

# STENOGRAPHER'S MINUTES

---

THE RESERVE BANK

ORGANIZATION COMMITTEE.

---

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

---

TS.

---

At New Orleans, La.

Date February 11-12, 1914.

Law Reporting Company, Official Stenographers

115 BROADWAY, — NEW YORK

TELEPHONE, 2820 RECTOR

New Orleans, La., February 11, 1914.

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

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

For the New Orleans Clearing House Association:

SOL WEXLER (New Orleans, La.) President of the Whitney  
National Bank.

L. M. POOL, (New Orleans, La.) C/o. Hibernia Bank  
& Trust Company.

For the New Orleans Association of Commerce:

Thomas J. Freeman (New Orleans, La.),

W. S. PENICK (New Orleans, La.)

M. J. SANDERS (New Orleans, La.),

LEON C. SIMON (New Orleans, La.),

L. PALMER (New Orleans, La.)

LOUIS J. GOLDSTEIN (New Orleans, La.),

E. B. HARRAL (New Orleans, La.)

J. D. HARDIN (New Orleans, La.).

E. J. GLAMEY (New Orleans, La.) for the New Orleans  
Cotton Exchange.

EDGAR E. STERN (New Orleans, La.) for the Manufacturers of New Orleans.

CRAWFORD H. ELLIS (New Orleans, La.) for the Latin American Tropical Fruit Trade.

W. B. THOMPSON (New Orleans, La.) Commissioner of Public Utilities.

L. E. BENTLEY (New Orleans, La.) Special Deputy Collector of Customs, New Orleans.

THOS. W. LONG (Hopkinsville, Ky.).

H. C. RODES, (Louisville, Ky.) President Citizens National Bank.

JOHN H. LENTTIERS, President Louisville National Banking Association.

EMBRY L. SWEARINGEN, (Louisville, Ky.) First National Bank.

FRANK M. GETTYS, (Louisville, Ky.) Union National Bank.

J. D. STEWART (Louisville, Ky.), President Union National Bank.

WESLEY DRANE (Clarksville, Tenn.).

T. E. FLOO RHOY (Monroe, La.) Ovechita National Bank.

H. D. APGAR (Monroe, La.) for the Union National Bank.

F. W. FOOTE (Hattiesburg, Miss.), for the Hattiesburg  
Clearing House Association.

J. J. McCASKILL (De Funiak Springs, Fla.), for the  
First National Bank.

LOUIS B. FARLEY (Montgomery, Ala.), for the City of  
Montgomery, Ala., and the Montgomery Clearing House  
Association.



The Secretary of the Treasury: Gentlemen, please come to order. The Federal Reserve Act devolves upon this Committee the duty of dividing the country into not less than eight nor more than twelve districts and the location within each one of a Federal Reserve Bank. The Committee is required by the Act, in laying out these districts, to have due regard to the convenience and customary course of business, and it does not require that the Committee shall make the districts necessarily coterminus with state lines.

This is a national problem, it is an economic problem, and one which relates to the country as a whole, and the districts have to be considered with reference to the country as a whole. <sup>+</sup>It is not possible, therefore, for the Committee to give consideration to questions merely of local pride or prestige. What we seek are facts which bear upon the economic problem itself, and we desire to have the witnesses, as far as possible, confine themselves to such facts. As we have had to say to some of our friends in other cities who were loaded with oratory, it is not oratory we want, but facts; not that we object to oratory; we would be glad to have it if we had time to hear it; but oratory is not always founded upon fact, and unfortunately, in solving of

economic problems we have to deal with facts. So we shall ask the witnesses to put their testimony before us in as concrete a form as possible, so we will be able to give everybody who wants to express their views as full an opportunity as possible.

We will take up New Orleans first. I see Mr. Wexler is present. Which of these gentlemen wish to be heard, or have you selected a committee to represent them?

Mr. Wexler: These gentlemen on this list will desire to be heard. They will make their statements sufficiently brief so as not to take up too much of your time.

STATEMENT OF SOL WEXLER.

The Secretary of the Treasury: Mr. Wexler, will you state for the record your name, residence and occupation.

Mr. Wexler: Sol Wexler; president of the Whitney Central National Bank and Vice-President of the Whitney Central Trust & Savings Bank.

The Secretary of the Treasury: And do you represent the Clearing House Association?

Mr. Wexler: I represent the New Orleans Clearing House Association.

The Secretary of the Treasury: By authority?

Mr. Wexler: By authority.

The Secretary of the Treasury: Are you an officer of the Association?

Mr. Wexler: I am a member of its Executive Committee.

The Secretary of the Treasury: Now you may proceed, Mr. Wexler.

Mr. Wexler: I fully realize, Mr. Secretary, the tremendous responsibility and grave difficulties with which you are vested in selecting the cities in which Regional Banks are to be located --

The Secretary of the Treasury: Before you proceed, if you have a map of the district, you might present that to us, because we will understand your argument better.

Mr. Wexler: I am coming to that in a second.

In advocating the City of New Orleans as the only fitting and logical location for a regional bank to serve the vast territory embraced in what is known as the Gulf and contiguous states, I have given the most careful consideration to the claims of our sister-cities and states for the definite purpose of ascertaining if I have been blinded by local patriotism in my conclusions, and with the full

intention, if I found the claims of any other city in this territory superior to that of New Orleans, to lay aside civic ambition and yield our claims for the common good. No patriotic citizen of this country and no good adherent of the Democratic party has the right to approach this subject from any other standpoint than that of disinterestedness and altruism, for the success of the system of banking and currency which we are about to install involves the welfare of this and future generations, the future success of our party and the financial and commercial supremacy of the Nation.

But, the consideration and study of the reasons for the location of a bank here in connection with and in comparison with those of any city within a thousand miles of us, gives no cause for hesitation in placing before you the following important facts immediately bearing upon and pertinent to the subject.

We believe that the territory to be served by New Orleans should embrace all that territory shown on this map within the red lines thereon, radiating from Louisiana as the centre westward to the line of New Mexico, thus taking in the State of Texas; eastward to the Atlantic Ocean, taking



in the States of Mississippi, Alabama, Florida and Georgia; and northward taking in that part of the State of Tennessee lying west of the Tennessee River. This territory contains 860 National Banks, with an aggregate Capital and Surplus of \$148,900,000, capable of furnishing a capital to the Regional Bank, based upon 6 per cent of \$8,900,000, and deposits, based upon 5 per cent of an aggregate of \$473,500,000, without counting Government deposits, of \$24,000,000.

We estimate that in the same territory, State Banks and Trust Companies have an aggregate capital and surplus, according to the Comptroller's report (all banks not being represented), of \$130,000,000, which, if 50 per cent of them came into the system, which I believe to be a conservative estimate, would give an additional capital of \$3,900,000, and additional deposits of \$8,000,000, or combined with the national banks, a Regional Bank

Liabilities.

with a Capital of	\$12,800,000.00
and Deposits of	\$32,000,000.00
Circulation	\$82,500,000.00
Discounts (profit & Loss)	\$ 760,000.00
	<u>\$128,060,000.00</u>



Resources.

Gold against Deposits, - 35% of \$32,000,000. \$11,200,000.00

Gold against Federal Reserve Notes issued

40% of \$82,500,000 \$33,000,000.00

Bills discounted \$83,600,000.00

Balance Gold on hand \$ 260,000.00

\$128,060,000.00

and, as the total bills payable as shown by the Comptroller's report of all of the banks in Texas, Louisiana, Mississippi, Alabama, Florida and Georgia, for the last year, at the maximum period, only aggregate \$34,600,000.

The Secretary of the Treasury: That is national banks alone?

Mr. Wexler: That is national banks alone. Therefore this bank would have more than double the necessary capacity for taking care of the re-discounts of that section, by national banks only, and if the state banks were included, which of course I cannot give you accurately, I am satisfied it would have a margin of 25 per cent to take care of it, provided there were no growth in the deposits whatever. This does not include United States deposits at all.

In this territory the most remote city having a

national bank to the west of us would be El Paso, Texas, - 1,192 miles, or 36 hours; to the east Brunswick, Georgia, - 689 miles, or 26 hours and 40 minutes; to the north Paris, Tennessee, - 529 miles, or 16 hours and 10 minutes. Such most western city would be nearer Houston by only 362 miles, farther from Atlanta by 857 miles; farther from Birmingham by 777 miles; farther from Memphis by 758 miles.

The territory above described is connected with New Orleans by Western Union and Postal Telegraph lines and long distance telephone; as far as the mouth of the Rio grande River by Sea; and by rail by the

Southern Pacific and its many connections;

Texas and Pacific	"	"	"
St. Louis & San Francisco	"	"	"
N.O. Texas & Mexico	"	"	"
Atchison, Topeka & Santa Fe	"	"	and
La. Rwy. & Navigation Co.			

To the eastward by the

Louisville & Nashville and its many connections;

Southern Railway	"	"	"
Mobile & Ohio	"	"	"
Queen & Crescent System	"	"	"

N.O. Mobile & Chicago (now building into New Orleans)  
N.O. <sup>W</sup> Great Northern and  
Gulf & Ship Island.

To the northward by the

Illinois Central and its many connections;  
Yazoo & Mississippi Valley "        "  
Louisville & Nashville.

The entire territory is also in connection with New Orleans by steamboat and barge transportation through the Intercoastal Canal being built by the United States Government, now constructed from Texas almost to New Orleans, and proposed to be constructed from New Orleans eastward to Pensacola, which will put New Orleans in communication with points along the Sabine, Calcasieu and Mermentau Rivers to the west without going into the open sea. At the present time New Orleans reaches the territory lying along the Pearl River, Amite River, Pascagoula River, Warrior and Alabama Rivers, all connected with the Mississippi River, through Lake Borgne Canal. The Mississippi River running through the City of New Orleans to the Gulf ~~xxxx~~ puts it in connection with the Red, Arkansas, White, Ohio, Missouri and Illinois Rivers and with all of their tributaries, so

that probably no city in this country affords such varied, extensive and competitive transportation facilities to the domestic territory it will serve by rail, sea, river and canal, as the City of New Orleans.

But, if in your wisdom and as a result of your investigations you should see fit to exclude from this territory the State of Georgia on the east, you would reduce the capital of the Regional Bank located here, according to the Comptroller's figures, all banks not being represented, only \$2,421,000, and its deposits, \$4,532,000; and if in addition to Georgia you saw fit to exclude that part of Texas claimed by Saint Louis, Denver and Kansas City, lying west of Austin, you would reduce the capital of the Regional Bank \$1,133,000, and the deposits \$2,774,000; and, again, if you saw fit to exclude the part of Tennessee lying west of the Tennessee River, you would reduce the capital \$591,000, and the deposits \$1,657,000; or, if you eliminated all three of the last named sections, the total reduction of capital arising from national and state banks would only be \$2,598,000, and deposits \$6,240,000, leaving, if one, two or the three were eliminated, the following capital and deposits:



<u>Territory.</u>	<u>National Banks</u>	
	<u>Capital.</u>	<u>Deposits.</u>
Entire Territory	\$8,900,000.	\$24,000,000.
Excluding Georgia	7,430,000.	20,800,000.
" West Texas	7,952,000.	21,515,000.
" West Tennessee	8,720,000.	23,445,000.
" Georgia and West Texas	6,482,000.	18,315,000.
" Georgia and West Tenn.	7,250,000.	20,245,000.
" West Texas and West Tenn.	7,772,000.	20,960,000.
" Georgia, West Texas & West Tenn.	6,302,000.	17,760,000.
	<u>State Banks.</u>	
	<u>Capital.</u>	<u>Deposits.</u>
Entire Territory	\$3,900,000.	\$ 8,000,000.
Excluding Georgia	2,949,000.	6,668,000.
" West Texas	3,715,000.	7,711,000.
" West Tennessee	3,489,000.	6,897,000.
" Georgia and West Texas	2,764,000.	6,379,000.
" Georgia and West Tenn.	2,538,000.	5,567,000.
" West Texas and West Tenn.	3,304,000.	6,608,000.
" Georgia, West Texas & West Tenn.	2,353,000.	5,276,000.



The Secretary of the Treasury: Taking the territory and excluding the several portions, what would be the result as to the remainder of the territory?

Mr. Wexler: \$6,302,000 of capital from national banks, and figuring 50 per cent of the state banks, an additional \$2,353,000, or \$8,661,000 of capital and \$23,000,000 of deposits, that is, taking in what is embraced within the yellow line only.

The present banking capital and surplus and deposits of New Orleans as compared with the Cities of Atlanta, Houston, Birmingham and Memphis are as follows:

<u>City.</u>	<u>Capital &amp; Surplus &amp; U.P.</u>	<u>Deposits.</u>
New Orleans	\$ 18,797,000.00	\$86,032,110.00
Atlanta,	15,000,000.00	33,000,000.00
Houston	13,400,000.00	42,000,000.00
Birmingham	7,083,100.00	27,289,000.00
Memphis	8,804,600.00	35,130,000.00

The comparative total resources are as follows:

<u>City.</u>	<u>Total Resources.</u>
New Orleans	\$ 110,000,000.00
Atlanta	51,000,000.00
Houston	57,000,000.00
Birmingham	35,510,000.00
Memphis	45,934,000.00

The Capital and surplus of the Regional Bank to be located here, taking in the territory only embraced in the yellow lines shown on the map, will be \$ 8,655,000.00 Capital and \$23,036,000.00 deposits.

A statement of the comparative distances of the principal cities from New Orleans is as follows:

From City of	To City of	Number of Miles.
New Orleans	Mobile	141
"	Pensacola	243
"	Atlanta	495
"	Montgomery	318
"	Birmingham	415
"	Chattanooga	498
"	Nashville	622
"	Memphis	396
"	Little Rock	487

New Orleans	Dallas	515
"	Austin	528
"	Houston	362
"	San Antonio	571
"	Galveston	412

The establishment under the old law of Central Reserve Cities created an artificial flow of money into the Central Reserve Cities not justified by the natural course of finance and of commerce, but which after many years came to be regarded as natural and which will invert to natural local channels just as soon as the compulsory feature is removed; and as the natural channel to which money should flow is to the point from which it can be most readily and quickly obtained and to which the products grown, manufactured and exported drift. The points from which a section purchases its supplies have an insignificant effect upon the trend of money, for the exchange created by the shipment of a carload of hay from a Texas point to North Carolina can be converted into cash more quickly by depositing it with its local bank and it in turn with the regional bank or with its nearest correspondent, which for the territory referred to would be New Orleans; though in respect to distribution

of merchandise New Orleans is many millions in excess of any other city under consideration at this session.

This bill, as I understand its provisions is intended to decentralize the control of money and credit under central control, and to attach to the city of Saint Louis the great States of Texas, Mississippi, Louisiana, West Tennessee, in addition to its legitimate territory, would absolutely defeat the purpose of the bill and concentrate in one city a control never intended either by nature geographically nor by the framers of the bill. To place a regional bank in Birmingham, or in Memphis, or in Houston, would be to create an impossibly weak bank in relatively small inland industrial cities having neither knowledge or experience in international trade, nor in the handling of the variety of merchandise, -- the production of our own country and that of every country on the globe, such as comes to the port of New Orleans, and could be properly compared to placing a Regional Bank in Albany instead of the city of New York, or in Milwaukee instead of Chicago.

New Orleans purchases now a considerable percentage of the foreign exchange, arising from the exports of cotton, from cotton exporters located in Houston and Galveston, and



will purchase every dollar of exchange created in the entire territory whenever the facilities arising from the Regional Bank are at its disposal and its natural connections are not diverted by operation of law to other centres.

It has been said that New Orleans, being at times a re-discounting city, cannot facilitate the territory, which statement surely arises from a misconception of conditions, as well as from a misunderstanding of the purposes of the Regional Bank. If the funds now carried by New Orleans banks in Chicago and New York as reserve were carried at home, New Orleans would never need to borrow a dollar and would have surplus funds to lend. There is never a time when the indebtedness of New Orleans banks to their correspondents is not less than the amounts which they have on deposit with them at the time; and, if the reserves of the great states of Texas, Louisiana, Mississippi, Alabama, Georgia, Florida and Tennessee, or the parts of these referred to as an alternative territory, are kept in Regional Bank here, where they belong, not only will the bank be able to care for the requirements of it liberally, but it will be able to help out oth



in their time of need. In the panic of 1907, no one had nearly the trouble to draw funds from New Orleans as was experienced in some of the other cities. New Orleans exchange at no time went above \$2.50 per thousand, while Pittsburg and Saint Louis exchange was sold at \$10 per thousand discount. We bought foreign exchange in Saint Louis with our balances to get the funds out of that city.

Furthermore, if I correctly understand the proper method of conducting a regional bank, its credit facilities should always be a reserve facility used only when the general credit facility of the country for legitimate commercial purposes has been exhausted. Just in the same manner as the Bank of England maintains a rate of interest slightly in excess of the general private discount rate, in order to force the stock of credit to be taken up first and thus not compete with it, so do I understand the Regional Bank will see to it that its facilities will be kept in reserve, thereby preventing undue expansion and thereby being certain to have the credit facility when urgently needed. For this reason, the great general credit facilities of the country will be just as available to banks as heretofore and they are adequate in ordinary times, and when inadequate in times of

great industry and large crops, and periodically at certain seasons of the year during the heavy marketing period, the Reserve Banks will supply the deficiency.

It has also been contended that a Bank located in a section of great agricultural importance should be tied to a bank in a different territory, -- this contention having been made at the Saint Louis hearing and it is much more specious than sound. There is no city of importance in this union -- other than New York, Boston and Philadelphia -- which does not serve an agricultural community to a greater or less degree; nor are there any crops of great volume or importance grown in the United States which do not move practically at the same time. Cotton, Corn, Wheat, Oats, Barley, Sugar Cane, Sugar Beets, Rice and Fruits, constituting Eighty (80%) per cent of our agricultural production, move in the fall of the year, practically at the same time; and no city properly serving such a community, whether it be Saint Louis, Chicago, Minneapolis or Kansas City, is any more free from strain at that period than is New Orleans; many of them borrow surreptitiously abroad or sell out of their portfolio to other cities, in order not to show the same in their bills payable, under the absurd idea that a bank should not employ

the idle funds of another section when needed in its own -- while New Orleans to serve its section openly uses its credit facilities and facilitates the stupendous volume of business which is naturally tributary to it.

The volume of foreign exchange against actual exports of merchandise handled in New Orleans last year aggregated \$174,207,400, this exchange being created locally and in Mississippi, Alabama and Texas, and being against the greatest variety of commodities shipped to almost every country on the globe.

In addition to the foreign exchange above referred to New Orleans issues commercial letters of credit for the importation of merchandise of approximately \$20,000,000 per annum, and which business shows a constant growth from year to year.

The volume of country checks cleared through New Orleans last year, drawn on points in the territory claimed as our legitimate territory, aggregated \$478,042,000, and come to us from all of the States in the Union; and, were it not for the "window dressing" proclivities of some competitive cities, which handle business at a loss in order to swell figures and footings and which New Orleans has never

done, it would be ten times the amount and, as soon as the Regional Banks are established and the unfair embargo upon business imposed by some country banks for the service disappears, the volume handled here will be equal to the entire volume of business in this territory.

I want to amplify that to some extent by this statement, that a great deal of forced business goes to certain sections by offering to handle collections free of charge. This is very desirable, but this handling of items without cost imposes a loss upon the banks handling it, because the country banks throughout the country make a charge. Nearly all the large banks in New Orleans employ an analysis system, and whenever the volume of out of town items involves a loss, we discontinue handling the business. That policy has been consistently adhered to and it is not in many other sections.

The Secretary of the Treasury: You mean you discontinue to handle it at a loss?

Mr. Wexler: Yes.

The Secretary of the Treasury: And you impose a charge?

Mr. Wexler: Yes, and competition very frequently loses us the business, because some other city, in order to get the apparent balance, will offer to do the business for nothing.



It is not a balance, it is in the mail; in other words, if a balance of \$10,000 is carried with us, and we receive from such a point \$2,000 a day of out of town items and they are in the mail for four days, instead of having \$10,000 we have \$8,000, and we are paying two per cent on his balance, and it is costing from \$1.50 to \$2.50 to collect his item, and if we charge him nothing we are at a loss to that extent. Our own bank could treble the number of out of town items we handle if we were disposed to do that at a loss, for the simple purpose of showing clearings.

The total clearings of New Orleans amounted to over \$1,000,000,000 last year, ~~xxxx~~ an increase of one hundred (100%) per cent in the last 5 years.

In considering these clearings, it must be remembered that New Orleans clearings are settled each day in cash and not in Cashiers' checks, a custom which prevails in other cities and which Cashiers' checks are again sent through the Clearing Houses, thus creating a duplication which gives a fictitious amount and creates the impression of a much larger volume of business than is actually conducted.

New Orleans is the only port south of Philadelphia which has any number of regular sailings to foreign ports.



Merchandise can be consigned to New Orleans for export to meet regular sailing days, while in nearly all of the other Gulf and South Atlantic ports, this business is done by tramp steamers with no regular sailings. The steamship lines sending their ships to this port are shown on this map. To Panama and Central American Republics, we have almost daily sailings, furnished by three steamship lines having their main offices in New Orleans. The practically water-grade haul for railroads to the south, and the freedom from snow and ice throughout the year, makes it certain that the Port of New Orleans is the natural funnel through which the vast quantity of exports and imports of the entire territory between the Allegheny and the Rocky Mountains must find its way to and from foreign markets. New Orleans as a port is America's port and is so desirably located that it should be a national port and should be, and I believe will eventually be, developed by the National Government to enable it to care for economically the stupendous quantities of incoming and outgoing merchandise to and from the rest of the world, for which this city will be the depot. The trend of transportation will henceforth, with the opening of the Panama Canal, be north and south and no longer east and west. It

is as inevitable and certain as the law of gravitation. To care for the present a Regional Bank for this territory must be established here; its management here will need to be as able in many respects as that of New York; its business will be as complex and its variety equally as great. As to the future, within a decade the Regional Bank at New Orleans will be second only to that of New York in size and in importance, if we grasp our opportunities and do not allow Germany and England to capture the trade of South America, Central America, Australia and the Orient.

I have made no mention of the variety of our agriculture and industries, and shall only enumerate them here to show the variety thereof, and that a Regional Bank established here will serve a greater variety of commodities than a Regional Bank in almost any other city.

The agriculture of the section shown on the map as being served by a Regional Bank located here is as follows:

Cotton	Wheat	Corn
Oats,	Hay,	Sugar Cane,
Rice,	Strawberries,	Citrus Fruits,
Tobacco,	Vegetables of every kind.	

The mineral production is as follows:

Iron	Coal,	Oil,
Natural Gas,	Sulphur,	Salt,
Building Stone.		

The live stock production is

Cattle,	Hogs,	Sheep,
Poultry.		

The Sea products are

Oysters, Shrimp, Fresh and Salt Water Fish.

The Forest products are

Pine,	Cypress,	White Oak,
Gum,	Ash,	Poplar and
many other hardwood varieties.		

The goods manufactured are

Cotton Cloth,  
Yarns,  
Knitted Goods,  
Steel Rail,  
Wire,  
Pipe and rolling mill products generally,  
Tin and Galvanized Iron Cans,  
Tanks,  
Culverts,  
Stoves,  
Cooperage,  
Sash, Doors & Blinds,  
Cross Ties,  
Furniture,  
Wagons and Carts,  
Fertilizers,

Chemicals,  
Acids,  
Soap,  
Lard Compound,  
Cotton Seed Oil,  
Cotton Seed Meal and Cake,  
Mixed Stock and Poultry Feed,  
Cigars, Cigarettes and Smoking Tobacco,  
Sauces, Pickles, Preserves, Vinegar,  
Molasses and Syrups,  
Jute and Cotton Bags,  
Alcohol, natural and denatured,  
Boats and boat cars,  
Gasoline, Naphtha, Lubricating Oils, Paraffin,  
Resin, Turpentine, and Tar,  
Cement,  
Roasted Coffee,  
Clothing for Men, Women and Children, and

many more too numerous to mention, but sufficient surely to show that there need be no fear of an inadequate diversification of collateral.

It is indeed unfortunate that some of our sister-cities cannot see the manifold advantages of a great Regional Bank on the Gulf Coast at New Orleans, and allow their petty trade jealousies to favor a more remote city, not realizing as they should that every dollar kept near home is as available to them as it would be if the Regional Bank were located in their own city.

Several gentlemen, experts in their line, will give you a few facts pertinent to the subject, and, when they have



been heard, we will leave our case in your hands in full confidence that neither political influence, petty jealousy nor ambition will sway your judgment.

Now are there any questions on the subject which you would like to ask?

The Secretary of the Treasury: Secretary Houston will ask some questions.

The Secretary of Agriculture: You may have facts with reference to part of this territory, Mr. Wexler, but we have not had given us to date, but I should like to ask you one or two questions about a certain part of the territory which you have included. So far as we have information up to date, the greater part of Texas desires in the first place, a Regional bank in Texas; and in the second place, so far as we have gathered unanimously, a Regional Bank to the north. Now I see you have included Dallas, Fort Worth, Waco, Austin, San Antonio and Houston. Each of these cities not only strongly urges a district as its second choice connected with a bank to the northeast, but strongly protests against coming to the east. Have you any information bearing on that?

Mr. Wexler: I think I have. The State of Texas has

always shown a very strong antagonism to anything that might tend to build up the port of New Orleans. In our unfortunate days when we had yellow fever here, upon the slightest rumor, Texas closed up in order to prohibit merchandise from Louisiana being shipped into Texas. They went so far as to prohibit sulphuric acid from being shipped into Texas for fear it might contain yellow fever germs.

The whole idea, to my mind, of Texas being desirous to be attached to the city of St. Louis is the fear that by placing their business in connection with New Orleans they may be building up a very much greater competitor than they have today. Now I have the greatest regard and respect for the Texas bankers; many of them do business here and we enjoy a large business from Texas, but business jealousy has always been a very predominant factor in the State of Texas.

The Secretary of Agriculture: They represent that the course of business in Texas is north and south. They represent that their connections are in that direction. Now the Comptroller's report shows that of the five hundred and odd national banks in Texas, 52 have reserves in this city, while over 500 have them with one northern city and 143 with another. Now what have you to say as to the course of trade

and the connections of Texas with this section? To what extent would it naturally come to this section, or does it come to this section rather than to the north.

Mr. Wexler: In the distribution of certain classes of merchandise, such for instance, as shoes and dry goods and one or two articles on which St. Louis makes a speciality, and of which every city specializes in some one line, a very large percentage of that business goes to St. Louis; but in the distribution of many other commodities which New Orleans specializes in, all of it comes from New Orleans. Take the entire consumption of sugar, jute bags and ~~gunny~~ gunny cloth, which is an important item, and many other things

I could enumerate, they are distributed from New Orleans into Texas. Besides, every line of business located in this city does a certain amount of business in the State of Texas. Cotton and cotton bales are shipped out of Texas either through Galveston or New Orleans. It does not go to St. Louis. Cotton buyers located in Texas certainly do not do their business in St. Louis. And while I will admit there are a larger number of reserve accounts carried in St. Louis than in New Orleans, I think it is very largely due to the fact I referred to previously, that St. Louis is doing a

forced business with a great many of these banks by offering facilities which we do not offer and which we do not believe we should offer, and which, until this embargo upon the handling ~~of~~ and collection of checks is removed, will go to the city which offers the greatest inducement.

The Secretary of Agriculture: They represent that not only are their banking relations north and south, but their trade relations are north and south, and banking relations naturally follow that. These cities without exception make that representation and urge that they be connected with a city to the north, if no bank is established in Texas.

Mr. Wexler: Of course, Galveston stands out as one exception of a Texas city in that respect.

The Secretary of Agriculture: Yes, I did not mention Galveston.

Mr. Wexler: And Houston, it is certainly preposterous to assume that Houston would be better served by St. Louis than by New Orleans, only overnight from here.

The Secretary of the Treasury: Whose judgment are we to accept, Houston or New Orleans?

Mr. Wexler: I should think you would accept the conclusions that you would arrive at from the geographical location



and the natural conditions. St. Louis has made a campaign all through the State of Texas, visiting all these cities by committee; they have certain friendly relations with these bankers by reason of having done business with them, and a very great amount of personal influence has been brought to bear to bring about these statements, and they have been brought up there for that purpose. I believe that it is the intention of this bill to have commerce go to its natural channels and not to unnatural channels, and I believe that the building up of a large amount of this business in St. Louis has been due to the establishment of central reserve cities, such as New York, Chicago and St. Louis, which has, over a great period of years, caused business to drift there for unnatural causes.

The Secretary of Agriculture: To what extent would the central reserve city affect the movement of commodities?

Mr. Wexler: It does not affect the movement of commodities.

The Secretary of Agriculture: By the movement of commodities --

Mr. Wexler: You mean from St. Louis, for instance, into the State of Texas?

The Secretary of Agriculture: I mean the trade relations,

the movement to and from.

Mr. Wexler: I cannot give you exact comparative figures between the movement of merchandise from New Orleans into Texas, and the movement of merchandise from St. Louis into Texas, but I believe it will compare very favorably. It is in different lines of merchandise, but I believe the aggregate in dollars and cents will be very nearly if not quite as great.

The Secretary of Agriculture: Have you made any figures to show what the capital of a bank would be, if you exclude Texas?

Mr. Wexler: Yes. Entirely Texas?

The Secretary of Agriculture: Yes.

Mr. Wexler: I think I have.

The Secretary of Agriculture: If you have not, you can file it later.

Mr. Wexler: yes. The capital and surplus, including Georgia, is \$145,000,000, of which Texas has \$76,000,000. That would leave say \$75,000,000 for the remaining states, and six per cent of that would be \$4,500,000.

The Secretary of Agriculture: Now take Florida and Georgia.

Mr. Wexler: Take Florida and Georgia out?

The Secretary of Agriculture: I notice in the Comptroller's report, of the 53 Florida national banks, only eight carry reserves here and only 17 Georgia national banks. To what extent would it do violence to the natural movement of business in Georgia and Florida, to relate them to New Orleans?

Mr. Wexler: I do not think it would do any violence to them at all. I think it would simply mean that their business would go to the channel which it naturally ought to go to, and will go to as soon as the regulations of law permit --

The Secretary of Agriculture: To what extent are regulations of law responsible for the present movement of trade in Georgia and Florida.

Mr. Wexler: I was not referring to trade. You made reference --

The Secretary of Agriculture: Does not trade give rise to these banking facilities?

Mr. Wexler: I do not think so at all. As I have just stated, the question of where a man buys his merchandise has very little bearing upon the financial state of this proposition or the territory which should be served.

The Secretary of Agriculture: Then it would be purely artificial?

Mr. Wexler: What do you mean by artificial?

The Secretary of Agriculture: There is nothing natural in it, it is all artificial.

Mr. Wexler: Not at all. For instance, take the iron trade of Pittsburgh, all over the United States the bulk of that business is concentrated in the City of Pittsburgh. Every city in the country has certain specialties in which it does business, but that would not necessarily imply that a reserve bank should be established in every one of these cities.

The Secretary of Agriculture: Suppose the banking business of Georgia and Florida were normally with some other city, would you think it could be established in connection with some other city?

Mr. Wexler: I think so.

The Secretary of Agriculture: Then it would be artificial.

Mr. Wexler: No.

The Secretary of Agriculture: What would be artificial?

Mr. Wexler: To force the products which they handle into some other channels, the goods which originate in their own section, to force the business arising from that community



into a channel which would be artificial.

The Secretary of Agriculture: Do you not think it would be unnatural to keep the business activities separate from the commodities?

Mr. Wexler: I do on that class of business, but I think it has very little relation to the place they purchase their goods. For instance, nearly all the dry goods in the United States are purchased in New York. What bearing has that upon the location of a Regional Bank in a particular section? And Mr. Houston, this fact must be borne in mind: In every state there are local jobbing centres which really do the bulk of the business. For instance, take within a short distance of New Orleans, we have the cities of Vicksburg and Shreveport and so forth, which do the jobbing in that particular section. Now New Orleans furnishes its specialties in certain lines, and St. Louis its specialties and New York has its and Chicago has theirs.

The Secretary of Agriculture: Have you anything to show to what extent New Orleans dominates these states in a business way?

Mr. Wexler: New Orleans as a port handles the commodities to a very great extent that are grown throughout this territory

to which I have referred.

The Secretary of Agriculture: Georgia and Florida?

Mr. Wexler: No, that goes naturally to the Atlantic Seaboard.

The Secretary of Agriculture: Have you any expressions from other states showing that they desire to be related here?

Mr. Wexler: None whatever. I have one or two from whom Florida, ~~but~~ you will hear from, but from Georgia we have none. I am free to say, so far as Georgia is concerned, there would be no objection on my part to Georgia being excluded from this territory.

The Secretary of Agriculture: How about Florida?

Mr. Wexler: Florida, I think, belongs to this territory. Or if you conclude to divide Florida, the west side of Florida should properly belong to New Orleans and this district; Pensacola and De Funiak and that section have closer relations to New Orleans than any other city, and the nature of its business is more nearly like that conducted in New Orleans. I cannot conceive of an inland city being qualified to handle the business that is handled at a port like this.

The Secretary of Agriculture: You know the law requires us to have due regard to the convenience and customary course of trade?

Mr. Wexler: Yes.

The Secretary of Agriculture: And I am asking you to bear in mind and discuss the course of trade in Texas, and in Georgia and Florida which you have included.

