally Texas would have a representation on the Board of that bank, just as other parts of the district would have, and the government itself selects three members in addition to those chosen by the banks in the district.

Mr Ball: Yes, I understand.

The Secretary of the Treasury: So that the same argument might be made with reference to Dallas, if that was chosen, that you would have to depend on Dallas, but you would not. That is merely the location of the bank. I wanted to make

that clear.

I

Mr. Ball: Well, I understand the system, but what am I trying to maintain is that putting Texas and this territory in a system with St. Louis would not accomodate Texas as well as it would to take either the district outlined by Dallas or the district outlined by the Houston Committee.

The Secretary of the Treasury: Of course, that is a very proper question to consider.

Mr. Ball: Yes, because the banks in St. Louis have not been better able to take care of themselves than the banks of Texas have been.

There is another thing I want to call your attention to briefly, and that is this, that Texas ought to be created as a unit. We got hold of the thing in time here through the Railroad Commission, before our state became artificially developed and but for that Commission we would probably have 250,000 or 300,000 people in Houston today, because of the system then of giving favors and rebates and all that to water ports, and concentration that built up so many cities along that line. The consequence is we have a lot of splendid cities, resourceful and virile and active in every way, homogeneous and contiguous, and we represent really a

unit. There is no trouble about Fort Worth, Dallas, Houston, Galveston, Beaumont and San Antonio all combining their resources and standing together on the economic questions which will confront them under this new system. It seems to me under these conditions existing, of course I am not going to occupy your time, because I know that both you and Secretary Houston are thoroughly familiar with the things we pride ourselves upon in Texas, but if a state that has over 1400 banking institutions, that is showing the greatest amount of progress, that has this immense amount of territory, which makes it inconvenient for them to be in vassalage to another financial centre --

The Secretary of Agriculture: Does not that convey a rather incorrect assumption, to speak of it as being in vassalage to another financial centre? It would be just as right to say that any other section would be in vassalage to Texas. It is a section which controls itself, and I do not see why it is necessary to suggest the question of vassalage.

Mr. Ball: That is the way we feel about it.

The Secretary of Agriculture: When you have a section which is supposed to control itself and not be controlled by

any other section.

Mr. Ball: But Texas does not feel she ought to be tacked on to St. Louis, and I said vassalage, meaning we were to be made an appendage or pendant to it, when I do not think our resources and ability, in justice to Texas, authorize or warrant our being attached to it. I believe New Orleans ought to be included in this district. I do not think you can make a district with New Orleans as the centre that would be as strong a district as you could make in Texas without New Orleans.

The Secretary of the Treasury: Suppose New Orleans made exactly the same argument you are making, that she did not want to be attached as a vassal to Texas, what is this Committee to do. There are various sections of the country that are arguing that they ought not to be attached to anything, they must be kept off by themselves, they do not want a reunited country on the financial question; and so if that argument is good here, it is good in other sections of the country we have visited, so we are bound to consider this question from the economic standpoint, having relation to all these parts of the whole, and that is the only way we can consider it.

Mr. Ball: Yes, and I do not expect you to do it any other way. And if New Orleans puts up that kind of an argument, she is at perfect liberty to do so and I will not resent it, and I do not resent these people coming in from St. Louis and trying to make representations and do the best they could to get us in with them.

After all, the responsibility will come back to you gentlemen who are charged with it, and you will give such attention to our representations and views and figures as you think they are worthy of. And though you slay us, we will still serve this administration (applause). We gave up the tariff on our raw material against the judgment of a great many without a murmur, and we are trying to do what is right and we want to help you in your great task; but we certainly think with a state of this magnitude and this showing which must appeal to you as reflecting some degree of credit upon our people and their resources, we do feel very deeply in earnest about this matter, and we think that with the Pacific Coast, conceding it to San Francisco -- I do not want to be in the attitude of hostility towards St. Louis and I had her on the list of the eleven cities that I thought ought to be given regional Reserve Banks, but I

do think that Texas with her position, her great geographical area, her tremendous resources, the manner in which she is forging to the front in every line, and the confidence of her own people that she can take care of the situation, that these points which have been suggested by our committee and by the Dallas committee will not be any more bitterly opposed certainly to being attached to Texas, than Texas will be to being attached to these other points, and I was just suggesting that because while we are amiable, we want to do all we can, we want you to consider as far as you can consistently, with your enormous responsibility, the desires and wishes of this great state of ours.

The Secretary of the Treasury: That is what we came here for, to get your views, and we are going to give fair consideration to every argument that has been presented. But I should like to say just this in answer to your remarks that thought we say you, you will still be loyal to the administration, Colonel --

Mr. Ball: Well, I mean the government.

The Secretary of the Treasury: I want to say that in that connection of course I assume you are speaking facetiously, but somebody may not understand you, and therefore

I do wish to say that it is impossible, of course, in the laying out of these districts as required by law, to slay any section of this country or injure any section, whatever these districts may be. This new system is bound to be more beneficial than what you have got today, so that while the desire of every local community will be impossible to meet, and if we allowed every community to lay out its own district we would never get the country divided into these districts, the purpose of the committee in having these hearings throughout the country has been solely to give the people of this country the largest and amplest opportunity to present the views as they see them for our consideration; and we are going to give those views fair and impartial consideration and our decision will be rendered from that standpoint and no other.

Mr. Ball: We know that, Mr. Secretary. (Applause)

The Secretary of the Treasury: Have you something else to add?

Mr. Ball: No. You were talking about the points. I gave you the number, eleven, but did not suggest the points.

The Secretary of the Treasury: Yes, you did not give us the points.

Mr. Ball: Houston, Atlanta, Baltimore or possibly Washington, I do not think it is very material between Baltimore and Washington --

The Secretary of the Treasury: You mean Baltimore or Washington?

Mr. Ball: Baltimore or Washington; New York, Boston, Chicago, Cincinnati or Louisville, Minneapolis, San Francisco, St. Louis and Denver. If the three were left off, I would omit Denver, Minneapolis and Cincinnati or Louisville.

The Secretary of the Treasury: We thank you very much, Colonel Ball.

Mr. Wells: That is all, Mr. Secretary. We have some letters which we desire to file.

The Secretary of the Treasury: Submit whatever correspondence you have as exhibits.

Mr. Wells: I will be glad to do so, with a copy of the letter we wrote.

The Secretary of the Treasury: Is there anybody here from San Antonio who desires to be heard? Before the hearing closes, we desire to give an opportunity to anybody who can shed any light on this problem to come forward and speak now or forever hereafter hold your peace.

Mr. Wells: There are a number of interior bankers present.

The Secretary of the Treasury: We should be glad to hear from anybody who desires to volunteer. If not, the hearing will now be adjourned.

Whereupon, at 5.30 o'clock P.M., the hearing in the above entitled matter was adjourned.