Mr. Wexler: Well, when we say trade, that is a very wide term. What is particularly embraced in that, I would not know just exactly what to say. For instance, we handle in New Orleans --

The Secretary of Agriculture: We mean by that this: Take West Texas; they have an enormous cattle business that goes to Fort Worth and Kansas City.

Mr. Wexler: Yes, we handle absolutely none of that, therefore I have excluded, I have drawn a line throwing San Antonio and the cattle raising country entirely out of our territory there. The rest of Texas could be better served from New Orleans than from anywhere else; it is closer to it and its trade relations with New Orleans are entirely natural, absolutely so. It has the railroad transportation to New Orleans and it has sea transportation to New Orleans.

It has better freight rates or equally as good as to any other port, and the distribution of hardware and of groceries and of coffee and that class of merchandise from New Orleans into Texas is greater than it is from any other city in the union.

The Secretary of Agriculture: Does New Orleans distribute most of the hardware and implements that Texas uses?

Mr. Wexler: I do not say most of them. They distribute a fair proportion. I donot think any one most/of them.

The Secretary of Agriculture: Does not Dallas itself distribute a great deal?

Mr. Wexler: I believe it does. I maintain that the local markets within a state are doing the bulk of the jobbing business within a particular state and a particular section, and it is the specialties which come out of the centres. For instance, we distribute out of New Orleans 2,200,000 bags of our coffee a year, and that goes to every city in the union and a great deal of it goes to the very states referred to here. We distribute many many millions worth of sugar. We distribute many millions of molasses which goes into these states we refer to. We cannot distribute steel rails and wire; or agricultural implements and things



that are not made here, but --

The Secretary of Agriculture: The main thing I am trying to get your view on is just this: What might be is a question that cannot very well be discussed by us. The question is in what direction is the normal course of trade in Texas and in Georgia and Florida.

Mr. Wexler: The normal course of trade in Georgia is not to New Orleans.

The Secretary of Agriculture: And Florida?

Mr. Wexler: The normal course of trade on the east coast of Florida is not to New Orleans.

Agriculture:

The Secretary of ~~XXXXXXXXXX~~ And Texas?

Mr. Wexler: The normal course of trade in Central Texas and in Eastern Texas is to New Orleans.

The Secretary of Agriculture: By Central Texas you mean San Antonio, Waco, Austin, Fort Worth and Dallas?

Mr. Wexler: I exclude San Antonio. San Antonio does some business with New Orleans.

The Secretary of Agriculture: They represent that it is not with New Orleans.

Mr. Wexler: Yes, I understand that they make such representation, and I think --

The Secretary of Agriculture: Have you any facts to show that it is.

Mr. Wexler: I have some facts on some lines of business here which will be referred to by some of the other gentlemen who are in the mercantile line, which of course is out of my line; but I think we can make a very fair showing of the distribution of merchandise in volume, in dollars, into Texas with any other city in the union, but not in variety of commodities, because as I have said, we have our specialties here as every other city has its specialties. The whole thing hinges on the fact --

The Secretary of Agriculture: I have not emphasized the banking relations, because I recognize that conditions have been artificial.

Mr. Wexler: Yes.

The Secretary of Agriculture: Although it does appear from the actual tables that their connections are relatively slight with New Orleans.

Mr. Wexler: If you will hear from the gentlemen who are engaged here in various lines of business, they will make clear to you the volume transacted in these various states, and I think you will find that very strong.

One point you have to bear in mind in consideration of Texas in this matter is that New Orleans is an old city; it has been here for many years and it has been the city which has been the competitor of all of this entire section of country, and there is more jealousy in the state of Texas than there is in any other state we know of. We have felt it in their Railroad Commission and in every other respect, and they would make every effort that they could possibly make to prevent a Regional Bank coming to New Orleans. They would rather be connected with New York than to be connected with New Orleans or anywhere else, simply from the fear that the establishment of such a bank in New Orleans would create a greater competitor than they have at present.

The Secretary of Agriculture: They represent it is purely a question of the course of their trade, and if you have any facts, we would like to have them. Expressions of opinion do not get us very far.

Mr. Wexler: I realize that.

The Secretary of Agriculture: But as a matter of fact they show great hospitality to New Orleans; they included it in their district.

Mr. Wexler: Yes, I know they did. That was very kind of

them.

The Secretary of Agriculture: That is all.

The Secretary of the Treasury: In view of the fact that these reserve banks are to exercise a particular function as between other member banks and that they are simply depositaries of the reserves of the banks within the district and exercise a re-discounting function and may exercise a clearing house function and other functions contemplated by the Act, how far do you think it is of vital importance that a particular city should be designated as the headquarters for such a bank.

Mr. Wexler: Oh, I do not think it is of very vital importance, Mr. McAdoo. I think the bank if organized in the manner that you propose to organize them can serve the community with equal satisfaction or very nearly equal satisfaction to a bank located there, except in places which do an international business. I believe that the great ports of the country such as New York and New Orleans and Boston and places of that kind, it is absolutely necessary that a headquarters<sup>bank</sup>/should be established there because there is not the necessary experience for conducting the class of business which is conducted at ports, as distinguished from



inland towns, for doing this business satisfactorily at inland points, and the volume is large and many transactions would come up which would probably have to be referred to headquarters, which could not be deferred for the length of time necessary to do that.

The Secretary of the Treasury: Now is that a legitimate argument? Let us be specific. Here is a Federal Reserve Bank which is located somewhere within this district at some accessible point. Now the ordinary course of your business as between depositors and the banks is <sup>not</sup> going to be interfered with; you are going along just as usual.

Mr. Wexler: Yes.

The Secretary of the Treasury: Your foreign transactions are conducted between the banks and individuals just as now.

Mr. Wexler: Yes.

The Secretary of the Treasury: You have recourse to the Federal Reserve Bank itself only under certain specified conditions?

Mr. Wexler: Yes.

The Secretary of the Treasury: Suppose that bank was not in New Orleans but at some other convenient and accessible point within this territory, and you had occasion to re-

discount some paper; do you not think that the bank could do it just as well if it were located for instance, at Houston or Memphis or Atlanta, as if it were located in New Orleans itself.

Mr. Wexler: No, I do not. I do not think they would know anything about the transactions, --

The Secretary of Agriculture: Who are they? Who are the directors?

Mr. Wexler: We do not know who they are yet.

The Secretary of Agriculture: But do they come from New Orleans?

Mr. Wexler: No, they will not all come from New Orleans, even if the bank is located here. But if the bank is located here, all the information necessary is here, and it is not somewhere else. For instance, what would Atlanta know about a foreign transaction with Brazil, perhaps involving a re-discount of \$200,000 or \$300,000 or a ship transaction and the many other transactions which come up at a port of this character which an inland city has never heard anything about?

The Secretary of the Treasury: Let us touch on that point. Here is the Federal Reserve Bank; its directors are chosen

from the entire district; the banks are classified in order that the various kinds of banks may have representation on that Board. Six men, therefore, are chosen from the entire district. Let us assume, for illustration, that the Reserve Bank was located at Atlanta. Now New Orleans would probably have due representation on that Board. The government itself selects three representatives on that Board, and they certainly would be selected with reference to the entire situation in the district. Now suppose also that a branch bank was located at New Orleans, composed of seven directors. They would be more localized than the directors of the Reserve Bank itself, because they would have to be drawn from a smaller area in order to serve this situation. Now take the Brazil transaction to which you refer, it would originate here and be passed upon by the local Board of seven men, and would be passed up to Atlanta, to the Reserve Bank, upon which Board New Orleans also has a representation. Do you not think under those circumstances they would be qualified to pass upon that transaction?

Mr. Wexler: If it had to be referred to Atlanta, I do not think you could do the business.

The Secretary of the Treasury: I am assuming Atlanta

merely as a point.

Mr. Wexler: I understand. But if it has to be referred to any point, I do not think we could do the business at a port like this. If the branches are so established that they have the same right to do business that the Reserve Bank would have, and it is merely a question where the custody or over lordship, you might say, of the branch is to be, and their accounting and so on, I do not think it would make any difference to New Orleans or any other port. But I think it would make a very material difference if a bank located here had to get permission to effectuate a certain transaction before it could be done, from an interior point. I think it would be very much more desirable for the interior point to report to New Orleans, which does all classes of <sup>that</sup> business ~~at~~ the interior point does, as well as many others, than for a place like New Orleans to go to an interior point which does one or two classes of business.

The Secretary of the Treasury: Naturally, in the organization of these banks, although the branches will have a local directorate and very largely an independent management, yet the general policy, of course, is to be determined by the reserve bank of the district. That inevitably follows.



The branch in this case will be more likely to be independent than the average branch bank, because the branch bank is largely directed by an individual, a manager who has to resort more to headquarters than a local directorate would have to do to ordinary transactions, and undoubtedly the local branch would be able to conduct them without having to refer every transaction to headquarters. Now assuming that, does it become so important that the Reserve Bank itself should be located in any one particular city in a district? I could illustrate it better by taking the Treasury of the United States, which is located at Washington, with certain sub-treasuries. Now at a certain time we have made deposits throughout the country. Each section of the country was served according to its requests, from Washington, just as effectively as they could have been served if the Federal Treasury had happened to be at New Orleans or at Chicago.

Mr. Wexler: Yes, that is very true.

The Secretary of the Treasury: And the same thing applies to these banks, because they do not exercise a daily function of re-discount or of discount and deposit; they do not deal with individuals.

Mr. Wexler: But, Mr. McAdoo, I do not think your comparison

is correct. The Federal Reserve Bank at Washington would stand in that relation at Washington to all these banks.

The Secretary of the Treasury: It would occupy that relation only to the region of which it was the headquarters.

The Secretary of Agriculture: You mean the Reserve Board.

Mr. Wexler: Here is a central location, located right between the lines we have here, at which there is no greater distance than 500 or 600 miles, taking in this whole territory. Now you have recognized the desirability of New Orleans as a location by the establishment of nearly all the Government offices here in this territory, the Secret Service, the Lighthouse Department, the Quartermaster's Department, the Postal Department, and everything of that kind. The steamship lines have recognized it as a port by coming to the city of New Orleans. The tropical fruit lines have selected New Orleans as their proper port, and the railroads of the country have been building and endeavoring to get connections into New Orleans ever since the building of the Panama Canal started, in recognition of its location. And there is not one single argument that can be used against the location of New Orleans as a shipping point for a regional bank, ~~xxxxxx~~ except the statements that may be made by certain people in

the State of Texas that they would rather trade in St. Louis than in New Orleans. I have heard nothing, I have not seen an argument to the contrary. Geographically we have the built location. Now we ~~build~~ the Panama Canal for the purpose of controlling the enormous Oriental business and the South and Central American business. Where are we in a position to grab this territory without having the headquarters and having the facilities for banking right here where it belongs? What good reason could there be for placing it in an inland city?

The Secretary of the Treasury: That is not the only question. The point is, what good reason there is for selecting one city as against another within a given territory; what prevailing or paramount reason is there, in view of the limited function which these banks exercise; in other words, are we not really attaching too much importance to the location of the Federal Reserve Bank itself in each district? We had testimony in New York from some eminent bankers, one or two, who said it was not really vital to have a reserve bank in the City of New York, so long as it was at an accessible point, so that it could exercise the functions, for which it was to be established.

Mr. Wexler: I fully agree with you, and in my first statement I said that if the branches are properly organized it will not make a very great difference where it happens to be located, if the branch is given the authority to do the business and do it promptly, because banking business must be done promptly, it cannot be subject to delay. And as long as you are out for the purpose of ascertaining where they should be located, and as long as one has to be located in this particular territory, then what good reason is there why it should not be located in the City of New Orleans as against the City of Houston or Atlanta?

The Secretary of the Treasury: That is what we are trying to find out.

Mr. Wexler: That is what I am trying to tell you.

The Secretary of Agriculture: There is another point which is more important than the selection of the cities, and that is the location of the district.

Mr. Wexler: Yes.

The Secretary of Agriculture: And our major problem is to define the district.

Mr. Wexler: We have the state of Louisiana, we have the State of Mississippi and we have the State of Alabama, and



we have unquestionably the west side of Florida; we have unquestionably a large portion of Texas, if not all of it; we have Cuba and Porto Rico, all in close connection; and I think you will probably have heard from some of these states. We have all this business centering <sup>here</sup> in/from abroad, and that we are anxious to cultivate --

The Secretary of the Treasury: You can still do that, whether a Regional Bank is here or not.

Mr. Wexler: very true, but why should it not be here?

The Secretary of the Treasury: That is what we are looking into.

The Secretary of Agriculture: That is the reason we are asking you these questions.

Mr. Wexler: That is correct. Why should it not be?

The Secretary of the Treasury: You have referred to the fact that the balances or reserves which many of these other cities keep there are attracted by certain allurements in the way of free collections and payment of interest. What is the custom in New Orleans?

Mr. Wexler: We pay two per cent on balances.

The Secretary of the Treasury: How about the free check collection.

Mr. Wexler: We charge every bank that does business with us the actual amount that we pay for the collection of their items.

The Secretary of the Treasury: And provided their balance does not justify no charge?

Mr. Wexler: I was going to say, unless they carry a sufficiently large balance which, calculated along the line I previously mentioned, would give us a compensation equal to what we could get if we charged them for exchange.

The Secretary of the Treasury: We had the same testimony as to the practice in Houston and Dallas and Fort Worth, which are reserve cities.

Mr. Wexler: Yes.

The Secretary of the Treasury: Therefore you are all on a parity in that regard.

Mr. Wexler: Those Texas cities and ourselves are, but I think some of the central reserve cities are not.

The Secretary of the Treasury: I am speaking of Texas now, because you have got Texas in this district.

Mr. Wexler: Yes.

The Secretary of the Treasury: So that these reserves would indicate somewhat the natural flow of business, would

they not, as between these different points?

Mr. Wexler: yes.

The Secretary of the Treasury: The amount of reserve balances would indicate a normal condition.

Mr. Wexler: Yes.

The Secretary of the Treasury: New Orleans, I see, holds the reserves of other banks, \$4,031,674, by the statement of the Comptroller of October 21st, 1913. Now let us take Houston on the other hand; Houston has the reserves of other national banks amounting to \$7,642,974, or about \$3,600,000 more than New Orleans.

Mr. Wexler: Yes.

The Secretary of the Treasury: And in the matter of state and private banks, New Orleans has \$2,206,000 of their reserves and Houston \$5,032,000, a difference again of almost \$3,000,000. Now of trust companies and savings banks, New Orleans has \$2,050,000, and Houston \$984,000; but on the whole, Houston seems to be a reserve centre of greater importance, for instance, than New Orleans.

Mr. Wexler: Let me explain. The State of Texas, you know, covers an area I think larger than Louisiana and Mississippi combined, and our other states --

The Secretary of the Treasury: Yes, but you state --

Mr. Wexler: The Texas banks are probably the only ones that carry their reserves in Houston, and it is perfectly natural they should.

The Secretary of the Treasury: No, there are six reserve cities in Texas.

Mr. Wexler: I understand, that carry their reserves in Texas banks, I should say. Now the Texas banks, some of them are carrying their reserves in New Orleans or St. Louis and Chicago and other cities.

The Secretary of the Treasury: But to a very small extent in New Orleans.

Mr. Wexler: I admit that.

The Secretary of the Treasury: Of course, no reserve city in Texas could carry it in New Orleans, because it is not a central reserve city.

Mr. Wexler: Yes, but this is the natural place, if it were not for the central reserve city feature, because they can get currency overnight from New Orleans which they cannot get from any other place.

The Secretary of Agriculture: Kansas City has a larger number, but that is not a central reserve city.



Mr. Wexler: Yes, but you are referring to states where there is a large population and a great number of banks.

The Secretary of Agriculture: But you offered the central reserve city point as a reason for that, and now you say it is not the reason.

Mr. Wexler: No, I say it is the reason. I say if we were a central reserve city in New Orleans, which we could be if we chose to be, these reserves would naturally be carried in New Orleans. It is my opinion they would come here just as they do to the next nearest central reserve city, which is St. Louis. We carry a certain amount in St. Louis.

The Secretary of Agriculture: Kansas City and New Orleans are on a par in that respect, and yet they have three times as much reserves in Kansas City.

Mr. Wexler: Because they have three times as much population and money up there as we have. We cannot produce wealth like they have. All the immigration has been to the west instead of the south. We have had no immigration here until recently.

The Secretary of Agriculture: Has it not any relation to the course of trade?

Mr. Wexler: I do not think it has the slightest relation.

The Secretary of Agriculture: The cattle business, for instance, goes that way, does it not?

Mr. Wexler: Yes, but we might contend that the sugar and m classes and cotton business comes here. We get the full proportion of the business of our community. We cannot make it greater than it is, and we cannot place our figures in competition with states that have five and six times as many banks as we have and five and six times as many depositors as we have in our whole territory.

The Secretary of the Treasury: Let us take the state of Texas, on that proposition, because you are proposing to attach Texas to this district, and they are proposing to attach Louisiana to their district; they say that banking transactions are indicative of the business. Do you agree to that?

Mr. Wexler: To a certain extent, yes, I do.

The Secretary of the Treasury: Certainly so far as they are localized they do indicate business, because you do not have banking transactions without business.

Mr. Wexler: Correct.

The Secretary of the Treasury: Texas banks have something like \$75,000,000 capital and surplus, and Louisiana

has \$13,000,000 approximately of capital and surplus.

Mr. Wexler: Yes.

The Secretary of the Treasury: Now they say that considering the entire situation, that their whole \$75,000,000 of capital and surplus ought not to be attached to the point which can contribute only \$13,000,000 of capital and surplus, because that does not indicate that the volume of business, the greater volume of business, is in the smaller capitalized section.

Mr. Wexler: But I think area should be considered in connection with that. You might just as well take five states, if you like --

The Secretary of the Treasury: I am taking -- if you do that, we get down to Houston alone as compared with New Orleans.

Mr. Wexler: yes, take the number of banks, Texas has 519 national banks as against Louisiana 31 and Mississippi 33 and Alabama 90. Now we cannot expect to have the same amount of reserves arising from 150 banks as we would have from 519.

The Secretary of the Treasury: If New Orleans was exercising a dominant influence within this nearby contiguous

territory, Mr. Wexler, it would be natural, would it not, that that dominance would be reflected in your banking operations~~/~~ as between these communities?

Mr. Wexler: Here is one point. It is reflected very much more than these figures show. For instance, we will buy today half a million dollars of exchange out of Houston or Galveston. That money does not remain here with us. The transaction is made and the credit is given, and tomorrow we will probably get a telegram to remit that to New York. The volume in dollars that New Orleans does with the State of Texas, I venture to say, if the figures were obtainable, would be more than the volume of business in a banking way done with all these reserve cities. But the deposits do not remain here, but the business is turned over in New Orleans, and it is a clearing for a great deal of that business, but their deposits do not remain here.

The Secretary of the Treasury: precisely, and the same argument is presented by these Texas cities; the volume of exchange arising out of cotton transactions in Houston, they claim, is not reflected in their deposits, but that that exchange is sold in New York and some in Philadelphia, just as you claim that these exchanges between New Orleans



and Houston are not reflected.

Mr. Wexler: Exactly.

The Secretary of the Treasury: And with reference to other large transactions originating in grain and live stock at Fort Worth and Dallas the same argument applies. But we are getting down to the residuum reflected in the shape of actual deposits in the banks and the capital required to do the business, and also in the reserves as carried here, the normal reserves carried in the different communities; Houston, Texas, for instance, would appear to be in that regard doing a very much larger business than New Orleans.

Mr. Wexler: But, Mr. Secretary, is it not a fact that the residuum makes very little difference? The residuum is not what counts, it is the volume of business which counts. I may have an account on our books that carries \$5,000 balance, and may do \$2,000,000 of business.

The Secretary of the Treasury: But the residuum has relation to the business undoubtedly, and results from the amount of business done, and the larger amount of business, the larger the residuum, if profitable.

Mr. Wexler: Not necessarily.

The Secretary of the Treasury: I say, if profitable.

Mr. Wexler: Not necessarily. I can show you cotton accounts which will do a volume of business of \$4,000,000 or \$5,000,000, whose average balances will not be \$2,000; and you will find that generally the case. I think the residuum has very little to do with it; it is the volume of business, the turn-over, the liquidation of the commodities into cash and putting cash into commodities which counts.

The Secretary of the Treasury: Coming to the cotton business, have you some figures on that?

Mr. Wexler: They will be presented by Mr. Glenn.

The Secretary of the Treasury: Because we have had that fact presented by other cities, and they claim to do a very much larger volume of cotton business than New Orleans.

Mr. Wexler: Yes.

The Secretary of the Treasury: Where do you carry your reserves principally?

Mr. Wexler: We carry our reserves largely in New York.

The Secretary of the Treasury: What percentage?

Mr. Wexler: I should say of our total, 70 per cent would be carried in New York and 25 per cent in Chicago, and possibly 5 per cent in St. Louis.

The Secretary of the Treasury: What are your trade

relations with St. Louis, are they intimate or not?

Mr. Wexler: We ship St. Louis a great deal of our sugar and coffee and molasses and rice and commodities that are grown here, and a good deal of our imported merchandise which comes here goes to St. Louis.

The Secretary of the Treasury: What is the time to St. Louis?

Mr. Wexler: I think it is about 17 or 18 hours, something of that kind. But in a banking way we have very little business with St. Louis. St. Louis carries as large balances in New Orleans as New Orleans carries in St. Louis.

The Secretary of the Treasury: That would indicate that there was a rather constant flow or equipoise between the two cities.

Mr. Wexler: They carry just as much here as we do there.

The Secretary of the Treasury: As you have just said, the carrying of your reserves with New York and these central reserve cities is largely artificial; I will not say wholly, but largely.

Mr. Wexler: Of course, our money arising from foreign exchange transactions largely drifts into New York. We buy

a large volume of cotton and lumber and cottonseed products, and so forth, and these of course, are sent abroad, where they are discounted and the clear bills sold against them, and New York is the only large market for foreign exchange in this country.

The Secretary of the Treasury: Yes, that is due to a large measure to the transportation facilities of New York--

Mr. Wexler: Well, the imports there are so large, but our imports are growing rapidly, and we have a certain counter demand which is increasing all the time and will increase; but the greater market is in New York, and it finds its way there. Of course, it finds its way back through the sub-treasury; but so far as St. Louis is concerned, we do a certain amount of collections, we send a certain amount of items to their territory and they send a certain amount of items to our territory, and that creates reciprocal balances.

The Secretary of the Treasury: How far do you think, with the parring of exchanges between these reserve banks after they are established, it is going to be necessary to keep exchange and balances for/such purposes, we will say in New York?

Mr. Wexler: I do not think it will be necessary. I think our balances will dwindle down to no more than is necessary



to carry on our transactions. I think one of the beneficent measures of the bill is going to be to keep the money in the section where it belongs.

The Secretary of the Treasury: Taking this district as you have laid it out here, you have, of course, what was frankly stated in your paper, a district of very large borrowing or seasonal demand.

Mr. Wexler: A maximum of \$34,600,000, including Georgia.

The Secretary of the Treasury: Now excluding Georgia and the other territory, what is the maximum?

Mr. Wexler: It is \$28,800,000, excluding Georgia. Excluding Texas, Texas borrows \$16,000,000; Louisiana borrowed \$5,800,000, Mississippi \$1,500,000, Alabama \$2,900,000, and Florida \$2,600,000.

The Secretary of the Treasury: That is as disclosed by the reports to the Comptroller?

Mr. Wexler: Yes.

The Secretary of the Treasury: Of course, that does not reflect at all the borrowing of this district at the time of seasonal demands?

Mr. Wexler: Why not?

The Secretary of the Treasury: It is only what is

declared by the national banks of direct re-discounts to the Comptroller, and as you know they do not give you any more of their re-discounts than they can help.

Mr. Wexler: No, but the presumption is every bank makes an honest statement. They are required to swear to it. There is some re-discounting done indirectly.

The Secretary of the Treasury: But they do a lot of re-discounting which does not appear in the statement; by one subterfuge or another they avoid the necessity of making the statement; it is perfectly foolish, but nevertheless they do it.

Mr. Wexler: Yes, sir, but here we do it and go the limit to finance the business.

The Secretary of the Treasury: At the time of the extreme seasonal demand the financing of this district could not be accomplished with that much re-discounting, could it?

Mr. Wexler: Yes, I do not think there is any question of it. Taking the figure there from the statement of the Comptroller, I see no reason it should be in excess of that.

The Secretary of the Treasury: All the state banks re-discount?

Mr. Wexler: Yes.

The Secretary of the Treasury: And that is reflected to some extent --

Mr. Wexler: We lend to the state banks, and then we in turn may borrow.

The Secretary of the Treasury: But to the extent the state banks are not reflected, many of them of course may re-discount with other state banks, and it may not be shown.

Mr. Wexler: If you take the \$28,500,000 exclusive of the State of Georgia, and add to it an additional 50 per cent, you would get \$42,000,000, which I think would be a conservative way of arriving at it. If you take Texas out you will only have \$18,000,000.

The Secretary of the Treasury: Looking at the question from the standpoint of the efficiency of the system and the economics of the situation, how far would the argument hold good which was very strongly advanced before the bill was passed, in demanding that so few districts should be laid out that there should as far as practicable be a large diversification of industry and agriculture and other productive enterprises within the districts, and that they should be laid out in such a way that there should be, along with the borrowing end, a very large lending end?

I do not know but what you have advanced with great power some of these arguments yourself. I would like to know what your views are since the bill has been passed.

Mr. Wexler: If you will remember, I advocated one central bank with as many branches as the business of the country required. I still believe that would have been the ideal system and we would not be investigating this subject now if that were the case.

The Secretary of the Treasury: If that were the case, would not the argument you made here this morning against branch banks be even stronger?

Mr. Wexler: No, I do not think so.

The Secretary of the Treasury: They would be localized still more and would not be so apt to communicate with headquarters.

Mr. Wexler: No, and I am hoping that you will organize these branch banks so they will not have to do it.

The Secretary of the Treasury: Of course, this is an academic discussion, so to get back to the original question--

Mr. Wexler: I made the point at that time that the fewer regional banks we had the better, because there would be greater strength in the smaller number. I still believe



that is absolutely sound in principle.

The Secretary of the Treasury: Then your view is now that we should have the minimum number instead of the maximum, eight instead of twelve, or any intermediate number?

Mr. Wexler: yes, I think eight would be better than twelve.

The Secretary of the Treasury: Is this region laid out with reference to the division of the country into eight districts?

Mr. Wexler: Yes, sir.

The Secretary of the Treasury: Assuming eight, is it your view that it would be better to lay out this district so you could have a borrowing end connected with a lending end if possible?

Mr. Wexler: I think that is all purely specious talk, there is nothing in it. I do not know any section of this country in the fall of the year that is easy and able to lend any better than any other section. I will take New Orleans as a case in point. We are just as easy in the City of New Orleans from the month of September to the month of March as St. Louis or Minneapolis or Kansas City or any other city; and the Texas cities are just as easy as any of those cities. They all have the same strain. Why? because

wheat, cotton, oats, corn and everything else is moving at the same time, and at that time labor is employed and the manufacturers are employed and the payrolls are the highest, and it is all humbug to talk about attaching one section to another section, because one is a borrowing section to a greater extent at one season of the year than another.

The Secretary of the Treasury: I think I heard a very eloquent argument from you before the bill was passed, in favor of just that arrangement.

Mr. Wexler: Well, that was when we were talking about one central bank.

The Secretary of the Treasury: No, that was when we were talking about having a fewer number of districts, three or four. How are you going to meet that?

Mr. Wexler: Well, you decided to have eight. I am going to meet the situation on eight, I am not going back to three.

The Secretary of the Treasury: But can you alter the facts as represented heretofore.

Mr. Wexler: The facts remain, that if you are going to confine it to three, then you would attach around those three the business that would be best accessible to those three cities. Now you are going to have eight, and you

*Follow  
with data  
and  
then up  
3570-71  
as fact  
of 1900*

ought to attach to those eight the business most accessible to those eight. Let me give you a case in point. They talk about the question of lending or borrowing. We have an industry in this state, the strawberry crop; a little town of less than 1500 people up here ship \$5,000,000 of strawberries, and they move in the summer. It is not a drop in the bucket to the requirements coming in the fall. It moves in the spring and summer. And so has every section, I do not care what it is, a certain amount of its industries that move all the year round.

The Secretary of the Treasury: Admitting that, however, the point I particularly want to get your view on is this, whether or not, having eight districts, it is better to start out with the fundamental proposition urged so strongly by bankers before the passage of the bill, that the districts should be as diversified as possible and should contain a lending end along with a borrowing end? Now should the committee approach it from that standpoint? If not, why not?

Mr. Wexler: Well, if it were possible, if you could pick out a section of this country that was a lending section at an entirely different time from when the rest of the section

was a borrowing section, I should say it would be desirable. But I defy anyone to do it. It is not in the United States.

The Secretary of the Treasury: But you think if it can be done, that is a sound basis upon which to approach the problem?

Mr. Wexler: Yes, I think it would be so, but I have taken it up very carefully and have tried to consider it, taking any particular section of the country, taking St. Louis or Chicago or any other point, and I cannot find where their strain is any different from our strain at the same season of the year, and yet they do a more diversified business.

The Secretary of the Treasury: Referring to your remark as to the strain which comes upon all the banks in the fall, and the necessity for relieving that strain, how has it been done heretofore, where do you get the money?

Mr. Wexler: We borrow money in New York and in Europe, wherever the rates are more advantageous.

The Secretary of the Treasury: You do not get it from St. Louis and Chicago?

Mr. Wexler: Oh, no, Chicago and St. Louis have their tongues hanging out just as we have at the same season of the year.



The Secretary of the Treasury: How far has New York been able generally to take care of the situation?

Mr. Wexler: New York has always taken care of anything we have ever asked them for.

The Secretary of the Treasury: New York has never lent you back as much money as you keep there?

Mr. Wexler: Well, we have not asked them for it, because under this reserve requirement we have always had to carry such a large reserve on a business like ours that we naturally would not borrow that much from them, and we can generally borrow money much cheaper in London than in New York, and we use whatever facility is best, and sometimes get it at Paris, just as New York and Chicago do, without showing it in their bills payable. The only difference is we show it.

The Secretary of the Treasury: Do you not think it ought to be shown?

Mr. Wexler: I certainly think it ought to be shown, and I have never hesitated to show it. In 1907 we borrowed \$5,000,000. Why? Because the country had to have it to move the crops, and relieve the situation; and we did it and showed it, and we were proud to show it, and that we

could get it and do the business. But a lot of these places go and borrow money from Europe and show it as banks and bankers' deposits.

The Secretary of the Treasury: You think that the destruction of this whole artificial system of reserves is a good thing for the country?

Mr. Wexler: The best thing that could happen.

The Secretary of the Treasury: Well, we ~~felt~~<sup>felt</sup> that way ourselves, all the way through.

Mr. Wexler: And I want to say this, in view of the criticisms I made of this bill as it was in passage --

The Secretary of the Treasury: I am going to relieve you of any embarrassment on that account by not asking any questions.

Mr. Wexler: That is all right, and I want to say you have got a mighty good bill out of the whole thing.

The Secretary of the Treasury: The bill provides here on page 14 that "Upon the endorsement of any of its member banks", and this is Section 13 of the Act, "with a waiver of demand, notice and protest by such bank, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is,

notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act."

Now there are some other provisions about that <sup>not</sup> being construed as to prohibit such notes, drafts and bills of exchange, secured by staple agricultural products, or other goods, wares or merchandise, from being eligible for such discount.

Mr. Wexler: Yes.

The Secretary of the Treasury: The Committee has asked the clearing houses in each one of the cities we have visited, and we are addressing the same inquiry to commercial bodies, to submit a memorandum on or before the first of March, giving us their views and ideas as to what would be an appropriate definition of commercial paper, within the meaning of this Act, and along with that memorandum to give us an idea of any local paper that has peculiar characteristics, describing it fully, and also giving suggestions as to the standard form or forms of drafts,

bills, notes, and so forth, that may be employed under the Federal Reserve system; and we should be very glad if the Clearing House of New Orleans would give consideration to that problem and submit such a memorandum on or before the first of March.

Mr. Wexler: We would be very glad to do it.

The Secretary of the Treasury: On page 19, Section 16 of the Act, it is provided:

"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."

We should be glad to have your Clearing House submit your views and suggestions as to how that provision of the bill may be best effectuated. It is a large problem --

Mr. Wexler: Mr. Secretary, that provision of the bill is the one that is bothering us more than any other, because we do not understand just exactly what was intended to be



conveyed. In the discussion which took place at Washington the idea was to endeavor as far as possible to eliminate this very heavy embargo upon business which is created by the heavy collection charge levied by all banks all over the country, and which I think is very desirable to be done, and which can be done through the agency of these regional banks. I suppose your question is directed as to how that best can be done?

The Secretary of the Treasury: Exactly. The purpose of the Act is to substitute a system of clearances for the present slow and cumbersome and expensive system of check collections.

Mr. Wexler: And of transfer of funds.

The Secretary of the Treasury: And the transfer of funds, precisely.

Mr. Wexler: We are paying very heavy rates for the transfer of funds today, which should be done by a mere bookkeeping entry.

The Secretary of the Treasury: Exactly. We would like to have your views about that.

Mr. Wexler: I would be very glad to do it. I think it is of the highest importance.

The Secretary of the Treasury: of course, there is another feature of the Act in that same section requiring shall "every Federal reserve bank ~~xx~~ receive on deposit at par from member banks and 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. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank."

Mr. Wexler: Yes, it says may handle without charge, does it not? It does not say must.

The Secretary of the Treasury: It says it shall not be construed as prohibiting a member bank from charging actual expense.

Mr. Wexler: But in the beginning, that the Federal reserve bank may receive --

The Secretary of the Treasury: It says shall receive. That is also a very important phase of this problem, and we should be glad to have the Clearing House submit any suggestions or opinions it has on that.

Mr. Wexler: We shall be very glad to.

The Secretary of Agriculture: You included as a possibility the state banks in your showing?

Mr. Wexler: yes.

The Secretary of Agriculture: can you tell us what is the law in this state as to state banks subscribing?

Mr. Wexler: There is nothing in the law of this state to prohibit a state bank from owning stock in another bank.

The Secretary of Agriculture: has there been any ruling by the Attorney General or the State Banking Department?

Mr. Wexler: No, but it has been done very frequently, there and has never been any objection by the State Banking Department.

The Secretary of the Treasury: Is there an affirmative provision in the charter permitting them to hold such stock?

Mr. Wexler: I do not think there is, but we have a very

good state banking department, and a very excellent law and very good supervision.

The Secretary of Agriculture: Are we to hear from that department?

Mr. Wexler: I do not know whether they are here or not.

The Secretary of the Treasury: If you would be good enough to invite him to appear, we should be glad to hear from him.

Mr. Wexler: Yes. I do not know that there is anything affirmative in the law, but it has never been objected to, because I know we have occasion at times to take a little stock in a country bank, to help them in their establishment, and it has never been objected to.

The Secretary of the Treasury: As a rule of law, powers not expressly granted in a charter are not granted and are excluded, therefore if there is no affirmative power, it might be held that they have not the power. We would like you to invite the State Bank Commissioner to appear.

Mr. Wexler: I will take steps to have him appear.

The Secretary of the Treasury: Will you communicate with him?

Mr. Wexler: Yes, I will get the information for you.



The Secretary of Agriculture: Do you know how it is in Mississippi?

Mr. Wexler: There has been no banking law up there until recently, and they are now trying to pass one, carrying with it a guarantee of bank deposits, but which I think, if it passes, will force a great many of the state banks into the national system. They have really had no regulation or supervision in Mississippi heretofore, and they have had a very bad situation.

The Secretary of the Treasury: In the figures you have submitted about state banks, you took every state bank, did you?

Mr. Wexler: I took them all, and then divided it in half.

The Secretary of the Treasury: Do you know how many eligible state banks there are in the territory? Did you examine that?

Mr. Wexler: No, I did not. That is a hard thing to figure out.

The Secretary of the Treasury: That would not be so hard; it is only a matter of finding out what the capital is and the population.

Mr. Wexler: But there might be some who would not be

eligible if they had the capital.

The Secretary of the Treasury: Yes. The initial test would be the capital, but if some of them happened to be insolvent, of course they could not come in.

Mr. Wexler: I want to impress this point. South of St. Louis, in line from the Atlantic to the Pacific Ocean, New Orleans is the largest in population and the largest in the distribution of merchandise, the largest and most important port, handles the largest imports next to New York of any port in the United States, and the largest exports of any port next to New York; and is in every particular from every standpoint the most important city. The government has recognized it in having a sub-treasury here and in having an Assay office here, and in having nearly all its departments of business localized here.

The Secretary of the Treasury: That argument would not be effective, because there are other cities similarly situated which also have sub-treasuries and assay offices and secret service agencies, and so on.

Mr. Wexler: Yes, that is true, but these government offices would not be there if they were not cities of some importance.

The Secretary of the Treasury: I know of some that are not of importance, where some of them are.

Mr. Wexler: They will probably be abolished in time, or they should not have been there in the beginning. But no one will contend it should not be at New Orleans. We are getting a great deal of gold through New Orleans from Central America, and it is increasing, and the importance of this business which we spent \$300,000,000 to control must not be overlooked. New Orleans is the place which the government ought to look to for the development of this business. This ought to be the great depot for the wares of the world, and it is certainly coming --

The Secretary of the Treasury: But if the reserve bank is not located here it would go on just the same.

Mr. Wexler: Not to the same extent.

The Secretary of the Treasury: Absolutely the same.

Mr. Wexler: Prestige goes a long way in business nowadays, as you know very well, and for a regional bank to be located in a small city of 30,000 or 40,000 or 50,000 people, doing a local business, whatever it may distribute, and located within 300 or 400 or 500 miles of New Orleans, and not to locate it at New Orleans, would be just as I have said,

just like locating it at Albany instead of New York, or at Milwaukee instead of Chicago, or at Hannibal, Missouri, instead of St. Louis.

The Secretary of the Treasury: If that should be done, do you think any man who is sending South American ores here to the Assay Office would refuse to do it afterwards?

Mr. Wexler: No, but I think it would seriously reflect upon New Orleans as a city and a port and a centre, and I think it would be the most tremendous blow to the business of New Orleans that could be conceived of.

The Secretary of the Treasury: But your business will proceed just the same, no matter where the reserve banks are located.

Mr. Wexler: Yes, I think the geographical situation is such that we will proceed in spite of everything.

The Secretary of the Treasury: And we must look at this practically as well as sentimentally.

Mr. Wexler: I am.

The Secretary of the Treasury: Suppose a bank were not to be located in New Orleans, where would be the next best place to put one to serve this territory?

Mr. Wexler: So far as New Orleans is concerned, New York.



The Secretary of the Treasury: I know, but that is not practicable, because you cannot attach New Orleans to New York. But I am speaking of practical things now. Of course, here is St. Louis that is contiguous, and here is Memphis that would be contiguous, and here are a lot of ambitious Texas cities, and here is Kansas City and all these places are asking for reserve banks; and here is Louisville and Cincinnati. Which of all these cities that are within an available radius would you say would be your first choice, if New Orleans were not chosen.

Mr. Wexler: Of course, I cannot conceive of New Orleans not being chosen and I cannot conceive of our being tied to Houston or Memphis or to Birmingham or Atlanta. St. Louis, of course, would be probably the next point.

The Secretary of the Treasury: You think that would be semi-respectable.

Mr. Wexler: That would be semi-respectable, but I cannot conceive of our doing business with St. Louis, at a distance of 18 or 19 hours. Chicago would be a satisfactory point from some standpoints, and New York would be our closest point of relation.

The Secretary of the Treasury: That is on account of the

present banking law, that you say that.

Mr. Wexler: That and the fact, as I have said, that up to now New York is the principal market for our foreign exchange, but that is disappearing.

The Secretary of the Treasury: No matter where you have the reserve bank, if normal conditions exact the continuance of that relationship, it will continue.

Mr. Wexler: Yes.

The Secretary of the Treasury: So the location of the reserve bank is not going to affect that.

Mr. Wexler: But what we need here is this, we need a regional bank, and the management of that regional bank has got to be as good and broad and big in New Orleans as it has to be in New York, because the complexity of our transactions here compares to that of New York and no other city in this country that I know of. I do not except St. Louis or Chicago, and the banks of St. Louis and Chicago have not the slightest conception of the complex nature of the business we do here and they are as unfamiliar with it as the bankers in Memphis or Atlanta.

The Secretary of the Treasury: But the answer to that is that if it is located here New Orleans is not to provide

all the directors.

Mr. Wexler: I understand. Now you want to provide for this country the business of the west coast. You feel that the construction of the Panama Canal is a great thing for the business of the country. We have the city to do the business. We have to accept their bills instead of their being accepted by London, and we have to promote to a great sense the business of that country.

The Secretary of the Treasury: The banks have to do that.

The Secretary of Agriculture: We have not visited any city yet which has not made the same argument, from Boston to Los Angeles.

Mr. Wexler: Admitting that, they are bound to make it, but here we are right at their door. We have the business established. We are today in our own bank handling many accounts with those people.

The Secretary of the Treasury: But that is going to continue, whether a Reserve Bank is located here or not. That is done between the local banks and those countries, and must of necessity continue.

Mr. Wexler: But the facility for doing it on a large scale must come through the reserve bank, because we will

reach our limit very quickly.

The Secretary of the Treasury: That comes to a question of re-discount.

Mr. Wexler: Yes.

The Secretary of the Treasury: If the Regional Bank is accessible, you can still do that business very effectively, and the question is to have it accessible and so it can effectively handle the business; those are the paramount considerations, are they not.

Mr. Wexler: These are the paramount considerations, but we can assemble here in the management of a bank of this kind in the territory we have given, men familiar with the various branches of business which are done here, and we can make here just what this bill is aimed at, a great centre, and take away from the present three centres, Chicago, St. Louis and New York, that which rightfully belongs here. That is what you can do by the establishment of such a bank here. Of course you can say you can do that in Houston or Atlanta, and it is true, you could do it, but a port stands in a different relation with the trade of the interior and exterior that an inland city does not.

The Secretary of the Treasury: But the establishment of



the bank is not going to affect that.

Mr. Wexler: I admit that, and I say we can do our business just the same, but I cannot see any reason why New Orleans should be tied to a local inland city when she is doing all the business they do as well as a great many other kinds of business. We are the headquarters for the railroad, telegraph and telephone lines and everything of that kind, and it is logical.

The Secretary of the Treasury: That is your opinion.

Mr. Wexler: Yes.

The Secretary of the Treasury: We are getting the facts to determine that.

Mr. Wexler: Well, that is the point. I want to give somebody else a chance, if you have finished with me.

The Secretary of the Treasury: We want to give them a chance in a minute, but we want to finish with you while we have got you there. I would like to say before we proceed further, what we have said in every city, that the questions we have asked the witnesses must not be taken as indicating any opinion or any trend of thought on the part of the Committee. We must ask the questions in order to develop the argument, and they have no significance further than

to develop the facts.

Mr. Wexler: We understand that thoroughly. Let me submit to you this blue print map, which shows the distances of all of these cities from New Orleans as well as the distances to Central and South American ports, Cuba and Porto Rico.

The Secretary of the Treasury: We would like to have these maps in triplicate.

Mr. Wexler: Yes.

Mr. Trezevant: Hayti and San Domingo are included.

Mr. Wexler: You want three copies of the maps?

The Secretary of the Treasury: Yes, and three copies of your memorandum.

(The papers were accordingly filed.)

Mr. Wexler: I would also like to file in connection with this the report of the New Orleans Board of Trade, which gives its commerce, and the resolution of the Board of Trade; also a communication from the Association of Commerce.

(The papers are as follows:)

THE NEW ORLEANS BOARD OF TRADE, L'TD.

New Orleans, Feb. 3, 1914.

RESOLUTIONS ADOPTED BY THE NEW ORLEANS BOARD OF TRADE,  
LIMITED, FEBRUARY 3rd, 1914.

"WHEREAS, The Reserve Bank Organization Commission, charged by the Government with the locating of Federal Reserve Banks in the different districts of the country, will require conclusive information and data in substantiation of the claims of different cities before locating a Reserve Bank in their localities; and,

WHEREAS, the city of New Orleans is the most populous city in the south, the centre of a large agricultural district, it has business connections with the whole of the State of Louisiana, of practically the whole State of Mississippi, Southern portion of Arkansas, part of Alabama, the Southeastern Texas; and,

WHEREAS, in addition to its geographical location to serve this section, it is the real financial centre, doing a larger banking business than any other city in the southern portion of the country; and,

WHEREAS, New Orleans is the greatest American market for Cotton, Rice, and Sugar, and is in the centre of a large lumber district; and,

WHEREAS, New Orleans is the second largest port in the country, both in volume and valuation of imports and exports,

with an import business as great as that of all the other South Atlantic and Gulf ports combined; and,

WHEREAS, New Orleans is the only distributing point for coffee for the Southern and Mississippi Valley States, ranking second to New York only in the importation of coffee, and first in the importation of Tropical Fruits; and,

WHEREAS, The port of New Orleans has increased its trade with Cuba, Mexico, Porto Rico, and Central America, five hundred per cent in the past thirteen years, there is every indication that with the opening of the Panama Canal, a new trade era for New Orleans will be opened up to the west coast of the Latin-Americas, and increase in a greater ratio than that with the east coast, and that New Orleans will surely be the gateway of the Mississippi Valley to the Latin-Americas and the Orient, as the Mississippi River and its great navigable tributaries will again be brought into use for the handling of a large share of commerce of the country; therefore,

BE IT RESOLVED, That all of the aforementioned advantages show that the City of New Orleans would exert a preponderating influence in a Federal Reserve District such as it would serve, and by establishing a Regional Bank in this



city, the New Orleans Board of Trade, Limited, is firmly convinced that the Commissioners would be fully complying with the intent and purposes of the new Currency Law."

(Signed) Jeff D. Hardin,

President.

H. S. Herring,

Secretary.

----

NEW ORLEANS ASSOCIATION OF COMMERCE.

New Orleans, January 14th, 1914.

Organization Committee,

Federal Reserve Board,

Washington, D. C.

Gentlemen:

The New Orleans Association of Commerce, composed of over two thousand members representing all of the business, financial, commercial, industrial, professional and scientific interests in this city, earnestly believes that one of the Regional or Federal Banks should be established here for the following reasons:

(1) Central location for handling domestic paper for the greatest number of Southern States and Cities.

(2) Central and natural gateway for the Mississippi Valley, Central South, and Panama Canal and Latin-American Trade.

(3) Financial importance, being the South's largest banking city.

(4) Industrial importance, being the largest manufacturing City in the South.

(5) Commercial importance, being the largest wholesale market in the South.

(6) Shipping importance, being the largest seaport of the South and second only to New York in volume and value of exports and imports.

(7) Metropolitan importance, being the largest City in the South.

(8) The present establishment ~~at~~ at New Orleans of numerous other great branches of the Government having jurisdiction over the territory which would be covered by a Regional Bank at New Orleans.

(9) This combination of conditions, in conjunction with the Panama Canal, will make New Orleans the great market of deposit for North America, and in effect, the

warehouse of the Western Hemisphere.

We have no word of dispraise for our competitors. On the other hand we rejoice in the strength of their claims and the splendid spirit of enterprise which is remarking the South. We believe, however, in all sincerity that no matter how meritorious their claims, those of New Orleans take precedence. We believe their best interests and the best interests of the South and the United States will be served by the establishment of the Southern Regional Bank at New Orleans.

We believe that the force of natural selection will govern the action of your Committee and that a Federal Reserve Bank will ultimately and inevitably be located in New Orleans. We think that an impartial view will be taken in this matter and that whatever City is selected, will be well selected. We believe that New Orleans, the metropolis of the South, will be that city, and we ask in all sincerity that our representations in this respect will be confirmed.

Yours very truly,

(Signed) M. B. Trezevant,

General Manager.

Mr. Wexler: I would also like to file the printed report

of the Board of Commissioners of the port of New Orleans, being the Fourteenth Report, from January 1st to December 31st, 1910.

(The same was filed.)

Mr. Wexler: Also a telegram from the City of Shreveport as follows:

"New Orleans Clearing House Association,

New Orleans.

Group C of the Louisiana Bankers Assn. at their annual meeting held here today unanimously recommended New Orleans as the Regional Reserve Bank for this district. (Signed) A. T. Kahn, Chairman."

Also a memorandum of the distance to New Orleans from foreign ports and cities in the district, and also a transcript from the American Review of Reviews, being a disinterested expression as to New Orleans.

The Secretary of the Treasury: Was that solicited?

Mr. Wexler: No, sir, entirely unsolicited.

(The papers were accordingly filed.)

The Secretary of the Treasury: Have you any other exhibits?

Mr. Wexler: No, I think that is all I have for the moment. Here are some other industrial exhibits.



(The pamphlets presented were filed.)

Mr. Wexler: The next gentleman we have asked to appear before you is Mr. Bentley, who will have some views to express as to the important business of the government here.

The Secretary of the Treasury: I do not think that is necessary. We have a great many statistics, and there are a great many other gentlemen to be heard. Anything in the nature of government statistics we have already.

Mr. Wexler: It is not in the nature of statistics, but it is as to the government offices in New Orleans.

The Secretary of the Treasury: That is one thing we know something about, the government offices.

Mr. Wexler: I congratulate you. But there will be no objection to filing Mr. Bentley's brief on the subject?

The Secretary of the Treasury: I was going to say, if he will file it, that will be better.

Mr. Wexler: Are there any questions you want to ask him on that subject?

The Secretary of the Treasury: I think not. If he will file that brief, we will give it attention. We would like to have it filed in triplicate. It is not that we are unwilling to hear these gentlemen, but we are obliged to

economize time and wherever they present statistical data of that character, we prefer to have it filed in the nature of a brief. By the way, do you submit these cables, Mr. Wexler?

Mr. Wexler: A number of them came, and I think they were addressed to you, were they not?

The Secretary of the Treasury: Yes.

Mr. Wexler: Well, in order to get them in, I would like to submit them with your permission.

The Secretary of the Treasury: We will give you permission to submit them, providing the telegrams which were sent to them asking for these expressions of opinion are filed with the replies.

Mr. Wexler: We will see that that is done.

The Secretary of the Treasury: They will not be received as exhibits otherwise. Will you file copies of the original telegrams soliciting these expressions?

Mr. Wexler: Yes, we will do that.

The Secretary of the Treasury: Just attach a copy of the original cable to each one of the replies, and then we will receive them.

(The memorandum submitted by Mr. Bentley is as follows:)

BRANCHES OF THE FEDERAL SERVICE ALREADY ESTABLISHED  
AT NEW ORLEANS.

By L. E. Bentley,

Special Deputy Collector of Customs.

Gentlemen of the Reserve Bank Organization Committee:

Your Chairman is quoted in the record as having stated at one of your earliest sittings that the committee is aware of the commercial advantages of the leading cities of the country; of their location on the map, and what railroads and terminal facilities they have, and that it is not necessary to consume time in giving that sort of information. It is manifest that, as officials of the Federal Government, you are also familiar in a general way with the various branches of the government service located at New Orleans; therefore, the subject assigned to me may be fully covered by little more than a simple list of these branches and a mere outline of the character and scope of their respective functions and activities. Even the briefest enumeration, however, must demonstrate that the operations which the general Government finds it necessary and advantageous to conduct at and from this city play no small part in substantiating the claim of New Orleans to be selected as the site and domicile

of one of the reserve banks to be established under the new banking and currency system.

New Orleans is the headquarters port of the twentieth customs district, comprising all of Louisiana and part of Mississippi, having jurisdiction over Morgan City as a port of entry, and over Vicksburg, Baton Rouge and Calcasieu Pass as customs stations. There are approximately 500 customs employees in the several branches of the customs service of the district, and their various lines of duty need not be recounted to this committee. The collections for the calendar year 1913, mostly from duties on imports, aggregated over \$12,000,000, having doubled in the past ten years. The exports have grown in equal ratio with the imports, and in their combined value this city took rank next to New York in the statistical records for the year. In point of customs revenues New Orleans stood as the fifth port of the country in 1912, and is believed to have moved up into fourth place last year, being led only by New York, Boston and Philadelphia.

The State of Louisiana constitutes an Internal Revenue district, with headquarters at New Orleans. The collections of this service average upwards of \$5,000,000 a year, and



this sum will be greatly augmented by the income tax now in process of collection. It may be remarked in passing that 8,500,000 gallons of denatured alcohol were manufactured here last year, and that this product, which would have paid \$1.10 internal revenue tax as ordinary alcohol, is entirely exempt from that levy under the present law.

Few better indications of the growing volume of a community's population and business are to be found than the increasing extent and revenues of its postal service. The total receipts of the New Orleans post office in the year 1900 were \$490,253; in 1905 the total was \$730,318; in 1910, \$1,024,756, and in 1913, \$1,256,375. The postal savings deposits to date are \$112,274. There are 455 employees in the post office proper, and all the rural mail carriers in Louisiana, besides the 165 employees of the Twelfth Division of the Railway Mail Service, receive their compensation from the Postmaster of this city, acting as disbursing agent for the Department. The Railway Mail Service division just mentioned comprises Louisiana, Mississippi, and parts of Alabama and Tennessee, with headquarters in New Orleans. Ours is an exchange post office for Porto Rico, Mexico, all

the Central American countries, and for the countries of both the east and west coasts of South America. The Customs Bureau maintained in the post office here handles the dutiable mail for Louisiana, Mississippi and Texas.

There are two branches of the United States Engineers' service located in this city. One has jurisdiction over the Fourth Mississippi River Improvement District, extending from Warrenton, Miss., nine miles below Vicksburg, to the head of the passes near the mouth of the river, a distance of 455 miles; while the other has supervision and control of the improvement of the passes or outlets of the Mississippi River, and of the harbors, locks, and interior streams of Louisiana and portions of western Texas and eastern Mississippi. The cost of the operations conducted and supervised by these two offices aggregates several million dollars annually.

The national sub-treasury at New Orleans received for the fiscal year 1910 \$65,111,196 and disbursed during the same year \$57,549,047. These figures will show an increase of about ten per cent for the past year, the receipts running over \$70,000,000 and the disbursements over \$60,000,000. The balances on hand in the vaults of the

sub-treasury range from \$25,000,000 to \$40,000,000.

There are eight Assay Offices located throughout the United States, and the one at New Orleans, occupying the fine property known as the United States Mint, has upwards of \$22,500,000 in silver dollars and gold bullion in its vaults. About \$1,000,000 in gold bullion was received last year, practically all from Central American countries, where the development and growth of the mining industry is sure to result in a large increase of the movement of bullion to this port henceforth. Congress has under consideration a plan to reduce the number of Assay Offices to three, to be located at New York, Seattle and New Orleans. This city is a logical point for such an office, as it is for a regional reserve bank.

Jackson Barracks, on the left bank of the Mississippi River ~~is~~ in the lower suburbs of New Orleans, is a beautiful and well-ordered military reservation where several companies of troops are regularly stationed.

Across the river from Jackson Barracks is the extensive and finely-equipped new United States Naval Station, which is expected to be put into full commission under the wise and judicious policy of the present administration of the

Navy Department. The second-largest floating dry dock in the world is a part of the station's equipment, and the biggest warships of the American Navy can be readily accommodated in it.

A short distance below the Naval Reservation is the new United States Immigration Station, one of the best plants of its kind to be found anywhere. This is the headquarters of District No. 8, of the Immigration Service, which includes Louisiana, Mississippi, Arkansas and Tennessee. The Commissioner of Immigration located here has jurisdiction over the subports of Pascagoula, Gulfport and Memphis, where immigration officials are also stationed. It is the policy of the Federal Government to encourage the diversion of as great a proportion of the tide of immigration as practicable from New York and the other eastern ports to the southern ports of the country, and a heavy increase of the immigration work here is regarded as inevitable.

The Depot Quartermaster's office, U.S.A., at New Orleans handles army subsistence matters in Louisiana, Mississippi, lower Alabama, Western Florida and eastern Texas, and has supervision over all National Cemeteries in the south. The Depot Quartermaster also has charge of the



purchasing agency here for the Isthmian Canal Commission and the Panama Railroad Company, which sends out large quantities of fresh vegetables, lumber and other supplies to the Canal Zone. The one regiment of regular troops now in the Zone will be augmented to six or eight regiments when the Panama Canal is completed and traffic through it begins, and the quantity of supplies that must be forwarded there from this country and port will then be correspondingly increased.

The United States Marine Hospital at New Orleans is an admirably conducted, high grade institution, occupying a beautiful site on the river front in the upper part of the city, near Audubon Park. Patients are received here from points as far west as Galveston, as far north as Vicksburg, from Gulfport and other points on the Mississippi Gulf Coast, and, of course, from both American and foreign vessels entering the port of New Orleans. In addition to the Hospital there is an office for the treatment of emergency and minor cases in the Custom House with an Assistant Surgeon of the Public Health and Marine Hospital Service in charge. An extensive and efficient Quarantine Service is maintained at Quarantine, La., near the head of the Mississippi River passes, by means of which protection is afforded the country

from infectious and contagious diseases that might otherwise be introduced through this great channel of communication with other lands and people.

The headquarters office of the Eighth Lighthouse District is located at New Orleans and has jurisdiction over all maintenance, construction, supply and repair work in connection with the lighthouses in the territory extending from Cedar Keys, Florida, to the Rio grande River.

There is also located here a District Branch Hydrographic Office, the jurisdiction and operations of which extend from Key West to the eastern Texas border, Havana and Belize. Messages giving information relative to wrecks, derelicts, etc., are transmitted daily from this office through the fine Radio Station at the New Orleans Naval Reservation, and this same medium enables the local hydrographic officer to keep in touch with every vessel traversing the Gulf of Mexico which carries wireless equipment.

New Orleans is headquarters for the Radio Inspector in charge of the Fifth Radio Inspection District, comprising the States of Alabama, Mississippi, Louisiana, Texas, Tennessee, Arkansas, Oklahoma and New Mexico, and the work of this officer is constantly increasing in volume and

importance. It is a part of his duty to see that vessels subject to the requirements of the navigation laws appertaining to wireless telegraphic communication are equipped with proper and serviceable apparatus before departing from any port in the district.

This city is also headquarters of the Tenth Supervising District of Steam Vessels, the jurisdiction of which extends from Cape Sable at the southern extremity of Florida to the mouth of the Rio grande River, and includes Porto Rico. In addition to the Supervising and subordinate inspectors stationed at New Orleans, there are inspectors located at San Juan, Apalachicola, Mobile and Galveston.

The New Orleans branch of the United States Weather Bureau serves a district embracing Louisiana, Arkansas, Oklahoma and Texas, and has charge of the cooperation between the United States and Mexican weather services. The daily bulletins collected by and sent out from the headquarters office both by wire and in printed form include weather conditions and forecasts for the district and the stages and fluctuations of the Mississippi River and all of its tributaries.

The United States Court of Appeals for the Fifth

Circuit, comprising the States of Louisiana, Mississippi, Georgia, Florida and Texas, and the United States District Court for the eastern District of Louisiana have their headquarters in New Orleans, and the clerks of both tribunals live here. The Circuit Court meets at Atlanta on the first Monday of October, at Montgomery on the third Monday of the same month, at Fort Worth on the first Monday of November, and sits at New Orleans usually from the third Monday of November to the end of May following.

The Secretary of the Tenth Civil Service District, embracing Louisiana and Texas, has his headquarters and residence in New Orleans.

The Department of Agriculture maintains a Pure Food Laboratory at New Orleans for the examination of all food articles imported or entering into interstate commerce in the territory from Pensacola to El Paso and to Memphis on the north. New Orleans ranks sixth among United States ports in the volume and value of its food imports. Through the same Department local inspection of animals, tropical plants, potatoes, etc., is maintained with a view of preventing the introduction of diseases or pests which may injuriously affect the country's live stock and agricultural



products.

Recognizing the great and growing importance of New Orleans as a commercial centre, the Department of Commerce has recently established here a branch office of its Bureau of Foreign and Domestic Commerce, in charge of a commercial agent whose duty is to distribute among the business people of his territory the information gathered by the Bureau from American consuls and its agents who travel abroad, and to report to the Department on local conditions. The district to be thus served from the New Orleans branch extends from the east coast of Florida to the Rocky Mountains and to St. Louis on the north. Only three such branch offices have been established -- the first at New York, the second at New Orleans, and the third at Chicago. One more is in contemplation, to be located at San Francisco.

It will suffice to refer merely by name to the remaining Federal officials and services located in New Orleans, such as the Revenue Cutter Service, the Army and Navy Recruiting Stations, the United States Attorney and his Assistant, the United States Commissioners and Marshal; the Special Agents of the Customs, Internal Revenue and Secret services and of the Department of Justice; the

Special Examiners of the Bureau of Pensions; the Superintendent of Construction of Public Buildings, under whose supervision a magnificent new Post Office and Court House Building is nearly completion, the Custodian of the Custom House, Mint and other Government properties, etc.

Taking all these branches of the general government's operations together, and considering in connection therewith the geographical location of New Orleans as the metropolis of the Southern States and the nearest port to the Panama Canal and the countries of the Western Hemisphere to the south of us, it would seem that the location of a reserve bank in this city is too plain and logical a proceeding to require further demonstration or argument.

Mr. Wexler: Will you hear Mr. W. B. Thompson, who was for a number of years the President of our Cotton Exchange, and who has been identified with the Port facilities?

The Secretary of the Treasury: Yes, we will hear from Mr. Thompson.

STATEMENT OF WM. B. THOMPSON.

The Secretary of Agriculture: Give us your name, occupation and address.

Mr. Thompson: William E. Thompson, Commissioner of Public Utilities of the City of New Orleans.

The Secretary of Agriculture: Mr. Thompson, you know the problem we are considering?

Mr. Thompson: Yes, Mr. Secretary.

The Secretary of Agriculture: We should be very glad to have any light from you which you can give us.

Mr. Thompson: I will say by way of introduction, Mr. Secretary, that according to the program that we had arranged, the general presentation of this subject was to have been made as it has been made by Mr. Wexler, and to a number of others the duty was assigned of presenting particular phases of the subject. To me has been assigned the discussion of the port facilities of New Orleans.

In discussing the port facilities of New Orleans in connection with the claims of that city for designation as one of the Federal Reserve Cities under the Federal Reserve Act, consideration must be given not only to the existing equipment available for the present great requirements of export and import traffic, but also to the fundamental principles of the organization of these facilities, as these principles affect the possibilities of expansion thereof to accommodate

the future greater demands of commerce and trade.

I take it that the purpose of the government in apportioning the several reserve districts, and the object of the Organization Committee in designating the locus of each of the reserve banks therein, is to so adjust the new system that it will best serve the business of the country as a whole. In this view, therefore, the qualifications of the several contending cities should be considered not only with reference to the total volume of business transacted therein and thereabouts, but also with regard to the relation in which such cities stand towards national development and international trade.

The seaports of the country are the clearing houses for worldwide trade. They are more. They are important factors in the development of domestic production and industry, and in the expansion of commerce with foreign nations. This is true because these sea ports are the gateways through which the teeming productivity from within must discharge its surplus into the great world market beyond, and because they are the gateways through which the creative energy of the other nations must send its surplus output for profitable sale and exchange. These sea ports are not only



the gateways, but the toll gateways of commerce, because in the processes of exportation, importation, trans-shipment and distribution, some toll of expense and delay must of necessity be levied upon traffic and trade. The amount and extent of this toll are considerations of paramount importance. The port which offers the maximum of facility at the minimum of cost places the producers and merchants within and behind it in the most advantageous competitive position with regard both to the sale of their products abroad and the purchase of foreign commodities at home. The extent to which the American exporter can compete with or undersell his rivals in foreign markets depends to a large extent upon the cost of placing his products upon such markets; and the price at which domestic consumption shall secure its foreign supplies is materially affected by the costs of importation and distribution. Hence the extent, completeness and availability of port terminal facilities and the cost at which the same are supplied, are items of importance not only to the port city itself but to the entire territory tributary thereto; and hence the consideration of these elements becomes a matter of material importance in the

problem of adjusting the government's great plan of currency reform to the needs and the demands of the country's common good.

As you have been already advised and as statistics will declare, New Orleans is in point of total export and import traffic the second largest port in the United States. It requires no gift of prophecy to foresee that a tremendous expansion in the volume of this commerce is imminent. Unassisted logical vision will demonstrate the verity of this forecast. Situated near the mouth of the Mississippi River where the great waters are discharged through deep, safe channels into the Gulf, possessed of a harbor which for security, adaptability and extent is unsurpassed, backed by the prolific Mississippi Valley, wherein is produced 62% of the raw material output of the nation, geographically and topographically so located that it is the gateway through which the traffic of the vast territory between the Allegheny and the Rocky Mountains may slip almost by gravitation to the Southern seas, and directly connected, as it will be by the Isthmian Canal, with the trade of South America, of the islands of the Pacific, and of the Asiatic countries, New Orleans is destined to be, if not the

greatest sea port in the world, as some of our more enthusiastic partisans declare, at least one of the greatest, and a port which will materially contribute to the prosperity of the American nation and to the supremacy of American trade.

In order that these present and prospective demands of commerce may be met, it is necessary that adequate terminal, docking and trans-shipping facilities shall be provided. In point of present ability to handle its great and rapidly growing export and import tonnage, the New Orleans equipment is inferior to none. In point of adaptability to indefinite expansion and unrestricted encouragement of a broader commerce, the facilities of New Orleans are distinctly superior to any. This is not a modest claim, but it is made advisedly and with deliberation. It is approved both by the philosophy of port terminal development and by the mature judgment of expert authority. The basis of this broad claim is the significant fact that the water front of New Orleans remains unconditionally in the public, and -- except to a fractional extent, which exception exists only under the sufferance of the people -- the facilities of the port are administered exclusively by the public through the instru-

mentality of state and municipal boards. In respect to this vital prerequisite to a free commerce, New Orleans (with one possible exception, to wit, San Francisco) stands unique and alone among the port cities of the United States.

If there be one conspicuous, salient, serious and almost insurmountable obstacle in the way of the unrestricted growth of our port cities and the progressive development of the commerce that must pass there-through, it lies in the fact that the water front of all the principal ports -- with the exception of New Orleans, and to an extent -- San Francisco, is held within the constrictive grasp of private ownership or control. All of our principal ports, except as stated, have bartered away their priceless possession for the mere temporary favor of the transportation agencies. From Maine to Oregon, with the exceptions noted, the commercial water front of America is held in fee or lease by private transportation corporations or systems. It is unnecessary to state that this ownership and these privileges are utilized by such grantees primarily and often exclusively for their own profit and not for the advantage of the improvident former owners of the same. A private



transportation enterprise or system cares little for the business prosperity of its port city so long as its rivals are barred from competition and its profits and power augmented. The phase of the port terminal problem which is today absorbing the attention of those interested and enlisting the best thought and effort of the port authorities and experts, is the question as to the means whereby the water front may be redeemed from private domination for private profit, and restored to public ownership and governmental administration for the common good. This is the vital problem which we claim New Orleans has already solved.

Formerly the wharves and docks of New Orleans were operated under lease by private individuals and corporations. The results of this system of administration were insufficient and expensive facilities, and deterioration and decay both in the condition of the property and in the shipping business served thereby. Some seventeen years ago our people, realizing the serious consequences of this unsound policy of administration and foreseeing the vast advantage to be derived from the operation of an essentially common public property for an essentially good, took over the old wharves

and landings, and after overcoming many difficulties, inaugurated about thirteen years ago the system of public administration, of which system our present splendid equipment, capable of caring for the second largest export and import business in the United States, is the fruition. In the place of a limited area of primitive wooden wharves, open and wholly unprotected from the elements, we have now some five miles of commodious docks of the most substantial construction, and protected, for the much greater part, by steel sheds of the best approved fabrication and design; and instead of excessive charges for meagre and <sup>in</sup>adequate service, there is now levied not one cent against the freight handled over these commodious wharves, and only a minimum charge assessed against the ships which occupy the same.

Under the former regime the important detail of terminal switching was operated by the several private railroad lines which had secured track privileges on the water front. The several railroads operating on their own particular switch track units were not interested in the movement of freight originating on or destined to any other line than their own, and each of said railroads levied its separate ~~charges~~ switching charge on all cars of other lines

switched upon its tracks. The results of such conditions were inevitably that excessive burdens, both in the matter of delay and cost, were put upon the movement of the general freight traffic of the port, and shippers were in consequence to a great extent forced into the wholly uneconomic alternative of draying. Some fifteen years ago the people of New Orleans began a campaign which had for its object the operation of a terminal switching system by the municipality. About six years ago this movement acquired concrete reality by the inauguration of such a system by the city to be administered through the instrumentality of a board called the Public Belt Railroad Commission of the City of New Orleans. In place of an unsatisfactory, unorganized and discriminatory switching service, the business of the port now enjoys the use of a comprehensive public utility operated in direct connection with all avenues of transportation and administered, not in the interest of any particular transportation line or lines, but in the interest of business facility and for the common commercial good; and instead of excessive and often prohibitive charges for bad service, the public administration system provides expeditious movement and good service at a cost abnormally

low.

The wharves and docks of the port of New Orleans as well as the river banks and the adjacent land called the "batture", which is dedicated to public use, are under the administrative jurisdiction of an agent of the State of Louisiana, known as the Board of Commissioners of the Port of New Orleans. The jurisdiction of this board covers both sides of the river and embraces 41 miles of water front available for utilization as the needs of shipping may require. Only a small fraction of this frontage is subject to private privilege and even this privilege is not held in fee, but, by the terms of the grant, may at the will of the grantor be reclaimed upon the basis of proper compensation for improvements constructed. At the present time the public dock system comprises five miles of commodious wharves with a floor area of 2,264,571 square feet, of which wharves upwards of 91% is constructed of creosoted material. Upwards of three and one-half miles of the wharves are covered by complete steel sheds. The wharves are served by nearly three miles of paved vehicle roadways and approaches. The members of the Board may serve without financial compensation. No charge whatever is made for the use of these



facilities against the shipments passing through. The toll in this respect is assessed against the ships for deckage, and are extremely reasonable as shown by exhibit attached hereto.

During the year 1913 the number of vessels arriving at the port of New Orleans was 2134, of a gross tonnage of 6,073,869 tons. Steamboats to the number of 1636 arrived during said year exclusive of luggers and gasoline launches engaged in the oyster, fish and vegetable trade, numbering during the period some 2348. The net earnings of the Board during the period, after paying the expenses of operation and the interest on \$3,500,000 of outstanding bonds, was \$100,234.70.

Serving the public wharves and a large number of private industrial enterprises, as well as connecting with all railroad lines entering the port, the Public Belt Railroad furnishes an unique and striking example of the successful application of the governmental function to the satisfaction of urgent general business needs. This railroad is a switching utility owned exclusively by the City of New Orleans and operated by the municipality through a civic

board known as the Public Belt Railroad Commission, under express constitutional inhibition that the administration thereof must always be separate and distinct from that of any railroad entering the City of New Orleans. As presently developed the Public Belt Railroad has approximately fifty miles of tracks, including main lines and service adjuncts. Ultimately the Belt will encircle the city. At present the operations of the utility are confined to the active water front and contiguous territory, but the projection of the lines to the rear of the city, intersection and tapping sparsely peopled localities particularly eligible for factory sites and industrial enterprises, is not only imminent but one important stretch of such extension is actually in process of construction. The Belt Railroad has interchange connections with all trunk lines entering the city and can readily establish such connections with all lines that may hereafter enter. It exclusively serves the public wharves, thus placing all railroads and shippers upon the basis of common, non-discriminating access to the shipping front. This access is available not only to the rail lines presently operating at the port, but to all

prospective lines, which are by these facilities invited to use this port, and are thereby relieved of the burdensome and often times prohibitory necessity of gaining such access under terms imposed by roads already established. A similar service is offered to the ocean carriers with the result that the smallest craft, as well as the greatest line of steamers, is placed in direct connection with the rail line of its own selection. The same comprehensive opportunity is supplied to all industrial establishments located on the Belt system by connecting the same with every avenue of transportation, rail and water, present and prospective, thus placing all such enterprises in the best possible position not only in the items of cost, convenience and expedition, but also in respect to the competitive activities of the said transportation agencies.

The switching charge of the Public Belt Railroad is \$2.00 per car flat, covering the movement of the loaded car and the return of the empty car, or vice versa. This charge is in instances some 600% less than was enacted under the former system of successive switch movements by the several private railroad lines, and is believed to be by long odds

the most economical service for similar movement to be found anywhere in America. The Belt Railroad system as presently developed -- including main line tracks, interchange tracks, wharf switchers, public delivery tracks and industry spurs, together with roundhouse, machine shops, locomotive equipment, etc., -- represents an investment of approximately \$850,000 of public funds. Of this amount approximately \$550,000 has been supplied out of the City's alimony, the remaining \$300,000 being the proceeds of a sale of city bonds issued for Belt Railroad purposes. The city has constitutional authority for the issuance of additional bonds to the extent of \$1,700,000, with the avails of which it is intended to complete the system around the city. The Belt Railroad is required to maintain itself, to pay the interest on outstanding bonds and to provide for payment of the principal of the same according to the terms of the issue. During the year 1913 the utility handled 176,920 loaded and empty cars which covered 75,647 revenue movements, from which, after the payment of operating, and maintenance expenses and the interest on the \$300,000 outstanding bonds, yielded a net revenue of \$15,989.85. The business of the utility has shown a steady and rapid growth from year to



year both in respect to the volume handled and the returns therefrom, thus demonstrating not only the entire feasibility of a publicly owned and operated switching railroad but also the vital advantage thereof to both the commercial and industrial divisions of trade and to the community at large.

The success of these essays in governmental control and administration of port facilities has encouraged the authorities to take steps towards a material amplification of the present system. The people of the State have by amendment to the Constitution given the Board of Commissioners of the Port, the authority to construct and operate a system of warehouses in conjunction with the existing facilities. This adjunct will make the public port terminal plant fundamentally ~~xxx~~ complete. Under the said authority the Board has already taken the preliminary steps towards an issuance of bonds, from the avails of which the system in question will be constructed. There is every assurance that the bonds will be sold without difficulty and that the actual work of construction will be begun in the very near future. The warehousing plans are comprehensive and will not only add to the capacity and efficiency of the dock system by relieving the latter of the possibilities of congestion caused by the accumulation of freight awaiting shipment and

distribution, but should materially increase the business handled through the port by providing adequate and inexpensive facilities for assembling and distributing cargoes and consignments.

Although the public warehouse adjunct to the port system is not yet in actual existence, yet its importance is so great, its significance so far-reaching, its consummation so imminent and its logical promise so reassuring that I feel justified in claiming a small share of the time of the Committee in calling attention to the very considerable impetus which this development will give to the City's progress and growth.

It is the purpose of the Board of Commissioners to inaugurate the warehouse system by the construction of mammoth storage and shipping facilities for cotton. By utilizing the great advantages and economies of public control and operation, it is an all but demonstrated fact that the cost of handling and carrying cotton at the port will be reduced to an astonishing minimum, and that the negotiable value of the commodity held on such storage will be greatly enhanced. By which means it is confidently expected that a resolution will be effected in the prevailing methods of

marketing cotton, to the large advantage both of the market of New Orleans and of the country producing the great commodity in question.

It is not my purpose to fatigue the Committee by any extended dissertation upon the cotton marketing problem, but I take it that in the discussion of a question relating to American finance, it will not be out of place to direct some attention to the needs of one of the principal sources of American wealth.

The value of the American cotton crop is approximately one billion dollars. This large item is the annual contribution of the Southern cotton farmer to the wealth of the nation out of his investment of money, property and toil. A difference of one cent per pound in the price of the crop means a total difference of approximately \$75,000,000 per year. I am convinced that at least this amount, if not very much more, is lost each year by the producers of cotton through uneconomic methods of marketing. Within four or five months the farmers sell the supplies which keep the mills running throughout the twelve months of the year. The result of this uneconomic procedure is that the price realized by the producer is not the maximum price fixed by

competition between buyers, but rather the minimum price fixed by competition between sellers. After the current demands of consumption are satisfied the surplus of supply, if offered, must be sold on a lower basis. The maximum price would be realized if the crop were marketed gradually throughout the year as demand calls for supplies, and not precipitately during a limited period when consumption is satiated. And yet the crop is largely marketed upon the latter plan. ~~xxxxxxxxxx~~ The blame for the uneconomic method rests not so much upon the producer as upon conditions over which he has no control. Primarily the farmer needs the funds in order that he may pay his debts maturing at the harvesting season, and these funds he cannot borrow except on expensive terms; and in the second place, even should he be so fortunate as to be free of debt, the cost and burdens of carrying his product are so great that he can not as a business proposition well afford to do so. The cause of the uneconomic condition complained of is obvious. There is no market in America offering facilities which make the holding and equitable distribution of the crop profitably feasible. In other words, under the warehousing conditions that exist in this country, the cost of carrying cotton is



too great and the difficulty of financing holdings too considerable to encourage the orderly course of marketing desired. Unfortunately for us, these conditions do not prevail abroad.

About five-eighths of our crop is required for foreign consumption. This proportion is purchased practically during the limited period of excessive offerings aforesaid, and hurried as fast as railroad trains and steamships can carry it across the seas to foreign concentration points such as Liverpool, Bremen and Havre. From these ~~xxxxxx~~ depots the supplies are distributed to the mills gradually and in order, to the profit of the foreign merchants, foreign bankers, foreign insurance companies, foreign laborers and all collateral lines. To emphasize this complaint I have only to give a few figures showing the stocks carried in the three aforementioned foreign markets as compared with the stocks held at all the American ports about the middle of April last. The comparison is made as of the time mentioned because by that date the active marketing season in this country was over:

Stocks at Liverpool	1,220,000 bales
Stocks at Bremen	471,000 bales.
Stocks at Havre	<u>341,000 bales.</u>
Total for the three ports	2,032,000 bales.
Stocks at <u>all</u> American ports	680,000 bales.

Thus it will be seen that at the time mentioned Liverpool alone carried nearly twice as much cotton as was held at all the American ports combined, and that the stocks of the three principal foreign ports were almost three times as large as the combined holdings of every American port from Boston to Galveston.

I think that the fact that there are no great American distributing markets for American cotton is one of the most serious economic misfortunes of the times. We must have such markets, but we cannot produce them by the mere wishing, nor yet by resolutions, nor even by legislative decree. We must create the conditions from which such markets will be logically sequent. We must provide facilities which will enable the American producer to carry his cotton profitably while it awaits demands, which will permit the American merchant to accumulate supplies for orderly distribution, and which will encourage the foreign merchant to carry his stocks

in this country instead of abroad. We must undersell the foreign competitor in the item of facilities and over-bid him in the matter of inducements. This is exactly the condition which the State of Louisiana and its Board of Port Commissioners propose to create through the instrumentality of the cotton warehouse project now imminent.

The public control and administration of the facilities in question, in conjunction with the dock and switching facilities under the same ownership and operation, will make this consummation not only possible but entirely feasible. Be it remembered that in order to bring about the desired conditions it is not enough to merely reduce the cost of the facilities to the user, the expense must be minimized. It is not enough to merely improve conditions, they must be revolutionized. Under the principle of public ownership and administration, involving as it does the use of public lands and exemption from taxation, and carrying release from the necessity of earning dividends for stockholders, and investing the enterprise with undoubted solvency and authority, supplemented by the application of money saving and labor saving machinery and methods, the warehouse system,

operated in connection with the other said facilities adjunctive thereto, will inevitably, in so far as logical deduction and experience can demonstrate, achieve the required efficiency, economy and probity.

Let me say one last word in particular reference to the financial phase of the proposed cotton warehousing system. I have observed heretofore that the difficulty of financing the cotton crop to the end that it might be properly marketed, constituted one of the main causes contributing to the objectionable status. This difficulty does not proceed from any doubt as to the value of cotton as collateral, nor, in normal times, does it exist because of a lack of money necessary for the purpose, but is the direct result of uncertainty as to the value of the documents which stand for cotton in hypothecation, and want of confidence in the same. Cotton carried on storage in this country is housed in plants scattered throughout the cotton belt. These warehouses may be more or less responsible, but the probity thereof is not known outside of the particular community in which they are located. The receipts or collaterals of ownership issued by such warehouses have, therefore, very limited currency. In order that cotton may



be accumulated in quantity, funds for financing the same must be plentiful and readily available; and in order that this condition may prevail, it is prerequisite that the documents evidencing the ownership and custody of the commodity must be of unquestioned and broadly recognized solvency. This prerequisite is definitely supplied by the proposed state-owned and operated cotton warehouse. The instrumentality which will administer the same has been authorized by constitutional provision to issue negotiable receipts for commodities held by it in custody, and these receipts, by reason of the governmental sponsorship thereof, will not only be widely current, but will by their authority and probity attract and protect investment. All of which, I need not add, emphasizes the necessity for increased available banking opportunities and indicates what we believe to be a most commendable subject for the purview of the constructive financial policy of the government.

Thus do we outline the facilities of the port in respect both to actual achievement and potential growth. Already a great port in itself, its importance rests not alone upon the magnitude of its own current commerce, but also upon the indispensable relationship it bears towards

the great, prolific section of the continent dependent thereon for a profitable outlet to the markets of the world. Already equipped with unique and efficient facilities, it is vitalized by the germ of progressive development. With confidence, therefore, and with respect, we submit the claims of the port of New Orleans.

STATEMENT OF E. J. GLENNY.

The Secretary of Agriculture: Will you state your name, residence and occupation?

Mr. Glenny: E. J. Glenny, New Orleans, President of New Orleans Cotton Exchange.

The Secretary of Agriculture: We find we can usually read these exhibits in about one-third of the time we can have them read to us, and if you will just emphasize and point out the essential facts, and emphasize the things that are in your mind, it will expedite matters.

Mr. Glenny: I have endeavored to do that in this brief, and it is only four pages long.

The Secretary of the Treasury: Just read it then.

Mr. Glenny: The cotton business of the section tributary to New Orleans, more than any other branch of industry, feels

the need of a Federal reserve Bank; on the other hand, the Federal reserve Bank, if located in New Orleans, will derive greater benefit from cotton than if located in the interior or at any other port, and will in turn offer greater facilities to all classes of cotton merchants and producers.

The Secretary of the Treasury: Omit that, and give us the facts about the cotton business.

The Secretary of Agriculture: We will supply the argument if you will give us the facts.

Mr. Glenny: I have avoided statistics.

The Secretary of the Treasury: We want the facts about the cotton business handled in New Orleans.

The Secretary of Agriculture: We want to know the number of bales and its value and how it is financed and all that sort of ~~xxxx~~ information.

Mr. Glenny: Well, the volume of cotton tributary to New Orleans is in the neighborhood of 9,000,000 bales, according to the crop report of 1912.

The Secretary of Agriculture: What we want is what is handled here in New Orleans and how it is financed.

Mr. Glenny: Here in New Orleans we export about 1,700,000 bales of cotton. It is true that Galveston exports in the

neighborhood of 3,000,000 bales of cotton, but New Orleans handles in foreign exchange of the cotton that passes through Texas and other points, about \$100,000,000 of foreign exchange. That is as nearly as I could arrive at it.

The Secretary of Agriculture: How do you get these figures?

Mr. Glenny: From talking to the bankers here and making an estimate, and I think it is a little under rather than over the amount.

The Secretary of Agriculture: Cannot the bankers give us the exact amount?

Mr. Wexler: I have given it to you, taken from all the banks.

The Secretary of Agriculture: How does that compare with the estimate Mr. Glenny makes?

Mr. Wexler: I gave you the total amount of the exchange handled here and not the amount handled from the State of Texas only.

Mr. Glenny: I am not giving that, but I say most of it comes from Texas.

Mr. Wexler: Give Mr. McAdoo the amount of cotton handled.

Mr. Glenny: The amount of cotton handled through New



Orleans is about 1,700,000 bales.

The Secretary of the Treasury: What do you mean by through New Orleans?

Mr. Glenn: Through the port as a port.

The Secretary of the Treasury: How much is handled right here and financed here? Is the cotton passing through financed here?

Mr. Glenn: A great deal of it is, but that is a thing that varies very much according to the crop. You could not give an accurate figure.

The Secretary of the Treasury: You could give it to us this year, could you not?

Mr. Glenn: For instance, this year it was 100,000 bales more than last year.

The Secretary of the Treasury: What was it last year?

Mr. Glenn: There were 1,700,000 bales passing through New Orleans.

The Secretary of Agriculture: It is not of much value to us unless we have the facts.

The Secretary of the Treasury: Exact figures are what we want, if we can get them.

Mr. Glenn: I did not get up the statistics, because the

figures we rely upon are the government statistics.

The Secretary of the Treasury: Suppose, Mr. Wexler, you supply us with that data. Of course, we want the cotton business which is handled and financed here, which gives us an idea of the exactions upon the financial resources of this community.

Mr. Wexler: We will furnish that.

The Secretary of the Treasury: Then if you will file that as a brief, Mr. Glenny, we will be glad to have it in the record.

Mr. Glenny: You want simply a statement of the amount of cotton handled through New Orleans, its value and how it is financed?

The Secretary of the Treasury: We would rather have the amount of cotton that is actually handled here and the burden of which rests upon New Orleans, for two or three years, if you please, and then in addition to that you may give us collaterally what passes through and is incidentally dealt with here, and to what extent it is dealt with. You may file your statement.

(The statement was filed and is as follows:)

The cotton business of the section tributary to New

Orleans more than any other branch of industry, feels the need of a Federal reserve Bank; on the other hand, the Federal Reserve Bank, if located in New Orleans, will derive greater benefit from cotton than if located in the interior or at any other port and will in turn offer greater facilities to all classes of cotton merchants and producers.

A Federal Reserve Bank in New Orleans will be more advantageously situated to perform its functions to the south central territory than if it were located in a more western, eastern, or northern city for the following reasons:

New Orleans is pre-eminently the largest banking centre of the entire Southern Division of cities, its bank clearings in 1912 amounting to \$1,031,613,000, its nearest competitor being Houston, Texas, with \$895,665,000. Its location on the Mississippi gives it peculiar advantages for export and import business and also for business originating in the interior, which must be held somewhere awaiting export. As a matter of fact, New Orleans is the banking centre of the south and today though working under disadvantages, furnishes the money with which a large part of the cotton crop is financed, irrespective of whether it moves through this or through any other southern port, and with a Federal Reserve

Bank, it would be the centre through which a vastly increased foreign exchange business would pass a large part of which now is being forced through New York.

In the States east, west and north of New Orleans, territory geographically contiguous to New Orleans as an export centre, something over 9,000,000 bales of cotton are produced which represent a value of \$500,000,000. Of these 9,000,000 over 85% finds its way to foreign countries, entailing the financing annually of over \$400,000,000 of cotton bills of exchange, probably the most liquid and much sought bills in the world. It might therefore be argued that with the proper financial facilities the possibilities of New Orleans and the territory naturally contiguous thereto would become enormous, and not only cotton but all agricultural and other exports would receive their quota of benefit and this section would gradually become more and more independent of the large money centres.

Cotton bills of exchange passing through New Orleans, even under present conditions, are steadily increasing and at present probably amount to \$100,000,000 on cotton which does not pass through New Orleans as a port. These bills of exchange, under the present system of financing, must



eventually find their way to New York and thence to the accepting bank. A Federal Reserve Bank would obviate the necessity of this delay and extra expense and would at the same time largely increase the business which would be possible under the changed conditions.

New Orleans does not rest its claim for a Federal Reserve Bank only upon its geographical position to make such a bank a success, but because in the public ownership of its docks and Belt Railroad and in the contemplated building of a large public or state owned cotton warehouse, New Orleans has demonstrated that its citizens have shown that confidence in public ownership, which is necessary to the success of any publicly owned and controlled institution. It is true that with one or two exceptions the public ownership of export and import facilities of other ports amounts to almost an impossibility; it is also equally true that the citizens of New Orleans have always realized that in the public control of these facilities lies the only safe means of eliminating private control and therefore private discrimination against any one interest or commodity and the establishment here of a Federal Reserve Bank will, therefore, more readily appeal to the people of this section and

in so appealing inure to the development of the Reserve Bank.

An item of interest in connection with the New Orleans public ownership plans, is the determination of the ~~xxxx~~ state to erect a state owned and controlled system of warehouses for all classes of merchandise and agricultural products, prominent among which is the cotton warehouse, with all the latest modern and mechanical appliances, which is to serve not only this port but the entire cotton producing section adjacent to New Orleans and thereby it is hoped to make this section the greatest storehouse for cotton in the world. The advantages of such a warehouse, situated at tidewater and within twenty days of the most distant consuming markets of the world, cannot be overestimated and merchant and producer alike will share in the benefits and independence which such a warehouse will afford. With a Federal Reserve Bank at hand, the development of the cherished idea of the south controlling its cotton will be very nearly a realization, because such a warehouse with charges reduced to a minimum and because it is close to the producer, will furnish the farmer a safe, cheap, and convenient storehouse for cotton until he is ready to convert

it into cash; it will, because of its accessibility to any and all of the consuming markets, offer inducements to the middleman to hold cotton here instead of in Liverpool, Bremen and Havre, until the mills are ready to buy. It will, therefore, be at once apparent that the necessity for increased financial facilities will be immediate and the Federal Reserve Bank as a place of re-discount will be of inestimable service to the entire people.

The advantages to the Reserve Bank in being close to such a system of warehouses will not be far to seek since the officers of the Reserve Bank will have first hand information as to the value and existence of the commodity upon which its re-discounts are based.

Cotton is essentially a cash agricultural product and is beyond question the most liquid of all bankable commodities. It is also one of the greatest assets of this country and so far as the south is concerned, is its greatest and most dependable crop and upon it depends the prosperity of a large area of the United States. These are the direct benefits which cotton is responsible for, but its financial influence extends far beyond the southern states as upon it rests the balance of trade, the annual export value

exceeding the balance of trade in our favor. The total value of the cotton crop is in excess of \$1,000,000,000 of which more than 50% is grown in the states adjacent to New Orleans.

Of the cotton grown in the western and southern belt, a very large proportion finds its way to foreign consuming markets while in the eastern belt, the reverse is true, since the greater part of the growth of the eastern states goes into southern and northern mills consumption and since the Federal Reserve Bank's province is to buy and sell foreign bills of exchange, and to re-discount notes and drafts secured by agricultural products, its situation as to accessibility would be of supreme importance.

All of which is respectfully submitted.

The Secretary of the Treasury. Who is the next speaker?

Mr. Waxler: Mr. Sanders, who is agent of the Leyland and other steamship lines.

#### STATEMENT OF MATTHEW J. SANDERS.

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

Mr. Sanders: Matthew J. Sanders, Steamship Manager,



New Orleans.

The Secretary of the Treasury: Of what line?

Mr. Sanders: There are a dozen lines, Frederick Leyland & Company -- say the International Mercantile Marine. I am going to give a very brief historic document. This is short, but I do not suppose you will have time to even read that.

The Secretary of the Treasury: We will have time to examine these things in the record, and such things as we can examine in that way, we do not care to have read, because it is a waste of time; but if you will point out now the salient points, you may do so.

Mr. Sanders: My duty was to give you the trade of New Orleans, and I found that it was impossible to give you any evidence of the relative value of New Orleans as a port in the country's commerce without a few figures which are contained in this, and a short argument which goes back to before the civil war. I take it that in considering your banking facilities the volume of trade of the port and its relative importance to the country has a distinct bearing.

The Secretary of the Treasury: It has, and we are glad to have that in compact form and summarized.

Mr. Sanders: We find that for the five years ending June

30th, 1860, that is immediately before the Civil War, the value of New Orleans as a port was almost identical with that of New York in the matter of the value of its exports. For instance, the volume of the trade done through New York was 30.95 per cent, and through New Orleans, 28.38 per cent.

The Secretary of the Treasury: We are bound to deal with modern conditions.

Mr. Sanders: We then show a degression and retrogression for 30 years before there was any improvement, following the conditions resulting from the Civil War and the building of the railroads west, and so on.

New Orleans was founded as a port because it was on the Mississippi River. That is the reason the city was built, and its trade, with the building of the railroads east and west, the river trade disappeared entirely, and it is practically a thing of no importance now.

The point of my argument is this: New Orleans since 1898, since the south has begun really to revive, shows a steady increase in its business. It is now in volume, on June 30th, 1912, the second city of the United States in exports and imports.

The Secretary of the Treasury: Have you the figures?

Mr. Sanders: I have them here.

The Secretary of the Treasury: Just read them for say five years ago and last year.

Mr. Sanders: Last year I have not got, for the government reports are not filed.

The Secretary of the Treasury: I mean the last year you have.

Mr. Sanders: I have the six great ports, and I want to say that the authorities admit that there are three great ports in this country, naturally, New York, New Orleans and San Francisco. The commercial authorities generally admit that these are the three naturally great ports. I have the statistics here for the six ports and the percentage of the trade. The figures for June 30th, 1912 show total exports and imports of New York, as has always been the case, very vastly greater than any other port since the war. The total of imports and exports for New York was \$1,793,000,000; for New Orleans, second, \$224,000,000; Boston third, \$198,000,000; Philadelphia fourth \$154,000,000; Baltimore fifth \$118,000,000, and San Francisco sixth, \$108,000,000.

The figures vary a little, one way or the other. The bulk of our exports is cotton.

The Secretary of the Treasury: How much of that is export and how much is import, have you that?

Mr. Sanders: Yes, I have that.

The Secretary of the Treasury: For New Orleans.

Mr. Sanders: For New Orleans, for the fiscal year ending June 30th, 1912, exports \$149,160,000 and imports \$75,089,000. The greatest increase New Orleans has had in its trade has been in imports.

The Secretary of the Treasury: What was it in 1907?

Mr. Sanders: I have not those figures. I did not think you wanted such details. I thought you wanted it briefly. I can give it to you for 1908. I made mine very brief because I knew you would want it so.

The Secretary of the Treasury: You referred to the growth of the port, and we wanted to see what it has been.

Mr. Sanders: I have it since 1898, since it began to grow.

The Secretary of the Treasury: We will take it for that period.

Mr. Sanders: Here are the figures --

The Secretary of the Treasury: Take 1907, now.

Mr. Sanders: 1907 gives us exports of \$170,000,000 and



imports \$46,000,000.

The Secretary of the Treasury: \$170,000,000 in 1907, and \$179,000,000, I believe you said, in 1912.

Mr. Sanders: No, it is even less in 1912. It was \$149,000,000, the difference being largely in the value of cotton.

The Secretary of the Treasury: Ten years ago what was it?

Mr. Sanders: In 1902 the exports were \$134,000,000 and the imports \$23,000,000.

The Secretary of the Treasury: How do you account for the decline?

Mr. Sanders: It is not a decline really.

The Secretary of the Treasury: No, I am speaking of the decline from 1907 to 1912.

Mr. Sanders: It is very largely the value of cotton, the largest commodity we handle, which ranges in price enormously.

The Secretary of the Treasury: Do you know what the price was in these two years?

Mr. Sanders: No, sir, I have not got that.

The Secretary of Agriculture: What was the number of bales?

Mr. Sanders: I have not gone into these particulars. Those can all be given, if you want them.

The Secretary of the Treasury: You might file a little additional statement.

Mr. Sanders: You would like the number of bales?

The Secretary of the Treasury: Yes, and if there is any reason the number of bales has declined, perhaps that is due to Galveston.

Mr. Wexler: It is due to the boll weevil in this particular section, where the crop has fallen off. Louisiana used to grow 500,000 bales, and now grows 139,000 approximately.

Mr. Glenn: The crop before the boll weevil in Louisiana was over 1,000,000 bales, and immediately after it went down to 250,000.

The Secretary of Agriculture: What is your estimate this year?

Mr. Sanders: 300,000.

Mr. Glenn: And now it will gradually increase, as they are overcoming the boll weevil.

The Secretary of the Treasury: If you will get those facts together and just file them as an exhibit, we should

like to have them.

Mr. Sanders: Yes. The only argument I want to make is this, that notwithstanding we have lost the immense river trade which came down here, because there were no railroads, we are growing rapidly, as the figures show.

The Secretary of the Treasury: Is the river trade increasing?

Mr. Sanders: The river trade now, my point is, cannot possibly be avoided. The railroads have killed the river, or competition fair or unfair has killed the river. The river has now navigable channels for at least 1000 miles all the year round, given by the government at great expense. The old style of river craft has absolutely gone, and the new style is just coming into effect, and the government is evolving a new barge system, and by a system in connection with the government on ginners and private enterprise there has been evolved a very remarkable craft which is plying in this vicinity.

The Secretary of the Treasury: So there is a revival of river traffic now?

Mr. Sanders: Unquestionably, it is on the verge, and we are getting out of the destruction which followed the

railroad building east and west. And that traffic added to our other traffic, my point is it is impossible for New Orleans to avoid taking its natural place geographically. We are the second port, because of the valley --

The Secretary of Agriculture: Have you given the items of that proportion and increase?

Mr. Sanders: Yes, sir, the argument is here entirely.

The Secretary of Agriculture: Is it argument or have you given facts showing what that consists of.

Mr. Sanders: No, I have not gone into that. I can give you the actual facts in regard to the river craft which are being built and their capacity. For instance, I can tell you, astounding as it may be to you as a bank man, there are a number of craft recently built which carry 1000 tons 1000 miles for \$18.00, the cost of fuel, and are doing it every day. The obsolete system of the river craft does not begin to compare. These craft can carry the traffic on the waterways that the river has already got at one tenth the price of rail haul.

The Secretary of Agriculture: How many are there?

Mr. Sanders: There are about a dozen.

The Secretary of the Treasury: They are only river craft?



Mr. Sanders: They are only river craft.

The Secretary of the Treasury: They do not ply on the waters of the Gulf?

Mr. Sanders: As a matter of fact they are carrying coal from Alabama, coming around the edge of the Gulf, and carrying general merchandise back. But I only mention that as the commencement of a new style of water craft which is bound to force the use of our river, and to that must be added the traffic we are already getting by rail. New Orleans being now the second port in values, ten years from now with this added river traffic which can be brought here for one quarter the cost it can possibly be handled by rail, is bound to be added and make us far and away and probably to the same extent, in the same relation we were before the war.

The Secretary of the Treasury: If you will supply that data, and file your statement.

Mr. Sanders: I will with pleasure.

(The statement is as follows:)

It is impossible to properly consider the value of the port of New Orleans in the foreign commerce of the country at large, without, at least briefly, alluding to the unusual

and special conditions which have intimately and seriously affected its trade.

It was inevitable that one of the most important ports on the Continent, should be located upon the banks and near the mouth of the Mississippi River, which, with its great tributaries, drains the major portion of the continent. This vast system of waterways afforded, previous to the advent of the railroads, by far the most convenient and extensive means of locomotion and transportation on the continent.

Before the Civil War, New Orleans was not only the second port in the United States, but a close second in its export trade to the leading port of the country, New York. The relative foreign commerce of the principal ports of the country, previous to the outbreak of the Civil War, is shown by the following tables, which give the value of the average yearly commerce for five years ending June 30th, 1860:

## DOMESTIC EXPORTS

	<u>Avg. yearly value.</u>	<u>Per cent Total</u>	<u>Avg. yearly value</u>	<u>Per cent Total</u>
New York	\$102,257,675	30.95	\$208,080,149	62.71
Boston	18,513,657	5.60	41,495,022	12.50
Philadelphia	6,059,011	1.83	15,294,205	4.61
Baltimore	10,403,907	3.15	19,625,993	2.90
New Orleans	93,817,338	28.38	20,486,416	6.17
San Francisco	10,808,085	3.27	9,227,622	2.79

New York's percentage of the total export trade of the country during this period, averaged 30.95; New Orleans 28.38. The next largest port being the port of Baltimore with a percentage of 5.60.

In imports, the relations were very different, that of New York being then, as now, far in advance of any other port.

The destruction of commerce throughout the south resulting from the War and from the unsettled and thoroughly unsatisfactory political conditions obtaining for some fifteen years thereafter, was of course manifested in the reduced trade of all southern ports; but no port suffered quite as much as New Orleans.

This very period of serious depression in the south was marked by extraordinary development of railroad building. This was mainly across the continent east and west. It was accompanied and followed by a remarkable immigration which settled on the Great Prairies of the northwest and middle west, and very rapidly developed the agricultural and other resources of that great section of the country.

The activity both in railroad building and immigration, later tended to the Missouri River and the northwest. This railroad development rapidly changed trade routes, and the traffic which had previously used the uncertain and irregular highways of the Mississippi River and its tributaries, was carried by the far more expensive, but more reliable railroad routes to the eastern seaboard.

This change of trade routes, together with the long continued depression in the whole south, seriously affected the premier part of the south which had, up to the War, almost equalled New York in the value of its exports.

The value of exports from New Orleans in 1860 was greater than in any of the following years until 1890; the average for the five years ending June 30th, 1898 was as follows:



## DOMESTIC EXPORTS

Five years ended June 30th, 1898.

	<u>Avg. yearly value.</u>	<u>Per cent total</u>
New York	\$459,811,892	43.52
Boston	96,051,735	9.09
Philadelphia	43,581,218	4.13
Baltimore	82,223,787	7.78
New Orleans	88,432,371	8.37
San Francisco	39,051,660	3.70

New Orleans had fallen from a very close second to New York, to a very bad fourth.

Notwithstanding the fact that the value of the river commerce steadily decreased until it finally disappeared, the foreign commerce of New Orleans has since 1890 continued to expand, and the figures of the same six ports previously referred to for the twelve months ending June 30th, 1912, are as follows:

	<u>EXPORTS</u>	<u>IMPORTS</u>	<u>TOTALS</u>
New York	\$817,945,803	\$975,744,320	\$1,793,690,123
Boston	69,692,171	129,293,016	198,985,187
Philadelphia	69,069,730	85,038,185	154,107,915
Baltimore	92,210,877	26,438,400	118,649,277
New Orleans	149,160,910	75,089,887	224,250,797
San Francisco	49,249,734	59,235,471	108,485,205

This shows New Orleans again the second port in the country in the value of her total foreign commerce. The most noticeable development in this statement, is the enormous increase in the imports at New Orleans, their value being nearly four times that of the period previous to the War and over five times greater than the period ending 1898.

The port of New Orleans extends for some fifteen miles on both banks of the Mississippi river, and the available harbor in the Mississippi river is unlimited, as the river for some 200 miles from its mouth, has a minimum depth at all times of fifty feet. Practically all the river frontage within the Parish of Orleans is owned and operated by the state without any possibility that this priceless, natural facility will ever be monopolized or controlled by

private ownership.

The extensive system of wharves, sheds and other port facilities have been constructed and are administered by a Board appointed by the State authorities, and the charges levied upon shipping for their use are limited by law to such as is necessary for their maintenance.

The Belt Railroad which forms the link between the Trunk Railroads and the wharves and many manufactories, and other commercial enterprises, is also publicly owned and is controlled and operated by a Board elected by the various commercial exchanges and members named by the city government. Both these essential adjuncts of a Port are entirely free of private ownership or control.

Over ~~xxx~~ ten years ago the Federal Government recognizing the pre-eminent importance to the country at large of the port at the mouth of the Mississippi River, adopted, and authorized the expenditure of some six million dollars for the purpose of building a second navigable channel from the main river to the sea, so as to prevent any possibility of accident in one channel, blockading the commerce of the port.

This second channel is now practically completed

through the southwest Pass at the mouth of the river, and is to be of a minimum width of 1000 feet with a minimum depth of 35 feet, at all stages of the river or tide. This will give a central depth of some forty feet, and ensures that the largest ocean craft in the world can reach the wharves of the port of New Orleans.

The Federal Government, in other words, has recognized definitely and practically, that there must be commercial facilities at the port of New Orleans, the equal to that of any other great port in the country.

Ocean tonnage frequenting the port of New Orleans, shows a continuous and rapid increase;

the gross tonnage for 1911 being 4,634,217 tons

that for 1913 " 6,080,071 "

an increase of over 19%.

No estimate of the future value to the commerce of the country at large, of the Port of New Orleans can be properly undertaken without giving consideration to the value of the Mississippi River and its tributaries as a commercial highway.

The Mississippi River and its tributaries, some ten thousand miles in extent, like all rivers, have variable



stages of water which are governed by the rainfall. In their natural state and without improvement, the navigable channels for commerce were exceedingly variable and unreliable and this uncertainty, giving short or long periods of availability for commerce, necessarily defeated any effort for real economy of transportation.

Before the great development of railroads, following the close of the Civil War, the rivers provided the only practicable commercial highway to the seaboard, and regardless of their expense and delay, were of necessity utilized.

Struggling against increasing odds, river craft continued its inefficient, intermittent and unreliable service with uneconomical and utterly inadequate craft, but were inevitably eventually displaced by the more regular, though more expensive service of the railroads; in many cases undoubtedly, they were dispossessed by grossly unfair methods of competition.

During the past thirty years, however, the Federal Government has made enormous expenditures for the improvement of the navigable channels of the Mississippi river, and many of its tributaries, so that there exists today a permanent, all year round channel in the Mississippi River

as far north as St. Louis, over one thousand miles, and many of the tributaries are also being rapidly and permanently improved and are now available for the most economical form of transportation known to man.

The government has also appointed a Special Board for the purpose of developing the most suitable water craft for the transportation of traffic upon the rivers, and private enterprise has in recent years evolved remarkably efficient and economical river carriers.

It is now beyond doubt that within a few years, by means of the improved and permanent channels and the vast improvement in marine architecture, the river will again come into its own and there will be ultimately developed a traffic infinitely greater than ever before known.

These immense and rapidly growing sections of our country in the Mississippi Valley, the middle West and even in the northwest, being seriously handicapped in respect to foreign trade by reason of their long distance from the seaboard, must receive the assistance of the most economical form of transportation to the sea before they can successfully compete for foreign trade. All this development on the rivers which is needed and is surely coming, must of

necessity centre its foreign trade at the river terminus, the port of New Orleans.

In addition to its prime advantage in regard to river traffic, New Orleans by its central location on the Gulf, commands the foreign trade, by equality of railroad rates, of an infinitely larger section, than any other port on the Gulf or South Atlantic.

It competes on an equality of rates in a large section of Texas and the whole of Oklahoma, with the ports of the West, and throughout Louisiana, Arkansas and a large portion of Mississippi and Alabama, on a parity with the ports to the eastward, but no port combines the equality which New Orleans has with all these states.

The natural physical advantages of New Orleans and the Mississippi River are unrivalled by any port in the country. The ownership and control of the banks of the river, are forever preserved to, and available by, the people at large. The commercial disabilities of the past fifty years, together with the dread of pestilence, are behind us, and the destiny of New Orleans as one of the three essentially great ports of our country, and as the great port of export, entry and

distribution to the Mississippi Valley and the immense territory in the south and middle west, can be delayed only by the errors of humanity.

STATEMENT OF CRAWFORD H. ELLIS.

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

Mr. Ellis: Crawford H. Ellis, Manager of the United Fruit Company.

The Secretary of Agriculture: What is the nature of this company?

Mr. Ellis: They handle the tropical fruit trade from Central America and outward cargoes to Central America of miscellaneous merchandise from the United States.

The Secretary of Agriculture: What territory do you cover in the United States?

Mr. Ellis: We cover the entire territory of the United States through the ports of Boston, New York, Philadelphia, Baltimore, Charleston, Mobile, New Orleans and Galveston. Our largest port is New Orleans.

I presume you want the figures on the importation of



the tropical fruit trade from Latin America?

The Secretary of the Treasury: You may proceed with your statement. I see it is brief. You may incorporate it in the record.

Mr. Ellis: It is only three pages.

The subject which has been assigned me in connection with the hearings before your Committee, relative to the establishing of Reserve Banks throughout eight or more districts, not exceeding twelve, of the United States, is that of the importance of this section of the country as a Tropical Fruit Port.

While I appreciate the fact that you have means at your command in Washington to obtain, in a general way, the total exports and imports of the City of New Orleans, in dollars and cents, yet it is not segregated in such a manner as to enable you to appreciate the importance of this section of the country and its relations to the Central American countries in respect to tropical fruit, which comprises the principal article of export from those countries to this section of the country.

Practically the entire importation of tropical fruits from British Honduras and the Republics of Guatemala, Spanish Honduras, Nicaragua, Costa Rica and Panama are

brought into the United States through the City of New Orleans, and, from there, distributed throughout all of the states west of the Mississippi River, also east of the Mississippi River as far as a line drawn from the City of Columbus, Ohio, south through the states of Kentucky and Tennessee, following longitude 85, to the northern boundary of South Carolina, and thence in a southeasterly direction to Savannah, Georgia.

A Federal Reserve Bank established in the City of New Orleans would, from a tropical fruit standpoint, not only serve to handle business from such industry throughout the states of Georgia, Alabama, Mississippi, Louisiana, Texas, Kansas and Tennessee, but would also serve to handle such business as might appertain to all the Latin American countries extending from Mexico south to the Republics of Panama and Colombia. This would also include the Island of Cuba, from which point, large quantities of pineapples and other tropical fruits of a miscellaneous character are received through this section of the country every year.

The frequent steamship service between the Tropical Fruit Ports and the City of New Orleans not only renders it extremely desirable but profitable for the bankers and

business men of Central America to conduct practically all of their banking and commercial business through the City of New Orleans, and this is becoming more pronounced from year to year. The banks of the City of New Orleans are in a position to serve as a Clearing House for the Central American countries, and a Federal Reserve Bank established in the City of New Orleans would attract more business from the Latin American countries, which, it may be said, is now handled in foreign countries.

It would seem to me that the location of a Federal Reserve Bank in the City of New Orleans would be as mandatory and essential ~~xx~~ on the part of the United States Government as the establishment of one in the City of New York, inasmuch as it would serve the entire Gulf States, Latin America and a portion of the West Indies, in the same manner as New York will serve a portion of the Atlantic States and the West Indies.

I have not had the opportunity to look over the proposed distribution of the districts, or the number it is desired to establish, but, from my viewpoint as a business man in commercial life, and 20 years experience with the Latin American trade and the tropical fruit trade with Latin

America, I should regard it as being one of the greatest calamities that could befall us if a Bank was not established at a point where, in my judgment, it could best serve the tropical fruit interests.

I might say that the total value of these imports for the year 1913 was about as follows:

Banana Importations	\$16,000,000.00
Cocconut Importations	3,500,000.00
Importations of Oranges and	
other Miscellaneous fruits	<u>1,500,000.00</u>
Total	\$21,000,000.00

The Secretary of Agriculture: What was it for 1910? We would like a little comparison to show growth, in 1910 and 1907, five year periods. Can you give us that?

Mr. Ellis: I can give you in 1908, I should say about \$15,000,000 as a total, and now it is \$21,000,000. It has increased more rapidly than any line of industry which is imported through the port of New Orleans.

The Secretary of Agriculture: And it is now increasing rapidly each year?

Mr. Ellis: very rapidly.

The Secretary of Agriculture: What do your exports amount



to for the same time.

Mr. Ellis: I have not the experts. Another gentleman has been assigned that topic.

The Secretary of Agriculture: I mean on your particular ships?

Mr. Ellis: He has that also. I merely dealt with the importation from Latin American countries through this port.

The Secretary of Agriculture: Where do you finance your operations?

Mr. Ellis: We finance most of them right here in the City of New Orleans.

The Secretary of Agriculture: To what extent in volume or magnitude are these transactions?

Mr. Ellis: About what is stated here, from \$21,000,000 to \$30,000,000.

The Secretary of Agriculture: I mean you handle all of that in New Orleans?

Mr. Ellis: We handle all of that in New Orleans.

The Secretary of Agriculture: Do you have any difficulty about it?

Mr. Ellis: No, we have no difficulty here about it, except when other lines of industry are moving, we have to

appeal to New York for funds. This is all imported here and shipped out in cars throughout the southern and western states, aggregating some 30,000 cars a year, and all of that business is financed here. It requires an enormous amount of tonnage to handle this product. They purchase all their supplies in this port, and they get their coal here and all their supplies, all their men of course have their wages paid here, which requires a large amount of money to handle, and it requires a large amount of money to handle the loading and discharging of these vessels.

The Secretary of Agriculture: Thank you, that is all. If you can supply that comparative data, you may do so.

Mr. Ellis: I can.

#### STATEMENT OF W. S. PENICK.

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

Mr. Penick: W. S. Penick, President of Penick & Ford, Limited, and they are engaged in the molasses and sugar trade. I have prepared a very short brief, and I thought I could read it to you about as quickly as I could tell you gentlemen what it alludes to.

The Secretary of the Treasury: You may proceed.

Mr. Penick: New Orleans occupies the second place in the sugar trade in the United States, following New York and taking precedence over Philadelphia, San Francisco and Boston.

A statement furnished by Mr. D. D. Colcock, Secretary of the Louisiana Sugar and Rice Exchange, a high authority upon such subjects, states that New Orleans handles ninety per cent of the Louisiana Sugar produced on plantations amounting in good years to something like 300,000 long tons; and in addition to this 378,000 long tons of foreign sugar are imported and refined, making a total of 678,000 tons.

Of molasses and syrups, domestic and foreign, the same authority states New Orleans handles 273,000 long tons.

From these figures, it will be seen that New Orleans is the Clearing House for conservatively sixty-five million dollars annually of sugar, and fifty million dollars in molasses, or a total of one hundred and fifteen million dollars, both of which products are distributed throughout the United States; but especial attention is called to the fact that the Southern States, particularly Texas, Arkansas, Louisiana, Mississippi, Alabama and Georgia rely almost

entirely upon New Orleans for their supply of sugar and molasses.

In financing the raising, manufacture and distribution of these products, there is a tremendous amount of money required, running into the millions, nearly all of which is furnished by the New Orleans banks.

It is hardly necessary to attempt a prediction as to the effect of the removal of the sugar tariff two years hence, but the history of the sugar industry in this state has shown it has sufficient stamina to survive the severest shocks and that it has wonderful powers of recuperation.

I put that in there because I did not know but what you gentlemen might think it would go out, but we do not think it will.

In the last fifty years, the price has fallen several times to a very low figure, thought to be less than the cost of production, but by the use of improved methods of agriculture and the advent of the immense modern sugar factory, vacuum pans, triple effects and bagasse burners (the latter enabling the manufacturer to use cane after the juice has been extracted from it in place of expensive fuels), the planter has been enabled to make sugars profitably



at a very much lower price for his product, and, therefore, it is confidently hoped that still further improvements and the constantly increasing consumption of sugar throughout the world will enable the Louisiana sugar planter to continue to produce this valuable crop; but even if the industry suffers severely, there will still remain many of the larger centrals on the plantations of Louisiana, which will undoubtedly turn their attention to making refined sugar, and in addition to these, New Orleans will still have three refineries, one of which is said to be the largest in the world, importing, refining and distributing alone nearly four hundred thousand tons annually through New Orleans, and she will also continue to produce, import and distribute ever increasing quantities of molasses for domestic use.

From this it will be seen she will under any conditions remain one of the largest and most important cities engaged in the sugar and molasses trade in the United States, requiring immense sums of money for financing the manufacture and distribution of these products.

Now I should like to add to this that New Orleans furnishes Texas with between \$10,000,000 and \$12,000,000 of sugars and molasses every year. Texas relies very

largely upon New Orleans for its supplies of sugars and molasses.

The Secretary of Agriculture: Do you have any trouble in financing these operations?

Mr. Penick: No, we have had no trouble whatever that I know of.

The Secretary of Agriculture: You say you do that exclusively locally?

Mr. Penick: You mean finance all these transactions?

The Secretary of Agriculture: Yes.

Mr. Penick: The American Sugar Refining Company has a very large plant here and it supplies no doubt, some of that money from New York. What proportion of it, I have no way of knowing, but the money to make the crop in Louisiana here, the money for refining and distributing and selling, is furnished from New Orleans. For instance, in my own business the money is furnished exclusively for the buying of these supplies, many of which we have to carry for eight and ten months, and they are distributed throughout Texas and the entire south, and the United States, and that money is all furnished here practically.

The Secretary of the Treasury: When is the extreme or

seasonal demand for money for the sugar crop?

Mr. Penick: In November and December.

The Secretary of the Treasury: It comes along right after cotton?

Mr. Penick: Right after cotton, yes, sir.

The Secretary of the Treasury: Does it overlap at all?

Mr. Penick: Yes, I should say it does. The demand for handling and gathering these crops begins the latter part of October, and of course cotton then has not been marketed, it is probably at its height.

The Secretary of the Treasury: When does the demand cease?

Mr. Penick: In the sugar and molasses trade?

The Secretary of the Treasury: Yes.

Mr. Penick: I should say along in January or February.

The Secretary of the Treasury: What are the sugar refineries here?

Mr. Penick: The American, Henderson and Cogswell.

The Secretary of the Treasury: Are they independent refineries?

Mr. Penick: Yes, sir.

The Secretary of the Treasury: All competitive?

Mr. Penick: All independent of each other.

The Secretary of the Treasury: That is what I mean, and they are competitive?

Mr. Penick: They are competitive, yes.

The Secretary of the Treasury: Do the other refineries finance their requirements here? The American, of course, finances a large part of their requirements in New York, but how about the others?

Mr. Penick: So far as I know, they finance their requirements here.

The Secretary of the Treasury: Are they locally owned?

Mr. Penick: Yes. Then we have a refinery, the Flannery Refinery, and I presume they get some of their money here and some elsewhere. Then we have the reserves or centrals, and as I have mentioned in this brief, a good many are turning their attention to the refining of sugar, and when this crop gives out here, they will also start importing sugar from the West India Islands, probably, and then if this industry were to be exterminated, this 300,000 tons of sugar that Louisiana ~~xxxx~~ has been producing, will have to be furnished through New Orleans, the most of it, through these centrals that will be converted into refineries.

The Secretary of the Treasury: Are those centrals



advantageously placed for refining purposes?

Mr. Penick: very, I should say.

The Secretary of the Treasury: Have they water navigation facilities?

Mr. Penick: yes, most of them. I should say they were extremely well placed.

The Secretary of the Treasury: Thank you.

STATEMENT OF E. T. GEORGE.

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

Mr. George E. T. George; I am Chairman of the Executive Committee of the Seaboard Refining Company.

While New Orleans does not crush as much cotton seed as in former years, owing to the inroads made by the boll weevil and the building of numerous country mills, it is becoming each year more and more important as a manufacturing and exporting centre for the cotton seed products turned out by the 890 oil mills, located in the cotton producing states, for outranking all other points in this regard. New Orleans holds the same relative position in cotton seed oil

circles, as does Chicago in grain.

New Orleans, this season, will not crush more than 25,000 tons cottonseed, the products from which are valued at, say, \$800,000.00, yet it will handle, from the interior points the following --

And I may say there are 120 mills in Texas, and I think New Orleans draws products from every one of these and perhaps handles more than do all the manufacturers of Texas combined.

The Secretary of the Treasury: Is that for export?

Mr. George: various purposes, export and domestic.

Cotton seed oil: Principally from Texas, Arkansas, Louisiana, Mississippi, Alabama and Georgia, 600,000 barrels, requiring, say, 3750 tank cars of 160 barrels capacity each, for transporting it, at an average price of 40 cents per gallon, the value aggregating \$12,000,000.00.

After this oil is refined here, it meets with world-wide demand, much of it being exported direct from New Orleans to the leading foreign ports, the chief of which are: Rotterdam, Marseilles, Hamburg, Antwerp and Liverpool, the balance is used locally and elsewhere in this country.

I would like to say there that the largest consuming

point in this country is Chicago, the packers using perhaps one-half of the total output for the conversion into oleo-margarine, butterine and lard compound, and as Chicago will no doubt have a reserve bank, they will handle the largest part of it, but outside of Chicago I think New Orleans comes next.

About 200,000 barrels cottonseed oil, or, say, \$4,000,000.00 worth, each year, are converted into lard compound by the New Orleans factories alone.

Cottonseed Cake and Meal: Fully 150,000 tons of cottonseed cake and meal, requiring, say, 5000 cars to transport it to New Orleans are handled here each season for export, from the territory above named, principally from Texas, valued at an average price of \$30.00 per ton, say \$4,500,000.00. About one-half this quantity comes here as loose cake and is ground by local concerns and put up in 100 lb. bags for domestic and foreign consumption.

In addition, fully 25,000 tons of cottonseed meal are brought to New Orleans annually from interior points for local sale to dairymen for feeding purposes, and to fertilizer factories for mixing with other ammoniates. Value, say \$650,000.00.

Cottonseed hulls: About 2500 carloads, say, 37,500 tons Cottonseed Hulls are brought into New Orleans annually from interior points for sale to dairymen and others; value, say \$300,000.00.

Cottonseed Linters: About 50,000 bales of cottonseed Linters are shipped into New Orleans for export annually, from interior points; value, say \$750,000.00.

About 50,000 tons Cottonseed Cake and Meal are exported from Savannah, Ga., Mobile, Ala. and Pensacola, Fla., by New Orleans concerns, value, say \$1,500,000.00, the exchange for which is sold by them to New Orleans banks on receipt of foreign bills-lading.

And yet only \$800,000 worth is produced here annually.

Cottonseed Soap Stock: From the refining of crude cottonseed oil, about 100,000 barrels of raw soap stock, testing between 40% and 50% fatty acid and valued at about \$500,000.00 is turned out by the New Orleans refiners each season. This product is either boiled down into an article testing about 95% fatty acid and shipped to various points in this and foreign countries for soap-making, or utilized in the raw state by New Orleans or domestic manufacturers elsewhere for like purpose.



From the foregoing, it will be seen that the value of cottonseed products, exclusive of the refined cottonseed oil used for lard compound, and the by-products of soap stock, manufactured and concentrated at New Orleans each year, amounts in round figures to Twenty million five hundred thousand dollars (\$20,500,000.00).

The 890 crude cottonseed oil mills represent an investment close to \$100,000,000.00. During the months of September, October, November and December each season, about four million tons of cottonseed, worth say \$100,000,000.00, are sold for crushing over a much longer period, hence during said months, the mills generally exhaust their local credit, and are compelled to discount four and six months notes in the money centres of the country. Cottonseed products are invariably sold for cash, and meet with active demand each month of the year, both at home and abroad, making the paper, as a whole, safe and desirable.

A Reserve Bank here would be of great benefit to at least ~~xx~~ five hundred (500) crude Cottonseed oil mills, contiguous to New Orleans, besides local refiners and exporters.

The Secretary of the Treasury: How about the financing

of these requirements, do you have any difficulty in getting the accommodation needed here?

Mr. George: We get a large proportion of our accommodations here, and after that we discount our four and six months notes through --

The Secretary of the Treasury: Where?

Mr. George: Through New York and Boston.

The Secretary of the Treasury: Through note brokers?

Mr. George: Yes, sir, this year largely through Boston.

The Secretary of the Treasury: What sort of paper do you give?

Mr. George: We generally give our own paper with the endorsement of two of the officers of the company.

The Secretary of Agriculture: What percentage should you say you have to discount?

Mr. George: Here or elsewhere?

The Secretary of the Treasury: Outside of New Orleans?

Mr. George: Some seasons more and some seasons less. For instance, the price of cottonseed oil varies from the size of the crop, from 25 cents up to 65 cents a gallon. This year I should say about 35 per cent has been discounted in the east.

The Secretary of Agriculture: Was that because you could not get it here?

Mr. George: I suppose we could have gotten it here, but the banks were carrying large loans here on cotton and sugar, and without pressing it at all, we went east; but we generally give the local banks the preference.

The Secretary of Agriculture: Do you have to discount each year?

Mr. George: No, sir, some seasons we do not, according to the price.

The Secretary of the Treasury: You do not sell your paper with bills of lading attached, as a rule?

Mr. George: No, as we ship out the goods to foreign markets and to this country we draw at sight bills of lading attached, and deposit those in the New Orleans banks for collection.

The Secretary of the Treasury: But where you sell the merchants on time you carry it yourself.

Mr. George: It is a strange business. With \$100,000,000 capacity, it is all cash. We pay cash for the product and sell for cash.

The Secretary of the Treasury: So you draw against the

value of the product?

Mr. George: Yes, sir.

The Secretary of the Treasury: And you find a ready sale for your paper everywhere?

Mr. George: Yes, sir.

The Secretary of the Treasury: But when you discount in the east you do it on the company's own credit?

Mr. George: Yes, sir, with the endorsement of two officials here.

Mr. Wexler: And it is the same way here.

Mr. George: Yes, sir.

The Secretary of the Treasury: You simply sell for cash and draw at sight against the bill of lading and discount your own notes?

Mr. George: Yes. The only reason we do that is that the business is done in from four to six months, ~~xxx~~ the production, and yet we have to carry these products for disposition during the entire twelve months.

The Secretary of the Treasury: Mr. Wexler, who is your next witness.

Mr. Wexler: It is about luncheon time.



The Secretary of the Treasury: Have you some witnesses here upon the manufacturing phases?

Mr. Wexler: Yes, sir. Mr. Hardin will just say a word on the grain business of the port.

STATEMENT OF J. D. HARDIN, SR.

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

Mr. Hardin: Jeff D. Hardin, President of the New Orleans Board of Trade.

My plea is our inability to get finances to finance the grain that goes through this port, and my brief is very short, and I can hasten through it.

To me has been assigned the task of submitting to you a brief covering the question of the importance of the City of New Orleans as a grain, provision, and produce market, and I welcome the opportunity of presenting some facts, particularly in connection with the grain trade, pointing out the disadvantages which we are laboring under, despite the efforts that have been made, and that are being made, to regain for New Orleans its supremacy as a grain ~~xxx~~ exporting port.

You gentlemen are aware of the commercial advantages of the City of New Orleans, of its transportation facilities, etc., ~~xx~~ so it is not my purpose to encumber you with a mass of figures or detail argument, but to bring to your attention, so far as Grain is concerned, the benefit that would accrue by the establishment of a Regional Bank at New Orleans. It is not only a local question, but it is one that is closely related to districts in which the granaries and the feed supplies of the middle west are located.

That New Orleans is the natural gateway for the grain and food supplies of the Mississippi Valley, has long been recognized.

Again speaking as to grain, the signs of the times bespeak for New Orleans the return of a large portion of the grain trade, for, with the large crop of wheat that is being raised in this country, and changes in conditions brought about through the tariff, shippers are anxious to move their grain through this port if they can do their financing at this end.

The publicly operated elevators, and the supervising and weighing of grain by an efficient department of a commercial organization, as is in effect at New Orleans, is

recognized by all shippers as the most perfect in the country.

The Secretary of the Treasury: How many elevators have you?

Mr. Hardin: Five.

The Secretary of the Treasury: Have you given their capacity?

Mr. Hardin: I will furnish you with the capacity. I think it is close on to 6,000,000 bushels.

The grain elevators are owned by the railroads and operated as public houses.

The New Orleans Board of Trade has complete charge and control of the weighing and inspecting of every bushel that goes into, and that is taken out of these elevators. The certificates issued by the Board of Trade are a guarantee against the bushels in store, as well as the weight of the grain, affording protection to both the shipper and the buyer, and all that is needed is ample financial facilities to attract the exporter so that he can have his papers handled at this end.

In 1899 our elevators handled 40,017,000 bushels of grain.

The Secretary of the Treasury: What kind of grain?

Mr. Hardin: Wheat and corn and some little oats. And for the following five years, averaged 30,000,000 bushels per year, exporting 32,000,000 bushels in 1903.

No difficulty was experienced in securing from the New Orleans banks and financial concerns, all the money required to handle this large volume of business, no distinction being made between local or related shippers. The reliable firm with good grain collateral was afforded ample financial accommodation.

As a result of this policy large quantities of unsold grain were assembled here, creating a broad market, attracting not only buyers from New York, but largely extending our direct European connections, and at the same time attracting tonnage to this port, giving us an unvarying plentiful supply, with equitable and stable rates, to every port in Europe. Grain being dead weight, it became necessary to draw from the interior, lighter cargo, to properly fill these steamers, thus largely extending the sphere of our influence.

The movement began to dwindle about 1904. The banks of this city, in addition to financing rice, sugar, cotton,



found a call for their funds in exploiting new local enterprises and real estate, and withdrew practically all support from local grain shippers.

The Secretary of the Treasury: When was that?

Mr. Hardin: This was in 1904. This resulted in immediately shutting off shipments by all smaller shippers, and effectively stopping shipments from Oklahoma, Kansas, and Nebraska direct, the result being that in 1904 we handled only 11,000,000 bushels as against 32,000,000 bushels of grain the previous year.

The Secretary of the Treasury: It was due solely to that cause?

Mr. Hardin: Yes, sir.

The Secretary of the Treasury: You could not finance it?

Mr. Hardin: Yes, sir. The grain business from 1905 to 1912 was confined to very few firms who used New Orleans simply as a clearing port, no banking being done, only the physical cost of handling was left as profits in this city.

From 1908 up to 1915 our grain export business steadily decreased, the average during this five year period amounting to about 7,600,000 bushels a year.

The western shipper, finding it impossible to finance his grain in this city, consigned to competitive ports or shipped to interior markets where it was distributed, ultimately reaching the European markets through the Atlantic or Lake gateways, but stripped of much of the profit which would have accrued to the producer had it been possible to reach the consumer by the natural and direct medium of the Gulf.

The imperative necessity, both for New Orleans and the great wheat producing sections of Oklahoma, Kansas, and Nebraska, is the establishment of banks which will meet the requirements of this trade, and enable the producer to market his crop where he can realize the highest price, and secure the most advantageous vehicle for the transaction of his business.

The shippers of these sections prefer our market, and the only reason they have not given us the lion's share, has been the financial difficulties. Few of these inland grain centres, like Oklahoma City, Wichita, Leavenworth, etc., have sufficient banking capital to do more than care for current movement; therefore, cannot afford to carry stocks at the ports.

A glance at the map shows conclusively that New Orleans is the logical market for the grains of the southwest, the movement in this direction meeting with the least resistance, while the elimination of the middle man and the expenses of interior manipulation leaves to the producer the maximum of value, and tends to the enrichment of the country.

The importance of the immediate establishment of financial facilities is intensified by the fact that the wheat crop of the sections previously mentioned gives promise of the heaviest yields on record, and as the condition of the Argentine crop now coming on the market, is unsatisfactory, and the quantity much short of previous years, the demand for American No. 2 Hard Winter Wheat is likely to be very urgent after the opening of spring, and unless these shipments can be handled through this port, it will be very disadvantageous to the shippers, as they must know what they can do before the movement begins, and what financial aid they can look for.

These considerations appear to us of sufficient urgency and importance to seriously engage the attention of your Honorable Commission upon whom devolves the duty of supplying the sinews of commerce.

In connection with New Orleans as a produce and provision market, our trade runs up into the millions of dollars. There is a time for about two months in the year when the country looks to New Orleans and the immediate surrounding territory, for most of its produce. Again, the provision line is not only local, but one that has a relationship to other districts.

In conclusion, I beg to submit a brief statement of receipts of grain, provisions, and produce at New Orleans for the year 1913, amounting to a valuation of \$151,328,401.00, all of which must be financed in this city, showing conclusively the urgent necessity of a Federal Reserve Bank to take care of the district that New Orleans would naturally serve.

The Secretary of the Treasury: Was not the development of Galveston as a port had much to do with the dwindling of New Orleans as a port?

Mr. Hardin: To some extent.

The Secretary of the Treasury: Because the testimony over there was that there had been a very large development through Houston to Galveston.

The Secretary of Agriculture: Are you advocating this



district for a reserve bank?

Mr. Hardin: I am advocating New Orleans as the city for a reserve bank.

The Secretary of Agriculture: What you want is more credit facilities?

Mr. Hardin: Yes, sir.

The Secretary of Agriculture: Will this district give it to you?

Mr. Hardin: With a bank in this city?

The Secretary of Agriculture: Yes.

Mr. Hardin: Yes.

The Secretary of Agriculture: In what way?

Mr. Hardin: It will enable us to take our bills of lading and have them financed right here and it will attract shipments to this port and will invite the people in the far west to send their grain here.

The Secretary of Agriculture: Is this district dependent or independent financially? You are stating that it has not been able to take care of you.

Mr. Hardin: Yes, sir.

The Secretary of Agriculture: How is it going to do it in the future?

Mr. Hardin: We will be enabled to take our bills of lading to the banks and have them financed them and get the money and --

The Secretary of Agriculture: How are the banks going to get any more money than they have?

Mr. Hardin: These bills of lading are the most attractive documents that could be put up, as far as an investment is concerned, and if we can take them --

The Secretary of the Treasury: You think the resources of a reserve bank will enable these member banks to extend larger credits?

Mr. Hardin: yes, sir.

The Secretary of the Treasury: Would you not get that facility, whether the bank happened to be in the City of New Orleans or some other accessible point?

Mr. Hardin: I would not want to admit that.

Mr. Wexler: He does not care where he gets it, so he gets it.

Mr. Hardin: yes, sir.

The Secretary of the Treasury: You are not so concerned about getting that credit out of New Orleans or St. Louis or Memphis, so long as you get it.

Mr. Hardin: I feel with the bank here we would be the centre and the attractive point in the south, and with a good piece of paper we could always sell it.

The Secretary of the Treasury: You would have to sell it first to your local bank.

Mr. Hardin: We feel that, and the banks would assist all they can, but there is a limit to their assistance.

The Secretary of the Treasury: Your argument does not touch the main question as to whether New Orleans has paramount advantages or if there are dominant reasons why that, as against any other city in the district, should be the headquarters of the Regional Bank.

The Secretary of Agriculture: Or whether a bank made up as suggested will be strong enough to take care of all these requirements.

Mr. Hardin: There is 90 per cent of our grain financed outside of the city, and as business men we would be largely interested in having it financed here.

The Secretary of the Treasury: What was the value of the grain business in 1912 or 1913, the latest year you have there?

Mr. Hardin: In 1912?

The Secretary of the Treasury: You gave it to us for the preceding year, but is it showing any increase.

Mr. Hardin: No, sir, in the last five years it shows a decrease.

The Secretary of the Treasury: A continuing decrease?

Mr. Hardin: Yes.

The Secretary of Agriculture: You explained that on the theory that you could not get the credit here.

Mr. Hardin: Yes, sir, we could not make this big concentration here in our elevators.

The Secretary of the Treasury: You think that is the only reason, it is not because of the freight rates.

Mr. Hardin: I am reliably informed by the biggest shippers to this port that if we could finance their bills of lading here we could do an enormous business.

The Secretary of the Treasury: Why can you not finance them?

Mr. Hardin: The money is not here.

The Secretary of the Treasury: That is usually considered the best form of collateral.

Mr. Hardin: We have so many other demands here and there are so many lines here that have the same demands that we



Mr. Wexler: Let me explain that from the bank standpoint.

The Secretary of the Treasury: yes, I would like to know.

Mr. Wexler: The practice has been for a shipper in Hutchinson, Kansas, for instance, who sold his grain for export, and he wants to route it through this port, he recognizes the advantage of this port and the proposition comes to the bank in this way; he appoints some local agent down here to receive his bills of lading for him and then this local agent proposes to bring those over to the bank and have the bank take up the draft and allow the grain to go into the elevator, and then to be shipped out, and what they require is the service of a bank to take these drafts up and carry this stuff during the period the grain is in the elevator. These concerns do no other banking business here whatsoever. It is simply an accommodation to the concern in Hutchinson, Kansas, to relieve its local bank entirely and put the burden upon the New Orleans bank to handle it until it gets out of the country. These propositions come to us quite frequently and we have said to them if, as a grain shipper, you wish to do business with our bank and we can handle the foreign exchange arising from it, we are entirely able to do it, but we do not propose to

be made a convenience of and take these documents up and let the foreign exchange be handled through the east or some other point.

Then again we have had another difficulty --

The Secretary of the Treasury: Why would not they naturally handle the foreign exchange made here as they do the other?

Mr. Wexler: There is not any particularly good reason, and in many instances they have done it, and in many instances a good many concerns are doing their business locally; but there are a good many small shippers, where it has not been put up to the banks here in a satisfactory banking shape. And then there has been another difficulty which will be corrected, I think, at our next session of the Legislature, and that is under the operation of our pledge law we have to identify the goods pledged and after the grain gets into the elevator and is mixed, we cannot identify the particular grain upon which we have a lien, and therefore our pledge has not been complete heretofore and until we can have some special provision by which banks can secure themselves without having the identity of the grain maintained, the business will be more or less unsafe.

But if the business comes to us in a good banking way we can handle any amount of business which comes here. But we get lots of propositions that we do not consider good banking and there is no reason for us to do, for the convenience of some one else, and these we do not do.

The Secretary of the Treasury: You think the chief reason for the banks not making advances against this grain is the faulty law that does not secure you.

Mr. Wexler: The faulty law and the fact that the propositions have, in many instances where they have been turned down, not come to us in the right way. Very often agents have been appointed here who were \$75 a month clerks, who handle these documents, which we were required to surrender upon trust until it was put in the warehouses. But so far as handling any legitimate amount of business that comes to the port, that is a proper banking transaction, there is no question whether we get a Regional Bank or do not, because we have always managed to handle the business of this port and will again. But with the growth of the port, unquestionably these additional facilities to be furnished by the reserve banks are necessary.

The Secretary of the Treasury: How do you account for

the decline? Your law was just the same, about pledges?

Mr. Wexler: Yes, at the time we had these big shipments we had three or four very large cargo concerns; Rosenbaum was one, and they rented one or two of these elevators and they loaded a great deal of this grain from this port, and they financed their own business. They got into some trouble, I think they failed or suspended, and gave up these elevators here, and the business went down subsequent to that. That was really the reason.

The Secretary of the Treasury: You may proceed, Mr. Hardin. Have you any other facts there which you care to submit?

Mr. Hardin: No, sir, except that we have the promise of one of the largest wheat yields that this country has ever had before.

The Secretary of the Treasury: Well, that is good, but I do not know that you could relate that specifically to this bank.

Mr. Hardin: I am certainly glad to hear Mr. Wexler say he is in line to finance it, because it has been my impression from the grain gentlemen who have discussed this with me, that there was some little disability on those lines. I would not for a moment want to protest anything that Mr.



Wexler has said on this line, but his impression of it and mine do vary a little bit. The banks, I admit, go as far as they can on that line, and I applaud it, but my --

The Secretary of Agriculture: Is it your impression that the demand is too heavy?

Mr. Hardin: No, my impression is with our proper bills of lading and things of that kind, we have not been able to get the accommodation on the grain business that we are really entitled to. I have been reliably informed, not only by one but by a number of gentlemen on these lines.

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

Whereupon, at 1:00 o'clock P. M., a recess was taken until 2:00 o'clock P. M.

AFTER RECESS.

2:00 P. M.

## STATEMENT OF E. B. HARRAL.

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

Mr. Harral: E. B. Harral, coffee commission merchant, New Orleans.

The Secretary of Agriculture: Will you give us the volume of your trade?

Mr. Harral: The imports of coffee to New Orleans amount to about 2,000,000 bags a year, which is about one-third of the coffee imported into the United States, with a value of \$35,000,000 to \$40,000,000 a year and perhaps \$50,000,000 in rare occasions.

The Secretary of Agriculture: And the distribution?

Mr. Harral: The coffee is distributed throughout the United States west of the Alleghenies and even on the Atlantic seaboard south of Baltimore, so it is just the northeastern portion of the country east of the Alleghenies which we do not reach.

The Secretary of Agriculture: Have you competition?

Mr. Harral: From New York.

The Secretary of Agriculture: Only?

Mr. Harral: Well, some coffee is coming through San Francisco, but that amounts to about 250,000 bags a year against our 2,000,000.

The Secretary of Agriculture: Does that relate itself to this problem in a financial way?

Mr. Harral: It does in this way: The shippers of coffee from Brazil do not recognize American bankers; they draw on London on letters of credit, and the documents are sent to their agents in New Orleans and the agents deliver these documents to the importer upon his demand or agreement to pay at the time of maturity of the 90 day drafts, and he then begins to accumulate money in the New Orleans banks for remittance at maturity. Therefore it has a bearing on the general banking situation in that it furnishes a demand for foreign bills to offset the bills sold here against cotton and grain.

The Secretary of Agriculture: What volume of your business do you handle through the New Orleans banks?

Mr. Harral: Well, as nearly all of it as anything could be. There may be some that does not go that way, but the agents are all here and the documents are sent here and

delivered to the importers by them, and they expect those funds to be remitted through them, and therefore the money is accumulated here for that purpose; and naturally those remittances are coming from all over the United States clear to the Pacific Coast and on the Pacific Coast and up to the Canadian Line and west of the Allegheny Mountains.

The Secretary of Agriculture: Does that impose a burden on these banks?

Mr. Harral: No, sir, it does not. It is an asset.

The Secretary of the Treasury: Because they do not have to pay for 90 days and in the meantime you have an opportunity to get money from the rest of the country to meet these drafts at maturity.

Mr. Harral: Yes. The coffee, of course, frequently stays long after these 90 day drafts are matured, as the settlements have been made, and then it is necessary, of course, for the New Orleans banks to finance this coffee by making loans against it, and in that regard, of course, it takes a good deal of banking capital to handle that business properly.

The Secretary of Agriculture: What would that involve?

Mr. Harral: It should involve a great deal more than it does at present. The stock in New Orleans, on account of



probably the small banking capital here, that is, we should have more, amounts to about a quarter of a million bags to 300,000 bags of coffee.

The Secretary of the Treasury: What is the value of that?

Mr. Harral: I should say about \$4,000,000 as an average. But I call your attention to the fact that if it is enlarged as a financial centre, such as this bank would give us and what we would like to have, it would enable them to carry such a stock as is carried in the large European ports, say a couple of million bags.

The Secretary of the Treasury: Would that be carried for speculative purposes?

Mr. Harral: No. A large stock of coffee enables the roasters throughout the country to make very careful selections of just the character of coffee they want in their business. It is very important to them to have a large stock to select from.

The Secretary of Agriculture: Considering the amount you do carry, are you able to get that financed here, these loans?

Mr. Harral: I think that the position is just this, that the business is as large as they can finance, but with more

financial facilities it would probably expand very largely.

The Secretary of the Treasury: The point is this, is the business you do here financed here, or is any of it financed from the outside, the 250,000 to 300,000 bags you carry anyway.

Mr. Harral: I should say that is all practically financed here. A great part of it is financed under these letters of credit, but the maturities, I think, are in a very large measure met right here at New Orleans by banking arrangements here.

The Secretary of the Treasury: You mean after the warehousing of the coffee the financing is done here?

Mr. Harral: Yes, sir.

The Secretary of the Treasury: Is there any difficulty in getting the requisite funds, as a rule?

Mr. Harral: I do not think the banks would turn a man down, but that is indicated by the rate of interest which prevails.

The Secretary of the Treasury: What is it?

Mr. Harral: I should think we should have a lower rate of interest perhaps, to induce that business to expand.

The Secretary of the Treasury: What do you have to pay

now, about.

Mr. Harral: Well, I am not interested in that feature of it, as I am selling the goods for shipment from Brazil here, but I would say that the prevailing rate now was about six to seven per cent, that is gilt edged.

The Secretary of the Treasury: That sounds southern to me. I have lived in the south myself and know the rates. You have no difficulty then, at those rates, in getting the amount of capital or financing required from the banks to take care of 250,000 to 300,000 bags.

Mr. Harral: I imagine that they let money out at six to seven per cent and then can get the money at a lower rate in some other large centre, and in that way as long as a man can afford to pay those rates he can probably get more money.

There is one thing about the coffee business. In the days of sailing ships, when small cargoes came in, coffee was imported at every port from Boston down to the Mexican border, and as the cargoes increased in size, that business has centred in the leading ports. And perhaps there is no better barometer of the standing of the ports of this country than the coffee business. It has centered in New

York as the great port of the Atlantic, and New Orleans as the great port of the Gulf, and San Francisco, the great port of the Pacific.

The Secretary of the Treasury: Is any of it handled in Galveston?

Mr. Harral: Not a bag is handled in Galveston or Mobile. And to show what a barometer the coffee business is, there is not a bag handled at any port of the country south of New York. Philadelphia, Baltimore and all those ports which used to do it have had to yield to New York, and the business has gone there. And so all the ports on the Gulf have had to yield to New Orleans on the coffee business.

The Secretary of Agriculture: Do you think the lack of credit facilities prevents the expansion of this business?

Mr. Harral: I think with better financial conditions it would expand the business, yes, sir. I think there is room for expansion.

The Secretary of Agriculture: Have you any exhibit which you desire to file?

Mr. Harral: I have just a brief here.

(The paper was filed accordingly, and is as follows:)

The following brief argument, omitting statistical



tables, is submitted in the belief that what is herein stated concerning coffee, is largely true of the financial operations involved in the settlement of the credits created by the importation of the various other articles which make New Orleans second only to New York as a foreign exchange centre.

In the days of sailing ships, cargoes of a few thousand bags of coffee were imported through Boston, New York, Philadelphia, Baltimore, Savannah, Pensacola, Mobile, New Orleans, Galveston, and other ports. The increase in size of cargoes has centered the importation of coffee at New York as the great port on the North Atlantic, New Orleans, the great port on the Gulf of Mexico, and San Francisco, the great port on the Pacific. No truer indication of the commanding position of these ports could be found than the fact that the coffee trade has completely deserted all other American ports and is now confined to them.

The imports of coffee through New Orleans amount to about 2,000,000 bags each year, varying in value from \$25,000,000 to \$40,000,000 and constituting about one third of the total imports of coffee to the United States. This coffee is distributed throughout the United States, excepting

the North Atlantic Seaboard east of the Alleghenies.

The shipper of coffee from Brazil at 90 days sight on London bankers, and the documents are mailed to New Orleans agents of the London bankers. These agents deliver the documents to the importers of the coffee upon their payment, or agreement to pay, in time to meet the maturity of drafts in London. Therefore, throughout the year, money is being remitted to New Orleans from all parts of the United States west of the Alleghenies to be invested in bills on London in settlement for coffee.

The large domestic and foreign exchange transactions involved, indicate the national scope of New Orleans banking, and, in connection with the fact that New Orleans imports of all kinds for distribution throughout the Mississippi Valley, are greater than the combined imports of all the other Atlantic and Gulf ports south of Philadelphia, and of the enormous prospective financial operations with Central America and Mexico, whose United States mail passes through New Orleans, makes New Orleans the ideal situation for the development of the true purposes of a Regional Bank to serve the commercial, manufacturing, and farming industries of that vast southern, Middle Western, and Southwestern

country, of which only artificial barriers can hold back, and then only for a brief time, the volume of business which must come to her as the gateway of the Great Valley.

The Secretary of Agriculture: Have you any other point you wish to emphasize?

Mr. Harral: Only this, that I have had occasion to look into other imports, and I think coffee is a very fair sample of all the other imports, which you will notice are larger to New Orleans than they are to the combined ports south of Philadelphia, and that coffee is not the only article of import that is financed in London on letters of credit. Practically all the business of the world is done that way, and they are brought here and distributed, and I would say the imports are distributed all over the valley and the west and make New Orleans banking rather national in its scope in that way.

#### STATEMENT OF EDGAR E. STERN.

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

Mr. Stern: Edgar E. Stern, cotton factor, Lehman, Stern & Company.

The Secretary of the Treasury: Will you state briefly and summarize what you have in your brief, and file it as an exhibit?

Mr. Stern: I will do that. The only statistics available on the manufactures are those of the United States Census for 1910 bearing on the year 1909. These are the only reliable statistics, so I cannot give later than that year. In that year New Orleans was the second city in manufacturing south of the Ohio River, being second only to Louisville, and being more than \$30,000,000 ahead of its nearest competitor. To read to you several of the cities, Louisville \$101,000,000, New Orleans \$78,000,000; Richmond \$47,000,000; Atlanta \$33,000,000; Memphis \$30,000,000; Nashville \$29,000,000; Dallas \$26,000,000; Birmingham \$24,000,000, and Houston \$23,000,000.

The Secretary of the Treasury: That was in 1909?

Mr. Stern: Yes, sir.

The Secretary of the Treasury: That does not have much value now, five years ago. Have you nothing more recent?

Mr. Stern: I am reliably informed there is nothing reliably gathered later than that. Anything that is gathered is simply estimated and is a guess. The census bureau takes the



manufacturing census every five years, and I will try to bring out that we believe we are growing at the same rate.

The Secretary of the Treasury: Of course, Birmingham and some of these other cities have grown enormously in the last five years. Well, you may proceed with your argument, so far as New Orleans is concerned.

Mr. stern: Comparing these figures, New Orleans is 342 per cent greater than Houston --

The Secretary of Agriculture: Aside from that, what are the lines of manufacture you have here? Give us an outline.

Mr. Stern: The classes of manufacture?

The Secretary of the Treasury: Yes.

Mr. stern: In that particular I want to make the point that we do not depend on any particular line as being an enormous percentage of our total.

The Secretary of the Treasury: It is a varied line?

Mr. Stern: Yes.

The Secretary of the Treasury: Read a list of them, if you have it.

Mr. stern: I will say first of all that what the census classes as "all other industries," namely miscellaneous, makes up 60 per cent of our total, and the other leading

ones are bags, other than paper, as the census calls it, that is, burlap, \$5,352,000; rice, cleaning and polishing, \$5125,000; lumber and timber products \$3,867,000; copper, tin, sheet iron products \$2,500,000, and the others are smaller, but the miscellaneous industries are \$47,000,000 out of a total of \$78,000,000.

I want to make the point here that the American Sugar Refining Company's plant is not included in this total. That was moved a few feet outside of the city limits just before 1909, and that plant has a total product of from \$27,000,000 to \$40,000,000 a year; and if that were added to New Orleans, New ~~Xark~~ Orleans would be higher even than Louisville.

The Secretary of the Treasury: Now what other lines of manufacture are there, what other classes of material, for instance, are manufactured here?

Mr. Stern: I will read the list: Bags other than paper, bread and bakery products; canning and preserving; carriages, wagons and materials; cars, shop construction, steam roads; clothing, men's, including shirts; confectionery; cooperage and wooden goods; copper, tin, sheet iron products; foundry and machine shop products; ice, manufactured; leather goods; lumber and timber products; medicines and drug preparations;

printing and publishing; rice, cleaning and polishing; ship and boat building; and they did not class separately tobacco, cigars and cigarettes. That I happen to know is a total of \$6,000,000, but the census included those in miscellaneous industries.

The Secretary of the Treasury: Are your industries growing, are these increasing in volume and also in number?

Mr. Stern: I can give you the figures from 1899 to 1909. In the first five years --

The Secretary of the Treasury: Just give us 1904 as against 1909, and we will see what you have done. For a five year period let us see the increase.

Mr. Stern: The actual census figure there is a decrease, because in those five years that sugar refinery was moved out of the city, which had been counted in 1904, and moved out in 1909, and taking almost their minimum product, \$30,000,000, it would be \$108,000,000 in 1909 against -- well, I have not the 1904 figures. I can give it to you this way, that the increase in the first five years of the decade was 41 per cent, and in the second five years, if we would have taken that sugar refinery, would have been a little over 100 per cent, so that the growth would have been

a little over 59 per cent.

Now I have the figures for the State of Louisiana as well as New Orleans?

The Secretary of the Treasury: Is that stated in your brief?

Mr. Stern: yes.

The Secretary of the Treasury: Just file it. Just give the total and you may file that.

Mr. Stern: It is at the very top of all the southern states in the capital invested in manufactures.

The Secretary of the Treasury: Give the totals for the state.

Mr. Stern: In capital invested Louisiana heads the list with \$221,000,000.

The Secretary of the Treasury: This is the census figure now?

Mr. Stern: yes. North Carolina \$217,000,000; Texas \$216,000,000; Virginia \$216,000,000; Georgia \$202,000,000; and in the volume of the product Louisiana is second only to Texas, with Texas \$272,000,000 and Louisiana \$223,000,000.

I merely want to make the point, if I may, that the census points out that in making up that column of capital



invested, the instructions to the census taker were to take not only the capital owned but borrowed on the last day of the year, so I take it that is a fairer index of the use by the manufacturers of the banks than the total product is, and in that column Louisiana heads the whole list of southern states.

(The statement submitted by Mr. Stern is filed, and is as follows:)

In presenting certain facts and observations upon the manufactures of New Orleans and the country tributary to it, I do not purpose to attempt to prove that New Orleans and its environs is the greatest manufacturing centre of the United States, for such would be manifestly impossible. However, I am not shirking comparisons with the older and larger centres of manufacture from a mere fear of comparison. I venture to assume in this discussion that at least one of the banks under the new reserve system is to be situated in the south, and that the purpose in conducting this inquiry is to find what centre is best adapted to serve the largest volume of banking needs to the greatest advantage. It is for this reason that I consider it proper to make my comparisons of the manufactures of the New Orleans district

with the manufactures of the territory nearest Southern cities that are competing with New Orleans for the honor of your selection.

Other members of our Committee have been selected to point out the large, and we believe, convincingly superior advantages of New Orleans as a banking centre for the products of the soil and for the operations of transportation and commerce. The importance of this city and section in these fields is probably much more generally known and recognized than in the field of manufacture; and yet the figures which I shall present to you will disclose the fact that here is an additional field in which the New Orleans territory is of first importance in the south, and should be an additional argument for the needs of large banking facilities at this centre, at the same time indicating the great amount of wealth being created and distributed each year by the steady factory pay roll.

First, to consider the factories that are located entirely within the city limits of New Orleans. This city of age and tradition is often thought of by those who are really not familiar with it, as a slow, easy-going old place, far removed from the hum and bustle of factory life. Their

offhand impression is given a startling contradiction by reference to the figures of the last United States Census, based on the operations of the year 1909, which disclosed the fact that with the exception of Louisville, New Orleans is by far the greatest factory city south of the Ohio River, and so far ahead of its nearest competitor as to hardly admit of comparison. The United States Census report for 1910 shows the value of the manufactured products in that year of \$78,794,000; more than \$30,000,000 ahead of its nearest competitor, Richmond; and more than twice as large as the next city in the South Atlantic or Gulf States, namely, Atlanta, with \$33,038,000. A comparison of the value of the manufacturing output of the leading Southern cities, taken from the Census of 1910, is as follows:

Louisville,	\$101,284,000
New Orleans	78,794,000
Richmond	47,358,000
Atlanta	33,038,000
Memphis,	30,242,000
Nashville,	29,650,000
Dallas,	26,959,000
Birmingham,	24,128,000

Durham, N. C.	\$ 23,271,000
Houston,	23,015,000
Chattanooga,	16,036,000
San Antonio,	13,435,000
Charleston,	6,951,000
Bessemer,	6,106,000
Montgomery,	5,443,000
Mobile,	5,429,000

The comparison of New Orleans with three of its leading competitors for the reserve bank, namely; Atlanta, Dallas and Houston, shows that the manufacturers of New Orleans were only \$4,218,000 less than these three cities combined, namely: \$78,794,000 against \$83,012,000. Or again, if we compare the total of the three competitive cities of Houston, Birmingham and Memphis we find New Orleans actually greater than the total of these three, namely; \$78,794,000 against \$77,385,000.

In individual comparisons New Orleans is 342% greater than Houston, 326% greater than Birmingham, 292% greater than Dallas, 260% greater than Memphis and 238% greater than Atlanta.

When we came to examine the figures of manufactures



in the State of Louisiana we find again a very strong showing for what is often considered primarily an agricultural state. Thinking of manufactures in the south one is likely to call up, first of all to mind, the textile industries of the Carolinas, or the steel industry of Alabama; but an examination of the statistics shows that Louisiana far surpasses these states and is second in the south only to the state of Texas in the value of her manufactured product, the census figures giving the following comparisons:

Texas,	\$272,896,000
Louisiana,	223,949,000
Kentucky,	223,754,000
Virginia,	219,794,000
North Carolina,	216,656,000
Georgia,	202,863,000
Tennessee,	180,217,000
Alabama,	145,962,000
South Carolina,	113,236,000
Mississippi	80,555,000
Arkansas,	74,916,000
Florida,	72,890,000

These figures are based on the value of the product, but this item is affected to a considerable extent by the fluctuations in the price of the commodities manufactured, and a more valuable guide to the importance of the state from the point of view of the present inquiry as to the effect of manufactures on banking conditions, would be the figures given in the last census as to "Capital invested in manufacturing enterprises". I make this point in spite of the statement by the Census Bureau that the figures under this heading are so defective as to indicate only general conditions, for the reason that the instructions on the schedule of the census takers for securing "Capital Invested", were as follows:

"The answer should show the total amount of capital both owned and borrowed on the last day of the business year reported".

This item, therefore, will indicate more accurately the use of banks by the manufacturer; and based on this classification, Louisiana takes rank at the very top of the southern states in manufactures, with a total capital of \$221,816,000 and the other states following in this order:

Louisiana,	\$221,816,000
North Carolina,	217,185,000
Texas,	216,876,000
Virginia,	216,392,000
Georgia,	202,778,000
South Carolina,	173,221,000
Alabama,	173,180,000
Kentucky,	172,779,000
Tennessee,	167,924,000
Mississippi,	72,393,000
Arkansas,	70,174,000
Florida,	62,291,000

I have confined myself to comparing our city and state with other southern cities and states, without trying to block out and compare larger areas of territory that might be brought into the province of a reserve bank located in any one of these cities, as I have felt that this allotment of territory is entirely a matter for you gentlemen to decide. I merely point out that the foregoing figures clearly indicate that whatever territory might be thought of for any one city, that New Orleans and Louisiana from the point of view of manufactures start off with an initial

advantage at home over any other competitive southern city or state, and I ask you to consider this in connection with our leadership in other forms of commerce and industry. I have furthermore confined myself thus far entirely to a statement of present conditions, drawn from the most authoritative source, as I understand that you are interested fundamentally in facts and not in supposition. However, as the Regional Bank is founded not merely to fill present needs, but to take care of the future, it would seem pertinent to look briefly into the prospects for a continuation of the present manufacturing development.

We feel that we have every reason to believe that New Orleans and Louisiana will continue not only to hold their present places of leadership in this field, but to rapidly increase their present rate of progress. In the decade from 1899 to 1909 the capital invested in manufactures in Louisiana increased more than 100%, from \$100,875,000 to \$221,816,000, and the value of the manufactured output, from \$111,398,000 to \$223,949,000. The value of the products of the New Orleans factories increased in the five years, from 1899 to 1904, 41.7%. During the next five years the plant of the American Sugar Refining Company was removed



to a point just outside of the city limits, and this one factory represented an output of over \$30,000,000 per annum, and yet the total for New Orleans decreased only 3.2%. If it had been kept within the city and counted in the census the total figures for New Orleans for 1909 would have been about \$108,000,000 as against \$57,446,000 in 1909. This shows that the development of other industries had made a handsome increase in the decade. As this plant is located just outside the boundaries of the city it is in reality still practically a factory of the City of New Orleans.

The prospects for a continuation of the prosperity of the New Orleans manufactures is increased by the fact that these factories are not confined to any particular industry, but are thoroughly diversified, as is indicated by the table below, showing that 60% of the entire factory product is classed as "all other industries", by the census, indicating miscellaneous factories of all kinds.

(See Table attached.)

It will thus be seen that the natural advantages for manufacturing in New Orleans have been for some time attracting the attention of manufacturers. The centre of population has been drifting westward with a southward

tendency. It is now drifting southward, and with a drift of this population to the cities and acres of the south, the market comes closer to New Orleans, 62% of the raw materials of the country are found in the Mississippi Valley; and New Orleans is at the mouth of the Mississippi River, and the gateway to the Valley, with a down grade haul; 11 trunk railroads connect it direct with New York, Chicago, St. Louis, Cleveland, Cincinnati, Kansas City, St. Paul, Minneapolis, Dallas, San Francisco, etc., not to speak of it being directly at the mouth of the greatest system of rivers in the world. New Orleans is the second largest port in the United States, and directly in line for the benefit of the commerce soon to move through the Panama Canal. Manufacturers of the country are rapidly coming to see that if they are to reap the benefits of the trade opened by the Canal, and defeat the competition of the European manufacturers, who have long controlled this Latin-American trade, that they must avoid the double long haul of raw materials and manufactured products in the interior, and locate themselves at the ports nearest the Canal.

These statements are made, not merely on faith, but as

the result of widespread correspondence with thousands of manufacturers in the United States in the last six months, through the New Orleans Association of Commerce, and in a campaign conducted only over a few months four new factories have already been definitely located in the city, with many others at present negotiating for a removal from older centres.

STATEMENT OF LOUIS S. GOLDSTEIN.

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

Mr. Goldstein: Louis S. Goldstein, of Louis Goldstein Sons & Company, 508 Canal Street, New Orleans.

The Secretary of Agriculture: What is your business?

Mr. Goldstein: Jobber and exporter.

The Secretary of Agriculture: In what line?

Mr. Goldstein: general line of manufactures.

The Secretary of Agriculture: You speak for what trade?

Mr. Goldstein: I speak as to the relations of Latin-America, Spanish and South and Central America.

The Secretary of the Treasury: Can you give us the totals of exports and imports?

Mr. Goldstein: The totals of the exports from the United States to Latin-America were \$296,141,651 in 1912. These were the last available figures. The total imports were \$423,037,208, making an aggregate of trade of \$719,178,859. As compared with the totals of 1905, it showed a growth --

The Secretary of the Treasury: Now what part had New Orleans in that business?

Mr. Goldstein: I want to say first the totals of the United States, to show the proportion that New Orleans<sup>had</sup> of that trade.

The Secretary of the Treasury: Very well.

Mr. Goldstein: The totals of 1905, exports were \$159,156,657 and imports \$302,266,593, making a total of \$461,423,250, showing an increase of approximately 86 per cent in exports and 39 per cent in imports, or a total increase in trade of 56 per cent within seven years. As compared with these totals, the increase of the North Atlantic ports of Philadelphia, Baltimore and Boston, represents 33 per cent since 1905, and showed an aggregate of \$57,557,705 --

The Secretary of the Treasury: Omit that now and just come to New Orleans. What part had she in that trade?



Mr. Goldstein: New Orleans showed an increase of 147 per cent in imports, and 67 per cent in exports, or a total increase of 122 per cent.

The Secretary of the Treasury: What was the volume of her business?

Mr. Goldstein: \$61,903,744 in imports, and \$18,408,449 in exports.

The Secretary of the Treasury: A total of what?

Mr. Goldstein: Of about \$80,000,000 as compared with --

The Secretary of Agriculture: A little over one-tenth.

Mr. Goldstein: About 11 per cent.

The Secretary of the Treasury: With Latin-America?

Mr. Goldstein: That is exclusive of Porto Rico.

The Secretary of the Treasury: How is all that business financed here?

Mr. Goldstein: Just before coming to that, Mr. Secretary, the percentage of New Orleans trade with Porto Rico is 21 per cent.

Now Mr. Harral has explained the question of the imports, as to the financing of them, and the exports are principally financed right here in New Orleans, the great bulk of them. It might be of interest to say that by

consultation of the United Fruit Company's record, 75 per cent of the tonnage originated in New Orleans as going to these countries out of this port.

The Secretary of the Treasury: Do you have any difficulty in financing these exports here?

Mr. Goldstein: Practically none. It is just a question of development. With the present size of the trade we are able to finance it very well. Of course, in contemplation of this new system, we will be able necessarily to increase that trade considerably by having these re-discount facilities through the member banks.

The Secretary of the Treasury: You mean the trade has been restricted in volume heretofore by lack of credits?

Mr. Goldstein: Partly that and partly through lack of transportation facilities which merely await the completion of the Canal, because we have not touched South America at all, that is to say comparatively. We have recently established --

The Secretary of the Treasury: You mean western South America?

Mr. Goldstein: Western South America and only recently there has been a dependable sailing between New Orleans

and the east coast, Brazil and the Argentine Republic.

The Secretary of Agriculture: How frequently are the sailings now?

Mr. Goldstein: I think about once a month.

Mr. Trezevant: Regular sailings once a month.

The Secretary of the Treasury: And business you think has shown an increase since 1909?

Mr. Goldstein: 122 per cent since 1905.

The Secretary of the Treasury: You think it has increased since 1909?

Mr. Goldstein: Undoubtedly.

The Secretary of the Treasury: Other figures we have had have shown a decrease in certain lines. How is it with this trade?

Mr. Goldstein: Take the case of Galveston, it has decreased 49 per cent since 1905 as compared with our increase.

The Secretary of the Treasury: You mean with Latin-America?

Mr. Goldstein: Yes. I think that is due to their dependency upon the Mexican trade, which of course under present conditions has decreased.

The Secretary of the Treasury: Suppose you file that

brief, Mr. Goldstein.

(The paper was filed and is as follows:)

It shall be my endeavor to trespass as little as possible upon the time of the Committee with superfluous statistics and patent facts, and I shall try to confine myself to essentials in presenting, on an economic rather than a partisan basis, the matter relating to trade between Latin America and the United States as justifying the establishment of a Federal Reserve Bank at New Orleans.

The statistics used are taken from "Commerce and Navigation of the United States", and "Statistical Abstract of the United States" of the Bureau of Foreign and Domestic Commerce, on file with the New Orleans branch office of the Bureau of Foreign and Domestic Commerce.

In the absence of the complete figures of 1913, the figures of 1912 must suffice to indicate the large extent of trade between Latin America and the United States. The total exports from the United States to Latin America were \$296,141,651.00, and the total imports to the United States \$423,037,208.00, making an aggregate of trade of \$719,178,859.00. To illustrate the growth of this trade within a brief space of time it may be well to consider as a



comparison the totals of 1905, exports being \$159,156,657.00, and imports \$302,266,593.00, aggregating \$461,423,250.00, showing an increase of approximately 86% in exports and 39% in imports of a total increase in trade of 56% within seven years.

New York by virtue of its particular financial and transportation facilities, has been favored with the largest share of this business, its total export and import trade with Latin America in 1912 being \$470,506,542.00, and its increase in trade 63% in seven years. The other North Atlantic ports of Philadelphia, Baltimore and Boston have a combined trade of \$57,557,705.00 representing an increase of 33% since 1905. As representative of the Pacific Coast trade may be cited San Francisco with a total of \$13,244,181.00, an increase of 24% in the same period. It is in the south, however, that the really noteworthy development has taken place. In spite of the fact that the Latin American trade of Galveston decreased 49% in seven years because of the conditions existing in Mexico, the total Latin American commerce of Galveston, New Orleans, Mobile and Tampa in 1912 was \$106,240,555.00, an increase of about 80% over 1905. Of this amount \$61,903,744.00 in imports and

\$18,408,449.00 in exports went through the port of New Orleans -- an increase in seven years of 147% in imports, 67% in exports, or a total increase in Latin American commerce of 122% as compared with an increase of 56% of the entire country in the same period.

Although the commerce of Porto Rico is not technically classed as Latin America, it may not be amiss to mention that the transactions of New Orleans with that territory amount to \$16,677,385.00, representing about 21% of the entire trade of the United States with Porto Rico.

This showing is all the more remarkable when it is remembered that heretofore New Orleans' transportation facilities have been confined to Central America, Mexico and Cuba, there having been practically no regular sailings to and from the larger South American countries. This disadvantage has recently been overcome to a large extent by the establishment of a dependable service between New Orleans and Brazil and the Argentine, and several lines will ply regularly between New Orleans and the West Coast of South America when the Panama Canal is opened to traffic.

The erection at New Orleans of factories and distributing plants serving Latin American trade, the estab-

lishment of branch offices by large export commission houses, the large investments for terminal facilities by the great transcontinental railroads, and the designation of New Orleans by the Government as one of the four branches of the Bureau of Foreign and Domestic Commerce, are concrete evidences of the recognition of the importance of New Orleans as a point of origin for the Latin American trade.

Its relation to remoter sections of the country is equally as important. Being the outlet of the Mississippi Valley where is produced about 62% of the raw material used in manufactures, it is certain to stimulate the agricultural and mineral interests of that region. As the natural gateway of the Ohio Valley and its tributaries it offers service to the manufacturers of that section who are seeking Latin American markets. It may be illuminating, in this regard, to quote in part a statement appearing in the official organ of the Cincinnati Chamber of Commerce -- "The natural gateway for Cincinnati and the entire Ohio Valley for Latin America is New Orleans. A glance at the map shows that New Orleans is so much nearer to the Panama Canal that we cannot afford not to give this shipping point more consideration than has been done heretofore. The railroads interests have a move-

ment under way by which New Orleans will be put on exactly the same basis as New York. In some instances it will be even a little cheaper to use the New Orleans route. Through bills of lading are and will be issued to all points in Latin America; in fact, to all points in the world, via New Orleans, and the railroads in connection with the steamship lines will guarantee prompt transportation. As far as points reached via the Panama Canal are concerned, a decidedly quicker dispatch than could ever be afforded by eastern ports is assured." This commentary is equally applicable to all the territory traversed by the eleven trunk lines terminating at New Orleans.

We take it that the extension of our foreign commerce, especially with our Latin American neighbors, is well within the purview of the Federal Reserve Act. The provisions for foreign branches and connections, the plan for the elimination of unnecessarily large gold reserves, with the consequent reduction of interest charges, and more stable rates of exchange, will be of the most material assistance to the exporters of the United States in competing with other nations for the Latin American trade.

In recognition of its commanding position for this



vital trade struggle, if for no other reason, we submit that New Orleans should be designated as the headquarters for a reserve bank. Its advantageous proximity to Latin America; its large share of, and significant increase in the trade; its standing as a market for foreign exchange; its important relation to contiguous and remote sections of the country, and its locational advantage for serving with equal facility the Texas, Gulf, South Atlantic and Mississippi regions, concerned with Latin American markets, constitute, we believe, impressive economic reasons why New Orleans should be selected as one of the agencies to fulfill the purposes of the Federal Reserve System.

STATEMENT OF LEON C. SIMON.

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

Mr. Simon: Leon C. Simon, of Kohn, Weil & Company.

The Secretary of the Treasury: What do you represent?

Mr. Simon: I represent and am to speak of the wholesale and manufacturing trade of New Orleans. Now, gentlemen, Mr. Houston made a particular point about establishing a Regional Bank with reference to the question of trade, and

I believe what I have to say and what you may ask me will have a large bearing on what he has in mind.

I have prepared a very brief paper consisting of only a page and a half, and I will ask you to listen to that, because it will take only a short time, and then I will be glad to answer any questions you wish to ask me.

The Secretary of the Treasury: You may proceed.

Mr. Simon: In determining upon the location for a Regional Bank in a territory you will naturally desire to know the relative importance of the wholesale and manufacturing markets in that territory. To help you make your decision in regard to a Regional Bank point in the south I have tried to obtain some official statistics pertaining to the wholesale and manufacturing trade of the various markets of the south. However, I have learned, as you have or will have learned, that no reliable figures are available, and no official figures whatever can be obtained from the municipal, state or national governments.

Just because these figures are not available I should judge you would be desirous of knowing in a general way the relative size of the several markets contemplated as regional bank centres, and the extent of territory they

serve. In this connection, I do not think that it can be seriously disputed that New Orleans is by far the largest wholesale and manufacturing market in all the territory south of a line drawn due east and west right below St. Louis, from the Atlantic to the Pacific Ocean. If any question be raised as to this fact, the United States Bureau of Foreign and Domestic Commerce could probably supply you with general information which would doubtless prove conclusive. As you may know, this Bureau is recently placing branches throughout the country, established one in New Orleans next to one in New York. This demonstrates the importance in which New Orleans is held by the Department of Commerce officials.

Though statistics of the wholesale distribution of the various markets are not available, manufacturing statistics are, and I subjoin, therefore, the figures showing the annual production of manufactured articles by the leading southern cities, taken from the latest United States census. And of course these are the only figures available. All the others are guesswork. Mr. Stern gave these figures, but I wish to point out that New Orleans manufactures about twice as much as Richmond, about two and a quarter times what Atlanta does, and manufactures about two and three

quarters times what Memphis does.

The Secretary of the Treasury: You mean it did in 1909?

Mr. Simon: It did in 1909, and there are no figures available, but there is no question in my mind as an observer who has watched it, that New Orleans has made fully as much progress if not more, than those other cities, but you want facts.

The Secretary of the Treasury: That is merely an expression of opinion.

Mr. Simon: That is merely an expression of opinion, therefore I am only giving the last facts which are available. It manufactures more than three times as much as Birmingham, and twice as much as Memphis. Those are United States census figures, and I say as my personal opinion we have more than maintained that percentage.

The Secretary of the Treasury: You do not mean to say that with respect to Birmingham?

Mr. Simon: yes, I do, surely.

The Secretary of the Treasury: Because the manufacture of steel and iron production alone in Birmingham has increased enormously in the last five years.

Mr. Simon: I want to call your attention to the fact



that in Birmingham a large part of the manufacturing is outside of the city limits, which constitutes these figures, and it is confined, as you know, to practically two products, steel and the production of coal. In New Orleans, just like in all these cities, we have manufacturers all around the city outside the city limits, across the river at Gretna, and all these cottonseed products about which Mr. George told you, and oil products entirely outside the city limits, and they are growing by leaps and bounds, as Mr. George held out to you, and I think we have held our own and in comparison we have grown. I think all the facts will bear that out, and they can be had from the Department of Commerce and Labor.

It is well known that, generally speaking, the extent of the wholesale trade of a market is largely in proportion to that market's factory production. However, the proportion of the wholesale trade to the factory production is even greater in New Orleans than usual, because New Orleans was a commanding wholesale market long before it manufactured to any degree. If figures were available, therefore, I am sure they would show that the relative size of New Orleans as a wholesale market to other southern cities is even

greater than as an industrial centre. Besides, the territory covered by New Orleans is beyond question of much greater extent than that of any other southern city. And I think that is a fact which is of importance in your investigation.

The Secretary of the Treasury: That is a fact we want demonstrated.

Mr. Simon: All right. I have something after I have finished this, which will help demonstrate that.

The Secretary of the Treasury: If the rest of your paper is an expression of opinion, you might come to the thing you intend to show and give us these facts.

Mr. Simon: As I stated, I presumed you wanted an expression of opinion about the wholesale trade on these various points, because the figures are not available. Now to give you an idea of the extent of territory covered, I have brought over maps of the states in my particular business, showing just what territory is covered.

The Secretary of the Treasury: Let us see the maps.

Mr. Simon: Of course, I cannot deliver these to you and submit them for the files.

The Secretary of Agriculture: What is your business?

Mr. Simon: Wholesale hats, which as you know, is a line

like dry goods and shoes. Now these are taken from my files, which I brought over at lunch time. Here is a map of the State of Louisiana (indicating). These various colored <sup>ways</sup> tacks point out the various ~~points~~ in which we do business in those towns, whether by drummer or catalogue order or just in what fashion we do the business. But where you see these pins is where my firm does business and did business; the two different colors represent whether it was last season or this season.

The Secretary of the Treasury: Which is which, now?

Mr. Simon: The green tacks show the business done during this present season, and the black tacks show the business done in the past season, and the marked marks show a season and a half ago.

The Secretary of Agriculture: What percentage of your business do you do in Louisiana?

Mr. Simon: I could not very well estimate that, but you will get a pretty good idea when you see these various states.

The Secretary of the Treasury: Let us see the others now.

Mr. Simon: Here is Mississippi.

The Secretary of the Treasury: These tacks represent

three and one-half seasons?

Mr. Simon: These tacks represent three and one-half seasons, yes, sir; just about two and a half years; there is a season and a half each year. You will notice the green predominates, that is the present system.

Here is the State of Alabama. You will notice that particular northern region is not as well covered as the southern, and you will find some houses do more business in the northern part of Alabama, but this is peculiar to my line.

Here is the State of Georgia. I want to state we also do business in South Carolina, but it is so small in comparison that I did not think it necessary to bring that map over. But I only want to state that we do business to the Atlantic Ocean on that line.

Here is the State of Texas divided into two parts. Here is the eastern part, where the population is; it is pretty well crowded, you will see, and we do a considerable business.

The Secretary of the Treasury: Do you do any business in Houston, Dallas and Fort Worth?



Mr. Simon: Oh, yes. well, not so much particularly in my line around Dallas and Fort Worth, but a tremendous lot in Houston. For example, I guess my house does more business around Houston than all the houses in Houston put together.

Here is the extreme western part around the Brownsville country and New Mexico, and here is Florida and this is Arkansas. These are taken from my files.

The Secretary of Agriculture: Is this typical of the wholesale business or does it go further?

Mr. Simon: The wholesale business as understood by wholesale is typical. Of course, some lines do a particularly stronger business in some territories as against our line. When you take the great staple products, such as have been mentioned to you, like sugar, coffee and rice, of course New Orleans is a predominating influence throughout the country.

The Secretary of the Treasury: Could you later give us the percentages of business in these different states?

Mr. Simon: I could estimate it, if it would be of value, and forward it to you. Will you allow me to make one statement, which I think will shed some light on the subject and be of interest here. You want to establish a

Regional Bank in the south most likely, and I want to point out particularly this fact, because I am in the jobbing business and understand it pretty well. You take a city like Dallas or Atlanta, contending cities for the Regional Bank. There is no doubt --

The Secretary of Agriculture: There are still others.

Mr. Simon: I just take these for example. I am not mentioning any particular town. They undoubtedly have the bulk of the business in the territory adjacent to those cities, like Houston has with the territory surrounding Houston. Now in territory adjacent to Dallas, Dallas is supreme, and in the territory adjacent to Houston, Houston is supreme, just like San Antonio is supreme in its particular territory. I imagine it is the same on the other side, Atlanta and Birmingham have their territories that they are supreme in. But when you establish a regional bank you wish to get a market in the particular territory which most thoroughly covers all that territory. You stated Dallas and Houston and Fort Worth had made a claim for Louisiana and that ~~xxxx~~ they were hospitable enough to include us.

The Secretary of Agriculture: And so has St. Louis.

Mr. Simon: And so has St. Louis. I have no doubt that Dallas and the rest of the Texas cities do comparatively little business in Louisiana whereas New Orleans dominates the Louisiana territory and does a tremendously large business in Texas, in fact probably as much as any of these other cities. The fact I want to bring out is that New Orleans is without question, from anybody you would look to as an impartial authority on the question, the largest distributor of merchandise in the southern states. I do not believe, and I will be honest, that it distributes any more goods in the southern states than St. Louis, but I do not think there is any doubt -- I mean in the territory adjacent -- and above all, it is located in the southern states adjacent to the centre which it wishes to supply with a Regional Bank.

The Secretary of the Treasury: What percentage of the jobbing business in hats in the country do you suppose is done by New Orleans?

Mr. Simon: In the United States?

The Secretary of the Treasury: Yes.

Mr. Simon: That would be a very difficult thing to answer offhand, because I imagine you would want something

authentic.

The Secretary of the Treasury: You can supply that, can you not? Give us some idea of the business done in New Orleans in that line and what relation it has to the entire business.

Mr. Simon: I think I can, and probably if you will permit, I will try to get you information pertaining to other lines.

The Secretary of the Treasury: We would like to have that, and if you will get it, send it to Washington.

Mr. Simon: It will be an estimate.

The Secretary of the Treasury: Yes. If we could get one of these maps showing these different lines and the fear of New Orleans' influence in the wholesale and distributing way, we should like to have it.

Mr. Wexler: We will have that for you very shortly. There is one other line, and that is the lumber business. Mr. Palmer is here, I believe, and he will just give you the statistics briefly without going through the quite voluminous document he has there, because the time is getting very short.



## STATEMENT OF L. PALMER.

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

Mr. Palmer: L. Palmer, export editor, Lumber Trade Journal. I do not intend to read this brief. My purpose I think will be served practically by simply filing it for the consideration of the Committee.

The Secretary of the Treasury: If you please. Give us the volume of business here and how it is financed here.

Mr. Palmer: The idea of this brief is to show not so much the importance of New Orleans from a lumber standpoint as the importance of the territory in which it is situated and which is tributary to it.

The Secretary of Agriculture: I am familiar with that. I have lived in it.

Mr. Palmer: I presume so.

The Secretary of Agriculture: If you will just give us facts so far as they bear on New Orleans -- I am thoroughly familiar with the lumber situation in this section.

Mr. Palmer: I presume so, and in fact -- I do not pretend that New Orleans is a lumber market.

The Secretary of Agriculture: If your paper is general it will not serve us at this time.

Mr. Palmer: The lumber business is a manufacturing business, and of course that is scattered over the territory. In fact the only thing I have specially on New Orleans in that respect is the exports.

The Secretary of the Treasury: Give us that. That will be of value.

Mr. Palmer: New Orleans is undoubtedly the largest lumber exporting point in the United States. Taking everything together, its only rivals are the other ports situated on the Gulf. I have here an exhibit showing the exports, which gives the total values in 1915 officially of exports classified by the Bureau of Commerce and Labor as wood manufactures, \$20,208,697.

The Secretary of the Treasury: Exports?

Mr. Palmer: That is exports. Now I have given the figures also for other points on the Gulf including Savannah. In other words my brief covers every state which could possibly be included in the district served by a bank at New Orleans, but I have not included Port Arthur, because I did not have the figures when I made it up. Since then I have

received the figures and they make Port Arthur exports for last year approximately equal to Savannah and Galveston together, so that you could leave Savannah out and put Port Arthur in and it would make more than this exhibit shows.

The Secretary of the Treasury: What do you say the total of New ~~York~~ Orleans exports is<sup>d</sup> in lumber?

Mr. Palmer: \$20,208,697.

The Secretary of the Treasury: Per annum?

Mr. Palmer: Last year.

The Secretary of the Treasury: \$20,000,000?

Mr. Palmer: Yes, sir.

The Secretary of the Treasury: How is that financed here?

Mr. Palmer: Well, of course the hardwood business moves to a considerable extent from interior firms, and I presume, while I am not familiar really with the financial transactions in any kind of detail, they are undoubtedly financed to a considerable extent at the interior points. That is especially true as to hardwoods, but I judge that approximately one-half of the hardwood exports which are included in this statement under the head of all other boards, deals, planks, joists, scantling, Yellow pine, is handled by New Orleans firms.

The Secretary of the Treasury: What proportion is that of the total of \$20,000,000?

Mr. Palmer: The all other is \$8,578,916, and I judge --

The Secretary of the Treasury: About 40 per cent.

Mr. Palmer: About half or nearly half of that is handled by New Orleans firms. So that if you would take out \$4,000,000, it leaves about \$16,000,000 handled, not at New Orleans -- well, it could be largely handled in New Orleans, to that amount.

Now as to the other ports on the Gulf, their shipments are largely pitch pine, which is produced in the immediate vicinity, and which is largely financed locally.

The Secretary of the Treasury: Will you file that, please.

Mr. Palmer: I simply want to call attention to the last exhibit, as to what is to follow the lumber industry in this section.

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

Regarded simply as one element of the financial interests to be served by a Regional Bank in New Orleans, the lumber industry is one of more than ordinary importance,



not only because of its own magnitude, but because of the relative importance of the industry in Louisiana and nearby states as compared with other states. This is illustrated by the data herewith presented, which have been made to cover all the states deemed probable to be included in the district to be served by a Regional Bank in New Orleans; and while total figures and percentages are given for all these states, the detailed figures for each state will enable other combinations to be formed covering a more restricted territory if desired. No great detail has been attempted in these data, it being presumed that the Commission has other and more reliable sources of information from which to secure such details as it may desire; but they are largely official, and it is believed sufficient for the purpose, which is to serve merely as a basis for the points desired to be illustrated.

Exhibit No. 1 gives approximately the capital employed in the lumber industry, in the three branches of manufacturing, wholesale and retailing, in the seven states named, Louisiana, Mississippi, Arkansas, Texas, Alabama, Georgia and Florida, amounting to \$448,491,000 representing 7,725 concerns. In the nature of things, this is only an approxi-

mation, but it is believed to be conservative and the actual value of the holdings is naturally considerably in excess of the capitalization stated. Special mention need only be made of the figures for Louisiana, its small number of companies and the high capitalization suggesting the large scale on which lumbering operations are carried on in the state in which New Orleans is situated.

Exhibit No. 2 also illustrates this same condition, and the further fact that the industry in this state is largely a saw milling proposition, which is what this exhibit covers. It shows that Louisiana, which is second only to the state of Washington in amount of lumber produced, and a larger producer than it in proportion to area, is also practically the centre of the most important lumber producing section of the country, the production of these seven states being approximately one-third that of the entire United States; and points logically to New Orleans as an important financial centre from a lumber standpoint.

Exhibit No. 3 is of the same character, but of wider scope, going beyond the primary manufacturing of lumber, or saw milling, and including operations which are of greater relative importance in other states. While the figures in

this exhibit do not give the industry the same relative importance as those of Exhibit 2, they nevertheless strongly support the same conclusion.

Exhibit No. 4 relates specially to exports of forest products from the ports in the territory covered by the other exhibits. As stated, this exhibit is incomplete, not including the Port Arthur district, and including only Pensacola of the Florida district, that being its most important lumber port, and figures therefrom, as well as values at all ports except New Orleans being approximate. The figures are sufficient, however, to show the commanding importance of the Gulf and South Atlantic coast in the export lumber trade. For instance, leaving out the item "Miscellaneous", the exports from the five ports named during the last calendar year were slightly more than half of those for the fiscal year from the entire country; and the addition of the figures from the missing ports would make this proposition good for the calendar year, allowing for possible excess in the total of the calendar year over the fiscal year. While hardwood exports come from a wide territory, and are financed to a considerable extent in the interior, the other items named are in the main financed

locally at the ports, or at least in the territory adjacent thereto, and are therefore an important element in banking operations.

Exhibit No. 5, while to some extent representing the consumption feature of the wood industry, as distinguished from that of production, is also in a great measure to be regarded as an addition to the latter, including as it does handles, spokes, cars, wagons and agricultural implement material, etc., which are not included in the statistics of lumber production. It is not claimed that the consumption of wood is of importance in these states in comparison with the large manufacturing states of the country, but these figures are not without value as illustrating the magnitude of the wood industry as a whole.

Exhibit No. 6, illustrates as to Louisiana a situation which is typical of all the lumber states of the south, and presents a situation important to be considered in the permanent location of a regional bank. The other exhibits relate to the present condition of the lumber industry, suggesting the large attendant traffic in machinery, railroad equipment, commissary supplies, etc., which after a few years may be logically expected to decrease in volume, and



to a less degree in financial importance. This exhibit, however, relates to the industries which are to follow, and which are now in their infancy. The movement for the utilization of waste accumulating in the manufacture of lumber is gaining ground, and is inevitably destined to create a very large and important industry, with its most attractive field in the large lumber producing territory of Louisiana and neighboring states; while the development of cut-over lands and putting them in agriculture is receiving more and more attention. This will require not merely the conduct of business already in operation, but the inauguration of new enterprises and the investment of large amounts of capital, calling for an extended use of credits and discounts; while the replacement of the forests by farms and towns will give rise to much more extended and varied financial operations than at present, and increase largely the need of adequate banking facilities.

EXHIBIT NO. 1.

STATEMENT OF CAPITAL employed in the Lumber Industry  
in the Southern States tributary to New Orleans.

Naturally dependent on New Orleans as a banking centre

are the states of Louisiana, Arkansas, Mississippi, Texas, Alabama, Florida and Georgia. The lumber business of these states is an important feature. It is divided into three branches, manufacturing, wholesaling and retailing. Lumbermen are all heavy borrowers.

The total capital interested in the lumber business in the states named is \$448,491,000. There are 7,723 concerns. The capitalization does not represent the maximum investment. The following table gives the totals by states. These figures are obtained from credit rating books, supplemented by personal knowledge.

	<u>CAPITAL</u>	<u>COMPANIES.</u>
Louisiana	100,065,500	739
Mississippi	43,914,000	1,110
Arkansas	62,068,500	1,333
Texas	121,992,000	1,950
Alabama	42,218,500	911
Florida	33,908,000	651
Georgia	<u>44,324,500</u>	<u>1,029</u>
Total	448,491,000	7,723

Details will be furnished if desired.

## E X H I B I T NO. 2

LUMBER PRODUCTION in Southern States as Named, during 1909, and during 1912.

(Production and values for 1909 taken from reports of Bureau of the Census. Production for 1912, from same source, and Values arrived at by use of the same average values for each State as in 1909).

States	<u>1909</u>		Average Value	<u>1912</u>	
	Production M Ft.	Value		Production M Ft.	Value
Louis- iana	3,551,918	\$ 50,539,094	\$14.23	3,876,211	\$55,158,483
Mississ- ippi	2,572,669	38,322,513	14.93	2,381,898	35,561,737
Arkansas	2,111,300	31,839,283	15.08	1,821,811	27,472,910
Texas	2,099,130	25,747,212	12.26	1,902,201	23,320,984
Alabama	1,691,001	23,936,627	14.16	1,378,151	19,514,618
Georgia	1,342,249	14,650,541	12.74	941,291	11,992,047
Florida	<u>1,201,734</u>	<u>14,696,413</u>	14.15	<u>1,067,525</u>	<u>15,105,479</u>
Total	14,570,001	\$204,490,105		13,369,088	\$188,128,258
Percent of	32.73	29.87		34.63	31.25
Total Uni- ted States,					
	44,509,761	\$684,479,859	15.37	39,158,414	\$601,864,823

The above figures include lumber, lath and shingles, the two latter being reduced to equivalents of board feet. There is of course a large amount of other forest products gotten out, such as piling, poles, staves, heading, etc., complete details of which by states and values is not available. The five states named produce 17.51 percent of all the slack staves, and 42.22 percent of the tight staves manufactured in the country; and while the values are not stated in the statistics, their proportion of value of tight staves is probably more than that of number, as they produce practically all the rough staves exported, which are of high value.

#### EXHIBIT NO. 3.

ANALYSIS OF WOOD PRODUCING OPERATIONS in Louisiana, Mississippi, Arkansas, Alabama, Texas, Georgia and Florida.

The following figures taken from the report of the 13th census present in a different form statistics covering the lumber producing industry in the above named states, being on a somewhat wider basis than the mere sawing of lumber from the log. The figures include logging operations, ordinary sawmills (Except small custom mills sawing for local



consumption), planing mills, and establishments engaged in the manufacture of wooden packing boxes. As the value of the product of one operation often represents that of the material for a subsequent one, there is more or less duplication in the column headed "Value of Product", which does not exist as to number of employees and value added by manufacture.

	NUMBER OF EMPLOYES	VALUE OF PRODUCT	VALUE ADDED BY MANUFACTURE
Louisiana	46,072	\$ 62,837,912	\$ 39,681,716
Mississippi	33,397	42,792,844	28,586,246
Arkansas	32,932	40,640,327	26,340,660
Texas	23,518	32,201,440	21,197,137
Alabama	22,409	26,057,662	16,913,023
Georgia	22,257	24,632,093	16,127,490
Florida	<u>19,227</u>	<u>20,863,016</u>	<u>14,623,571</u>
Total	199,812	\$250,025,294	\$163,469,843
Being percent of 28.75		31.63	25.38
Total for United States	695,019	\$1,156,128,747	\$648,011,168

#### EXHIBIT NO. 4

STATISTICS OF EXPORTS OF FOREST PRODUCTS (so far as available) from Ports in Georgia, Florida, Alabama, Mississippi, Louisiana and Texas during 1913.

(Figures of New Orleans are official and complete for all items included in statistics of Bureau of Foreign and Domestic Commerce under head of Wood and its Manufactures. Those for Savannah, Mobile and Galveston are official, but incomplete, including under "Miscellaneous" only shingles, shooks, headings and miscellaneous lumber. Figures for Pensacola are unofficial for last half of year, being compiled from private shipping news reports. Figures for other ports in the Florida district, and for the Port Arthur district, not now available.)

Quantities of Logs, Timber, Boards, Deals, Planks, Joists and Scantling are in thousand feet; railroad ties and staves, numbers.

	<u>NEW ORLEANS</u>		<u>MOBILE</u>	
	Quantities.	Values.	Quantities.	Values.
Logs	41,016	\$ 1,477,893	5,782	\$ 161,086
Timber	28,421	601,521	212,116	4,661,334
Boards, Deals, Planks, Joists, Scantling-Yel- low Pine,	140,727	2,951,489	490,067	10,580,162
" All other	209,165	8,578,916	8,047	356,797
Railroad ties	621,615	428,384	163,518	78,489

(Cont'd)

NEWORLEANSMOBILE

	Quantities	Values	Quantities	Values
Staves	33,170,013	4,205,159	2,001,289	164,104
Miscellaneous		<u>1,965,335</u>		<u>680,220</u>
		\$20,208,697		\$16,682,192

PENSACOLAGALVESTON

	Quantities	Values	Quantities	Values
Logs	1,698	\$ 35,216	5,479	\$ 175,925
Timber	103,953	2,219,167	10,026	215,030
Boards, Joists, etc. Yellow pine	182,241	3,796,312	55,472	1,325,853
All other	559	18,637	3,976	151,307
Railroad ties	---	---	5,044	2,421
Staves	3,088,881	253,288	7,933,704	650,564
Miscellaneous		<u>2,565</u>		<u>150,253</u>
Total Value		\$6,325,205		\$2,571,353

SAVANNAH

	Quantities	Values
Logs	8,718	\$182,535
Timber	22,922	487,551
Boards, Joists, etc. Yellow pine	15,428	335,726
All other	5,435	210,599
Railroad Ties	41,743	20,037

(Cont'd)

SAVANNAH

	Quantities	Values
Staves	2,335,704	191,528
Miscellaneous		<u>650,340</u>
Total Value		\$2,078,316

(Values for New Orleans are official, being taken from collector's reports. For other ports, values are arrived at on basis of average values of similar items in total exports of country for calendar year ending June 30, 1913).

Total exports from New Orleans, Mobile, Pensacola, Galveston and Savannah, for 1913, compared with those from entire country in calendar year, ending June 30, 1913.

	<u>FIVE PORTS.</u>		<u>COUNTRY</u>	
	Quantities	Values	Quantities	Values
Logs	62,693	\$ 2,032,655	173,524	\$ 4,223,408
Timber	377,438	8,184,603	511,637	11,150,577
Boards, Joists, etc.				
Yellow pine	883,935	18,889,542	1,147,467	24,949,890
All other	227,182	9,316,256	1,428,766	37,505,998
Railroad Ties	831,920	529,331	5,416,763	2,616,563
Staves	48,529,591	5,464,643	89,005,624	7,325,535
Miscellaneous		<u>3,448,733</u>		<u>27,684,562</u>
Total Value		\$47,865,763		\$115,704,771



Being disappointed in getting totals of the country for the calendar year, it is necessary to use for a comparison those of the fiscal year, which the completed figures for the calendar year will probably show to be somewhat less than the latter. In connection with the specific bearing of these statistics on the banking question, it should be noted that the great bulk of the timber, yellow pine boards etc., and staves, are handled by firms located on the Gulf, and in the case of staves, the business is largely centered in New Orleans, the financing of the shipments being therefore, to a special extent, a local matter.

#### EXHIBIT NO. 5

STATISTICS OF CONSUMPTION OF LUMBER by Wood-Using Industries in Louisiana, Texas, Arkansas, Mississippi, Alabama and Florida in 1913.

(Taken from Reports on Wood-Using Industries compiled by the Forest Service of the United States).

	Amount Used--Feet	Average Cost per M Feet	Total Cost F.O.B. Factory
Louisiana	1,354,954,101	\$11.64	\$15,765,458
Texas	762,336,112	13.30	10,144,925
Arkansas	1,361,382,000	11.49	15,639,169

## Exhibit No. 5 (Cont'd)

	Amount Used--Feet	Average Cost per M Feet	Total Cost F.O.B. Factory
Mississippi	618,270,030	12.22	7,554,531
Alabama	726,816,900	12.24	8,893,735
Florida	521,141,798	12.41	6,464,863

EXHIBIT NO. 6

Louisiana is the second largest lumber producing state in Union, the annual value of the product being in excess of \$50,000,000. Including by-products, the annual value exceeds \$60,000,000. The state has standing timber to the amount of 120 billion feet, valued at \$600,000,000. It has also nearly 4,000,000 acres of cut-over land, 80 percent of which is well suited for agriculture. To properly develop these cut-over lands the state needs industries which will utilize the millions of cords of material now left on them. For this is required distillation, pulp and ethyl alcohol plants. These plants will clear the land at no cost, and produce a big revenue from their operations. To finance these plants rural credits are suggested, the basis of credit being land for agricultural purposes. A loan of 30 percent on the actual land value will be ample to finance all industries for develop-

ing the cut-over lands. There is available sufficient raw material to sustain all by-product industries on a large scale for over a hundred years.

The development of all these industries will result in a great impetus to the agricultural development of Louisiana and the other Southern States, which is so much needed. It will also result in increased trade with Central and South America, a most desirable feature. Louisiana needs population and money, or its equivalent, credit to develop her vast resources. A regional bank is desired to render this service to the best advantage.

The Secretary of Agriculture: Now we are to hear briefly from a few of the outside bankers. Mr. Taylor of Mobile.

STATEMENT OF J. L. TAYLOR.

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

Mr. Taylor: J. L. Taylor, Secretary Mobile Clearing House Association.

The Secretary of the Treasury: Do you come with any authority to speak for the Clearing House, Mr. Taylor?

Mr. Taylor: Yes.

The Secretary of the Treasury: Just read your resolution or credentials, please.

Mr. Taylor: "Mobile, Ala., February 2, 1914.

At a meeting of the Mobile Clearing House Association held this day, all members being present, the following resolution was adopted: 'As Mobile is not an applicant for a Regional bank, the Mobile Clearing House Association unanimously endorses New Orleans as the logical place for a Regional bank for this section, and Secretary J. L. Taylor is hereby delegated to represent this Association at the hearing in New Orleans on February 11th and 12th and cast



our support in favor of New Orleans'.

J. L. Taylor,

Secretary,

Mobile Clearing House Association."

The Secretary of Agriculture: How many banks are in the Clearing House?

Mr. Taylor: Five.

The Secretary of Agriculture: State or national or both?

Mr. Taylor: State and national; two national and three state.

The Secretary of Agriculture: Do you know about the state banks in your state, whether they are eligible under the Act?

Mr. Taylor: Whether they are eligible --

The Secretary of Agriculture: To come into this system and subscribe for stock.

Mr. Taylor: Well, I think they are. One in our city has already expressed a desire to come in, the City Bank & Trust Company.

The Secretary of Agriculture: To what extent are your relations at present with New Orleans?

Mr. Taylor: Our relations with New Orleans are very

close. We do a great deal of business with New Orleans, and New Orleans does a great deal of business with Mobile. Our business is identical, except as to volume. The New Orleans volume of business is a great deal larger than Mobile, of course, but the character of the business is the same, imports and exports, cotton, lumber and manufactures.

The Secretary of Agriculture: Where do your banks carry their reserves?

Mr. Taylor: Well, I think they carry them principally in New York; but I dare say some of them carry them in New Orleans and Louisville.

The Secretary of Agriculture: Do you know how they are distributed?

Mr. Taylor: I do not know just how they are distributed, but I think principally in New York.

The Secretary of Agriculture: Could you send us the facts?

Mr. Taylor: I could do that, yes, sir.

The Secretary of the Treasury: Is yours a national bank?

Mr. Taylor: The bank that I represent?

The Secretary of the Treasury: Yes.

Mr. Taylor: No, sir, it is a state bank.

The Secretary of the Treasury: Did the Mobile Clearing House consider the district that was to be formed here?

Mr. Taylor: yes, sir. Their idea of an ideal district would be composed of the states bordering on the Gulf.

The Secretary of the Treasury: Which, for instance?

Mr. Taylor: For instance, Florida, Alabama, Mississippi, Louisiana and Texas. That being the case, New Orleans would be just about centrally located. New Orleans has always been the financial centre of that district, and I dare say always will be.

The Secretary of the Treasury: What would you say, do you think it is the financial centre for instance, for Birmingham's financial operations?

Mr. Taylor: Well, Birmingham perhaps would be on the edge, ~~on~~ the outskirts. I was about to say that I think New Orleans is the financial centre to the extent as far north as Memphis and as far east as Montgomery and I do not know what city in Texas as far west, but I dare say some parts of Texas.

The Secretary of the Treasury: Would you think Montgomery ought to be related to New Orleans?

Mr. Taylor: I could not answer that question so much for

Montgomery. I do not know the nature of their business. But I am very certain New Orleans exchange possibly passes in Montgomery at par.

The Secretary of the Treasury: What would you say if Mobile and southern Alabama were not attached to New Orleans, what would be your second choice as a city for a reserve bank?

Mr. Taylor: If New Orleans was not in that region, our second choice, if New Orleans was not in the region, would be Birmingham. Birmingham is one of the most important cities in our state, therefore --

The Secretary of the Treasury: If it was not Birmingham, what would you say?

Mr. Taylor: If it was not Birmingham, and was not New Orleans, I think Atlanta would be the next point.

The Secretary of Agriculture: What would be your impression as to the advisability of including Georgia and Florida in a district with New Orleans as the location? Does that trade normally relate to this city?

Mr. Taylor: I do not think -- now I cannot speak authentically on that, but I do not think that Georgia's trade does relate to New Orleans like the other states do.



The Secretary of the Treasury: Take Jacksonville, Florida, and all the east coast, do you think that relates to New Orleans?

Mr. Taylor: The east coast does not, but the cities bordering on the Gulf in Florida, Alabama, Mississippi, Louisiana and Texas.

The Secretary of the Treasury: Do you think Tampa does?

Mr. Taylor: Yes, I think it does. I think so, inasmuch as all the Gulf Coast cities business is identical, that is, it is import and export principally, and New Orleans being the largest and most centrally located city, the banking business naturally gravitates towards New Orleans on account of their ability to handle large affairs. They have large banks here now, and the business naturally gravitates towards the largest city, which is in the centre of the district.

The Secretary of the Treasury: With what city under the existing system do you have most of your banking exchanges?

Mr. Taylor: New Orleans.

The Secretary of the Treasury: I am speaking in the country.

Mr. Taylor: You are speaking in this section?

The Secretary of the Treasury: No, of the country at large, as it stands today, with what city do you do most of your banking business today?

Mr. Taylor: With New York.

The Secretary of the Treasury: And that is due to what reason, because of the necessity for having New York exchange?

Mr. Taylor: yes, that is the only reason. As the whole country does, they keep their money in New York when they have money, and look to New York principally when they need money.

The Secretary of Agriculture: What would be the second city at present with which you do the most business?

Mr. Taylor: I think Chicago would come next.

The Secretary of Agriculture: You will get the facts for us from the Clearing House?

Mr. Taylor: yes. Now what point was it you want? I will make a note of it.

The Secretary of the Treasury: where they keep their reserves under the present system, in what cities, and how distributed between them.

The Secretary of Agriculture: And the percentages.

Mr. Taylor: Yes.

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

STATEMENT OF E. M. PURCELL.

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

Mr. Purcell: E. M. Purcell, Greenwood, Miss.; cashier of the First National Bank.

The Secretary of Agriculture: Do you represent any association?

Mr. Purcell: No, sir, I do not.

The Secretary of Agriculture: Just your own bank?

Mr. Purcell: Just my own bank.

The Secretary of Agriculture: How many banks are there in Greenwood?

Mr. Purcell: There are six in Greenwood.

The Secretary of Agriculture: Can you speak in any authoritative sense for the others?

Mr. Purcell: I can speak for four.

The Secretary of Agriculture: Definitely?

Mr. Purcell: Yes, sir, definitely. I have not discussed the matter with the other two.

The Secretary of Agriculture: What sort of banks are they?

Mr. Purcell: One is a national bank and the others are state banks.

The Secretary of Agriculture: Give their names for the sake of the record.

Mr. Purcell: The First national Bank, the greenwood Savings Bank, Bank of Commerce and the Delta Bank.

The Secretary of Agriculture: What are your preferences?

Mr. Purcell: Our preference is New Orleans.

The Secretary of Agriculture: where do you do the volume of business at present?

Mr. Purcell: We do more business in New Orleans than with any point in the south.

The Secretary of Agriculture: well, out of the south.

Mr. Purcell: New York, of course. The larger volume of our business is with New York.

The Secretary of Agriculture: And the next.

, Mr. Purcell: The next is New Orleans.

The Secretary of Agriculture: Larger than any other city?

Mr. Purcell: yes, sir.

The Secretary of Agriculture: What percentage should you say with New Orleans?



Mr. Purcell: I would say 35 per cent. perhaps I would reduce that a little bit, 25 per cent.

The Secretary of the Treasury: What percentage with New York?

Mr. Purcell: probably 40 per cent.

The Secretary of the Treasury: Where does the other 35 per cent go?

Mr. Purcell: It is scattered between Memphis and Boston-- we handle a great deal of cotton in our town and we have already received 135,000 bales, and a good deal of that goes east; and the rest of our business is largely local, in northern Mississippi.

The Secretary of Agriculture: Are you in a borrowing community?

Mr. Purcell: Yes, sir.

The Secretary of Agriculture: What is your judgment of this district which has been suggested, it is normally independent or dependent.

Mr. Purcell: that includes Mississippi, Alabama --

The Secretary of Agriculture: Georgia and Florida.

Mr. Purcell: I think it is dependent.

The Secretary of the Treasury: You think that is a good

arrangement?

Mr. Purcell: Yes, sir, I do.

The Secretary of Agriculture: To have it dependent normally?

Mr. Purcell: Oh, no, I do not think it is a good arrangement to have it dependent, but I think it would be independent.

The Secretary of Agriculture: I thought you said it was dependent?

Mr. Purcell: I think it is. Let me see if I understand your question.

The Secretary of Agriculture: Is it a borrowing or lending community?

Mr. Purcell: It is a borrowing.

The Secretary of Agriculture: Then it is dependent.

Mr. Purcell: Yes.

The Secretary of Agriculture: Do you think that is a good sort of district to lay out?

Mr. Purcell: No, I doubt that. Of course, you should have some lending community in there to equalize, I think.

The Secretary of Agriculture: Do you think an east and west district such as that is would be better than a north

and south district?

Mr. Purcell: I should think you would have to go pretty far north to find any lending community. You would have to go up as far as Illinois.

The Secretary of Agriculture: If you had it to do, as you see it, which way would you start to lay it out, which would be better for the south and your section?

Mr. Purcell: I think Alabama, Mississippi, Louisiana, Texas and Arkansas with New Orleans as a regional point, would probably be about the best district we could get.

The Secretary of Agriculture: Now Texas and Arkansas, so far as we have got an expression, asks to go north and south. Suppose we had to cut them out.

Mr. Purcell: Then I would go further east and get into Georgia.

The Secretary of Agriculture: Georgia is a very heavy borrowing state, is it not?

Mr. Purcell: I do not think Georgia is a larger borrower than Mississippi and Louisiana.

The Secretary of Agriculture: But it is a large borrowing state.

Mr. Purcell: probably so, but I am not familiar with it.

The Secretary of the Treasury: Assuming it is a borrowing state, then what would you do?

Mr. Purcell: Gentlemen, I do not know. This is a matter I have not given sufficient thought, and I am not capable of passing an opinion.

The Secretary of Agriculture: What we are trying to get at is whether this is -- you see one of the theories of the law in this matter ~~is~~ of districting the country is that they shall be normally independent, if possible, whether it would be better for any given community to be in a district which would be normally independent, and whether therefore we can lay out such districts.

Mr. Purcell: yes.

The Secretary of Agriculture: of course, we have got to determine all those questions, but we want to get all the views we can.

Mr. Purcell: I do not believe you can find a territory in the south that would be independent.

The Secretary of the Treasury: Let us just assume that you had Missouri and Arkansas and Mississippi and a part of West Tennessee and Louisiana, and a part of Texas in a district; would that give you more of a self-contained



community than this or not.

Mr. Purcell: I do not think so. I do not know anything about Missouri, how big a borrower she is, but I am under the impression that these other states are borrowers almost in the same proportion as Mississippi and perhaps more so, some of them.

The Secretary of Agriculture: Your first preference is New Orleans?

Mr. Purcell: yes, sir.

The Secretary of Agriculture: And which is your second?

Mr. Purcell: the second would be Memphis.

The Secretary of the Treasury: And your third?

Mr. Purcell: the third would be St. Louis.

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

#### STATEMENT OF WALKER BROACH.

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

Mr. Broach: Walker Broach, Meridian, Miss.; Vice-President, First National Bank.

The Secretary of the Treasury: Do you represent any of

the other banks?

Mr. Broach: I represent the Clearing House, Mr. Secretary.

The Secretary of the Treasury: Have you any credentials with you?

Mr. Broach: I have delivered them to Mr. Pool, of the Hibernia Bank, and he will file them. I represent the Meridian Clearing House and also I brought a resolution from the Secretary of the Meridian Board of Trade and Cotton Exchange.

The Secretary of the Treasury: Will you produce those and file them as exhibits?

Mr. Broach: Yes.

(The papers were filed and are as follows:)

RESOLUTION ENDORSING NEW ORLEANS  
FOR LOCATION OF FEDERAL RESERVE BANK.

Whereas the Congress of the United States had authorized the establishment of Regional or Reserve Banks in various important cities of the United States for the purpose of facilitating commerce and industry, and,

Whereas the establishment of such a bank to serve the Central South and Lower Mississippi Valley and to facilitate financial transactions both domestic and foreign should be

located at a point not only territorially accessible but where such would provide for the broadest needs, and,

Whereas the City of New Orleans, acknowledged the metropolis of the South and one of the world's great ports of commerce, is in every way adapted to serve these needs in their most comprehensive meaning, therefore,

BE IT RESOLVED, that the MERIDIAN CLEARING HOUSE ASSOCIATION, of Meridian, Mississippi, go on record as favoring the establishment of such Regional Bank at the City of New Orleans, and endorse the petition of the New Orleans Association of Commerce to the Organization Committee of the Federal Reserve Board, Washington, D. C., having this matter in charge.

Be it further Resolved that copies of this resolution be sent to the above Committee, to Secretary of the Treasury Wm. G. McAdoo and Secretary of Agriculture Houston, and to the members of the United States Senate and House of Representatives from this State, urging their favorable action thereon; to the newspapers of this city and to the New Orleans Association of Commerce.

MERIDIAN CLEARING HOUSE ASSOCIATION.

Paul Brown,  
President.

Attest:

Jas. T. Crowe,

Manager.

This the 10th day of February, 1914.

-----

Resolution Endorsing New Orleans  
for Location of Federal Reserve Bank.

WHEREAS the Congress of the United States has authorized the establishment of Regional or Reserve Banks in various important cities of the United States for the purpose of facilitating commerce and industry, and,

WHEREAS the establishment of such a bank to serve the Central South and Lower Mississippi Valley and to facilitate financial transactions both Domestic and Foreign should be located at a point not only territorially accessible but where such would provide for the broadest needs, and,

WHEREAS the City of New Orleans, acknowledged the metropolis of the South and one of the world's great ports of commerce, is in every way adapted to serve these needs in their most comprehensive meaning, therefore,

BE IT RESOLVED, that the



MERIDIAN BOARD OF TRADE & COTTON EXCHANGE of Meridian,  
Miss.,

go on record as favoring the establishment of such Regional  
Bank at the City of New Orleans, and endorse the petition of  
the New Orleans Association of Commerce to the Organization  
Committee of the Federal Reserve Board, Washington, D. C.,  
having this matter in charge.

Be it further Resolved that copies of this resolution  
be sent to the above Committee, to Secretary of the Treasury  
Wm. G. McAdoo and Secretary of Agriculture D. F. Houston,  
and to the members of the United States Senate and House  
of Representatives from this State, urging their favorable  
action thereon; to the newspapers of this City and to the  
New Orleans Association of Commerce.

(Signed) The MERIDIAN BOARD OF TRADE & COTTON EXCHANGE,

Geo. Williams,

President.

Attest:

W. H. Goodman,

Asst. Secretary.

This 6th day of February, 1914.

The Secretary of the Treasury: How many banks have you in Meridian?

Mr. Broach: Five.

The Secretary of the Treasury: How many national banks?

Mr. Broach: Two.

The Secretary of the Treasury: What is your view on this question?

Mr. Broach: I only know the views of the four incorporated banks which are members of the Clearing House. We have one unincorporated bank which is not a member of the Clearing House. The four banks were unanimous in expressing New Orleans as their choice.

The Secretary of the Treasury: Do they also approve this territory which has been laid out by New Orleans as a regional district?

Mr. Broach: I have not seen the territory: I cannot speak as to that.

The Secretary of the Treasury: You are only concerned in the city where the bank shall be located?

Mr. Broach: Yes.

The Secretary of the Treasury: Do you not think the

district is more important than that?

Mr. Breach: yes, sir, but I am not prepared to express an opinion, that is all.

The Secretary of the Treasury: You are not prepared on that?

Mr. Breach: No.

The Secretary of the Treasury: Next to New Orleans what will be your choice?

Mr. Breach: Well, our institution in answering the card that the department sent out, expressed New Orleans as first choice, and gave New York as second and St. Louis as third, I believe.

The Secretary: Of course, it would be manifestly impossible to put you in New York, so --

Mr. Breach: Yes, but in answering this card we frankly stated we only had first choice for New Orleans, and the rest was immaterial.

The Secretary of the Treasury: It becomes quite material if New Orleans should not be selected. Now in that event, and of course, assuming some point to which you would be naturally attached, what would you say would be your second

choice?

Mr. Broach: Well, Birmingham would be our territory, and just offhand, I should think personally that perhaps Birmingham could serve as well, as to the shipment of currency in and out.

The Secretary of the Treasury: But there is a more important consideration than that, is there not?

Mr. Broach: Yes, there is apt to be a more important consideration than that.

The Secretary of the Treasury: The strength and resources of the bank itself, which would enable you to get re-discounts and other facilities. Do you think Birmingham would be the best point for a bank, having in mind the provisions for such facilities?

Mr. Broach: Well, I had not given that any thought.

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

#### STATEMENT OF J. B. STERLING.

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

Mr. Stirling: J. B. Stirling, Jackson, Miss.; president of the First National Bank of Jackson.



The Secretary of Agriculture: Do you represent any association there?

Mr. Stirling: I am a member of the Clearing House. I came down so hurriedly that I did not have a chance to get the statement of the Clearing House, but I know their sentiments, and can file the authorization here, which I will do.

The Secretary of Agriculture: How many banks are there?

Mr. Stirling: Five in the Clearing House.

The Secretary of Agriculture: State or national?

Mr. Stirling: Three national and two state.

The Secretary of Agriculture: What are their wishes?

Mr. Stirling: Their wishes are unanimously for New Orleans.

The Secretary of Agriculture: They have considered the matter of the district?

Mr. Stirling: Well no, I think not. I do not think they have gone into that particularly.

The Secretary of Agriculture: What would be your judgment as to the way in which the district ought to be laid out.

Mr. Stirling: I should think it ought to embrace part of Florida, Alabama, Mississippi, Louisiana, part of Texas and part of Arkansas.

The Secretary of Agriculture: Have you considered this question from the point of view of the question asked the other witnesses as to whether you could get a more independent district by laying it out in some other way.

Mr. Stirling: I do not think so; in the south they are all <sup>all</sup> on the same basis, and ~~xxx~~ borrowers in the ~~all~~ in moving the crop.

The Secretary of Agriculture: Suppose you took one running up into the central states?

Mr. Stirling: Well, I think that would be inconvenient to us and would practically do us no good. Our business is with New Orleans and New York and Chicago and further north. We have very little business with St. Louis. The great volume of our business is with New Orleans.

The Secretary of the Treasury: If you had a Regional Bank somewhere else and a branch at New Orleans, you could probably get all the facilities you require, could you not?

Mr. Stirling: Of course, a branch might facilitate some, but naturally, to do business with a regional bank, we would prefer to have the original bank here instead of a branch.

The Secretary of Agriculture: What would be your second choice?

Mr. Stirling: We would not have any second choice, I do not think. I do not think St. Louis would be available. I would just as soon have a regional bank in New York pretty near as to have it in St. Louis. I will say in answer to your question addressed to Mr. Wexler this morning, that the Mississippi banks will be able to take stock in the regional bank.

The Secretary of Agriculture: The state banks?

Mr. Stirling: Yes, sir.

The Secretary of the Treasury: They are authorized by law?

Mr. Stirling: The provision of the law just passed is that state banks cannot own stock in any other banks doing business in Mississippi except regional banks. That is almost the exact language of it, and I presume it will be construed that they will be permitted to take stock in regional banks, although the language is a little bit obscure.

#### STATEMENT OF J. F. FLOURNOY.

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

Mr. Flournoy: J. F. Flournoy, Cashier, First National

Bank at Canton, Miss., and President of the Mississippi Bankers Association.

The Secretary of the Treasury: Does that association comprise all of the national and state banks?

Mr. Flournoy: Not all of them. I think all the national but not all the state banks.

The Secretary of the Treasury: Are you authorized to represent the association here?

Mr. Flournoy: No, sir, we have not had a convention since this matter came up.

The Secretary of the Treasury: You are speaking individually?

Mr. Flournoy: I am speaking individually, and after consulting a very large majority of the members of the State Bankers Association.

The Secretary of the Treasury: What are your views on this subject?

Mr. Flournoy: We naturally prefer New Orleans.

The Secretary of the Treasury: You want to be attached to New Orleans?

Mr. Flournoy: Yes, sir.

The Secretary of the Treasury: Have you considered the



district itself?

Mr. Flournoy: Yes, sir, somewhat.

The Secretary of the Treasury: What do you think of the district?

Mr. Flournoy: The district as laid out here?

The Secretary of the Treasury: Yes.

Mr. Flournoy: The only thing I would suggest would be to take in more of Tennessee.

The Secretary of the Treasury: You have not consulted Tennessee about that, have you?

Mr. Flournoy: No, sir. That is what I thought about it.

The Secretary of the Treasury: I was wondering if your thoughts were based upon any sort of conference or contact with any of the Tennessee people.

Mr. Flournoy: No, sir, most emphatically no.

The Secretary of the Treasury: You see, we have the President of the Tennessee Bankers Association here, and we will let him talk about Tennessee later.

Mr. Flournoy: Yes, sir; I think it would be much better.

The Secretary of the Treasury: What would be your second choice?

Mr. Flournoy: New York.

The Secretary of the Treasury: I am speaking of practical things.

Mr. Flournoy: I am speaking from practical experience.

The Secretary of the Treasury: You are speaking from the artificial standpoint, and we are trying to restore normality, and of course we are required to divide the country into districts which are composite, and naturally we could not take in New York. Where would be your second choice if New Orleans should not be the headquarters for a bank?

Mr. Flournoy: If a regional bank is to be established in the south, I do not see any other logical point than New Orleans. We would hate to float our indebtedness by having to float across the Mississippi River and go to Texas, and we would hate to draw --

The Secretary of the Treasury: Texas hates to float hers over to New Orleans, and there you are.

Mr. Flournoy: We are perfectly willing to let Texas go to Denver, if she wants to.

The Secretary of the Treasury: What would happen to this district if you took Texas out? She seems to be furnishing the volume of the resources.

Mr. Flournoy: Not if you come up further into the terri-

tory and take in more of Tennessee and some of Arkansas.

The Secretary of the Treasury: That would not help you very much.

Mr. Flournoy: But would it not give us sufficient capital to form a regional bank, if we extended these lines a little further north and west?

The Secretary of the Treasury: I doubt that very much from my recollection of the figures. However, if you had to cut out Texas, as you have suggested, and suppose Georgia is omitted and the district has to be extended then northward, where would you prefer to have the reserve bank if New Orleans should not be selected; what would be normally the best thing to do?

Mr. Flournoy: Are you working on the basis of eight or twelve banks?

The Secretary of the Treasury: I am working on the basis of eight banks, as this plan is laid out with reference to eight.

Mr. Flournoy: Then I should think you would have to come further north, if you cut out Georgia and Texas.

The Secretary of the Treasury: Now assuming that you come further north, what would be your second choice?

Mr. Flournoy: I suppose we would have to come to St. Louis. It would not be a matter of what we would choose, but what we would have to take.

The Secretary of the Treasury: But that would be normally the next best thing to do, if you had to go further north, you think?

Mr. Flournoy: If you cut out Georgia, yes.

The Secretary of Agriculture: If Georgia were included, you would take Atlanta?

Mr. Flournoy: I would take Atlanta in preference to St. Louis. My reason is, we figure the volume of business that comes south, about -- well, our exchange items, there are 10/16ths, to be accurate, in the last 12 months, which comes to New Orleans of the business from our town, and about 6/16ths that goes north and east, and in the cotton movement there is over two-thirds which comes through New Orleans and about one-third that goes to the Carolinas and eastern mills; and the cotton crop is the principal crop and cattle and grain about the same thing.

The Secretary of the Treasury: Is there anybody else here from Mississippi who has not been heard? If they desire to



file briefs, we will receive them.

Mr. Wexler: Do you want to hear from anybody else in Mississippi? We have some here from Hattiesburg.

The Secretary of the Treasury: Well, their affiliations are naturally with New Orleans, we understand that; but they can file briefs and we will be glad to receive them.

We will now hear from Louisville.

Mr. Wexler: There is a gentleman from Florida here, Mr. Castle, of De Funiak Springs, Florida, who has come a long way to present his views to you.

The Secretary of Agriculture: I should not think we would need any argument as to that. We will assume that he would select New Orleans. He can file his argument in the shape of a brief.

Mr. Oscar Finley: If it please the Committee, Louisville has selected Mr. John W. Barr, Jr., President of the Fidelity & Columbia Trust Company, to lead off in the presentation for Louisville.

#### STATEMENT OF JOHN W. BARR, JR.

The Secretary of the Treasury: Mr. Barr, will you state your name, residence and occupation, for the record.

Mr. Barr: John W. Barr, Jr., Louisville, Ky.; President of the Fidelity & Columbia Trust Company.

The Secretary of the Treasury: Have you prepared a map of a district here?

Mr. Barr: We have, Mr. Secretary. We desire to support our contention for the location of a regional bank in Louisville upon facts alone, and upon the requirements of the new Currency Bill.

As we understand, the first requirement is that convenience should be considered; the second is, the customary course of trade, the third is that it should have sufficient banking capital; and probably the fourth, which is not a requirement, but an incident to it, and we think equally important, is the ability to take care of the finances of the particular region.

It is very difficult, indeed, gentlemen, to lay off a section that will be agreeable to everyone. We wish to state to you that these lines which are drawn <sup>and</sup> are necessarily must be subject to change. If I may use the expression, they are elastic. We think under the Act that the region laid out, marked No. 3, would meet all the requirements with the bank located in Louisville.

(The map was accordingly filed.)

Mr. Barr: Now first the facts, and we will only give you facts, bearing on the question of finance. As you know, you have heard that in this section of the country the tendency of trade and business and intercourse between the cities and the state is north and south. It is not like in some other sections, east and west. Our railroad facilities are such that with the exception of Florida, which is a peninsula, and therefore is isolated, and we cannot change the geography of the country, we are within striking distance of within 18 hours of every city and town embraced in Region No. 3. As you know, the checks, notes and bills are taken out in the afternoon after three o'clock and provided they can be received in the correspondent bank by the following morning, which is 18 hours, that is all that is necessary.

The region as laid out here is a natural one, bounded by the Mississippi River and the Ohio River, the Allegheny Mountains and the Gulf. We are not trespassing, as you will note, upon the domain, as it were, or upon the privileges of New Orleans. We think that they should go into No. 6, I believe it is. Their territory necessarily must

be changed from their views to our views, or from our views to their views in order to meet these requirements.

Now this plat shows that, and we will call this the geographical map, and here is our boundary indicated by the dotted lines. These are the lines of communication, indicating the time required to deliver the mails. New Orleans of course, is 24 hours, but that is in an entirely different territory. Our territory, therefore, embraces, in order that it may be distinctly understood, southern Indiana, just south of Indianapolis, the state of Kentucky, the state of Tennessee, northern Mississippi, the entire state of Alabama, Georgia and Florida, and as seen by this map, it is within --

The Secretary of the Treasury: Do you include Cincinnati?

Mr. Barr: No, we have put Cincinnati north of the Ohio River, where it belongs, Mr. Secretary.

The Secretary of the Treasury: I see you have it on the map, and there was a little confusion as to whether it was in the territory or just outside.

Mr. Barr: They want to get in our territory, but we think they belong on the other side. So you will see from this, as a matter of convenience, our accessibility to all of the cities and towns embraced within this region, and that is



the first pre-requisite, as we understand it, under the Act.

Now in the second place, and I have heard you gentlemen and have had a little trepidation, when you are going to ask all these questions about the course of trade -- we want to show you the vast volume of business which is done. This is right up to date, 1913. In the matter of revenue, the city of Louisville has taken in, largely from tobacco and whiskey collections, \$18,800,000, which is the third in the United States, a very important matter, and when we get down to the amount of revenue which is derived from the State of Kentucky, it is \$35,000,000, and all of that money --

The Secretary of Agriculture: What is that?

Mr. Barr: \$35,000,000 is the amount of Internal Revenue receipts, probably the third in the Union. Now I will go into that course of trade in those particulars, tobacco and whiskey, in a few moments. The stock of whiskey in bond in 1913 in the United States was \$274,000,000. Whether with credit or discredit to ourselves, we had \$163,000,000 of that.

The Secretary of the Treasury: You do not ask us to express an opinion on that?

Mr. Barr: Not at all. As you know, we are divided on that proposition ourselves.

Senator James: It is being kept in the warehouses.

Mr. Barr: yes, we have it right there for use, Senator. So the result is, we have over half of the whiskey production in the United States. On every gallon the government receives \$1.10. Now in addition to that, you must remember the cost to manufacture comes in there and the storage, and it is in there for many years.

Now briefly stating this, because I am coming back to it in a moment, we refer to the tobacco trade. The estimated production, and this is very accurate, and we give the authority on the subject --

The Secretary of the Treasury: Is that company an authority on the subject, Dunnington & Company?

Mr. Barr: It is the best we could arrive at.

The Secretary of the Treasury: I mean they are recognized authorities?

Mr. Barr: They are indeed; they are buyers for some of the foreign nations. The total estimated production of tobacco grown in the United States was 9 53,000,000 pounds, valued at \$122,000,000. The total amount financed through

Louisville was 38,715,000 pounds, 41 per cent in volume and 32 per cent in value of the whole crop of the United States, a very remarkable statement. These estimates are very conservative.

Now we have data giving the entire output of the world, and the amount of tobacco financed through Louisville is one-eighth, not of Kentucky, not of the United States, but of the entire world.

I want to go back and explain why the financing of these vast sums of money, first in whiskey and second in tobacco, is peculiar to our city. In the first place, whiskey is produced usually from corn, that is in our state. The money has to be furnished with which to buy the corn. Subsequently the whiskey is made. That whiskey is then deposited in government warehouses. Persons buy that from California to Maine -- even Maine. The result of that is that in ~~sixty~~ these other states the persons, the banks and the financiers are not willing to finance that; they do not know the value of the whiskey, they do not know the outage, they do not know the cooperage; so that from California throughout the west and in the north and in the south the City of Louisville, of necessity, has to furnish the

money to carry that whiskey until the tax is paid, to carry that whiskey until the owners desire to take it out of bond. So that we are not only taking care of local matters, but are taking care and helping the entire country so far as the whiskey trade is concerned. I could say more, but I know you just want to get the salient facts.

With regard to tobacco, it is necessary, and no one understands that fact like we do, the financing of these two crops, as they are peculiar -- in the first place it is necessary to advance the money on the growing crop. After that, when the crop is put into the warehouses, further money has to be advanced on it. Then the tobacco is sold to the local dealers or to foreign nations, France, Switzerland, Belgium, England, nearly every nation in the world buys tobacco from us --

Mr. Finley: And Italy is a large buyer.

Mr. Barr: And Italy.

The Secretary of Agriculture: What percentage is that?

Mr. Barr: I do not know.

Senator James: Of the dark tobacco, a great majority is exported.

Mr. Barr: Yes, it nearly all goes abroad, of the dark



tobacco. So that is peculiar to our state, and there is nowhere else where the financing of it is so understood as with us. If we should not finance it or be in a position to finance it in the future as we have in the past, the tobacco trade would suffer tremendously.

The Secretary of Agriculture: You heard our discussion of that point, the knowledge of the paper, of the crop?

Mr. Barr: Yes.

The Secretary of Agriculture: You realize that is a matter not for local decision.

Mr. Barr: I quite recognize that.

The Secretary of Agriculture: For instance, the southern people could charge you with not knowing cotton.

Mr. Barr: That is true.

The Secretary of Agriculture: So it is not a local matter, it is a matter for the whole district, whatever it may be.

Mr. Barr: Yes, provided right there, as to cotton, we take it that New Orleans or Houston or some point, or some of the southern cities who are familiar with it would handle it. of course, we have very little transactions with them --

The Secretary of Agriculture: I just wanted to remind you of the fact that these who direct this regional bank will

be drawn from this entire district.

Mr. Barr: Yes.

The Secretary of the Treasury: And that through the knowledge that the directors of the entire district have, together with the knowledge which will be supplied to them by the directors of the branch bank, the organization is supposed to be capable of dealing effectively with any problem which may be presented from any part of the district.

Mr. Barr: Yes. Now our other large volume of business consists of grain of various kinds. That amounts to \$17,000,000, and of live stock, which is tremendous, \$1,400,000 in head and \$21,000,000 in value.

This is the production of tobacco. Here is the manufactured tobacco, \$17,000,000, and \$13,000,000 of receipts, and these are the shipments. The value of the entire manufactured products in our community is \$101,000,000.

The Secretary of the Treasury: Louisville alone, you mean?

Mr. Barr: Alone, which is, I may say, double that of any other city within this Region No. 3 as laid out.

The Secretary of Agriculture: Can you give any facts showing the growth of your manufactures?

Mr. Barr: We will do that. of course, you must recognize

there are a great many things that we could not anticipate, but to repeat again, whatever you desire we will furnish.

The Secretary of the Treasury: Before you leave this, you have outlined a tremendous product which has to be financed and cared for, and I understand you to say that is all financed from Louisville.

Mr. Barr: very largely, not altogether.

The Secretary of the Treasury: To what extent is it financed --

The Secretary of Agriculture: Before we go into that question, can you give us the statistics of the proposed bank?

Mr. Barr: We are coming to that. That follows on another chart.

The Secretary of the Treasury: I wanted to get an idea before we leave this, and I think we can relate it better if we take it up now, to what extent is it financed by Louisville banks?

Mr. Barr: I would say at least 80 per cent of it, probably more.

The Secretary of the Treasury: How do you do it? Take the Louisville banks, they have a total capitalization of

\$5,495,000 paid in, for the national banks, with a surplus of \$2,730,000; that is about \$8,000,000.

Mr. Barr: Yes, but we have a great many state banks.

The Secretary of the Treasury: I understand, and I am coming to that, but I am taking the national banks first, because we have that data, and I will ask you to supply the remainder.

Mr. Barr: We will. As you understand, all of these things do not come at one time.

The Secretary of the Treasury: I understand that. But the aggregate of these financial transactions is very great.

Mr. Barr: They are, indeed.

The Secretary of the Treasury: What we would like to get is some idea as to how that is handled, which might be put in the record at this point.

Mr. Barr: Now with regard to the tobacco first, the buyers for the foreign markets borrow the money from the banks temporarily. So soon as they have gotten the --

The Secretary of the Treasury: Borrow from the Louisville banks?

Mr. Barr: Yes. So soon as they have gotten the tobacco ready for shipment, they pay off the banks, as it were, by



drawing a draft on London, Paris or wherever it may be.

The Secretary of the Treasury: How long a period are the banks carrying the tobacco before the final or liquidating draft is presented?

Mr. Barr: How long would that be, Mr. Finley?

Mr. Finley: It varies very much. The tobacco is usually moved by the first of February. I think nearly all the tobacco raised last season has been moved now, except possibly in the Owensboro district, and that is just about finishing up.

The Secretary of the Treasury: When does it begin?

Mr. Finley: We begin lending at the time the crop is started.

The Secretary of the Treasury: When is that? I am not a farmer. The Secretary here is, but I am not.

Mr. Finley: April and May.

The Secretary of the Treasury: That is quite a long period.

Mr. Finley: And these go along until it is marketed.

Mr. Barr: But just part of it is advanced from time to time. That amount of money is not advanced all at one time,

otherwise we could not finance it.

The Secretary of the Treasury: As to these other matters, all this good liquor you have in storage, that has to be carried along. How is that done?

Mr. Barr: Well, that is done in this way. After the amount of money has been received to buy the corn and make the whiskey and the warehouse receipts have been issued on it and pledged to the banks, from that point it is easier.

The Secretary of the Treasury: But up to that time, during the period of production.

Mr. Barr: During the period of production it covers a period of several months, and it is usual to sell the crop of whiskey, so soon as the whiskey is produced, you are paid for it. Do I make that clear?

The Secretary of the Treasury: Well, not exactly.

Mr. Barr: I will go into it a little more definitely, then.

The Secretary of the Treasury: You have got to finance the crop which is used to make the whiskey?

Mr. Barr: Well, that is paid cash. So soon as the whiskey is made, then the whiskey is sold to California or Maine or any other state, and they give their commercial

paper for it, as a rule, and that is the way these warehouse receipts are taken up.

The Secretary of the Treasury: Of course, there is a lot of that which is not explained. I suppose we can pass it for the present and let you go along.

Mr. Barr: Yes, we are going to file a brief on that, because as I said, I could not answer every question necessarily.

Senator James: You might explain to the Secretary about the warehouse receipts.

The Secretary of the Treasury: I understand about the warehouse receipts. What I am driving at is this, you have to finance your crop before you make the whiskey.

Mr. Sherley: In that connection it ought to be said that the cost of making a gallon of whiskey is in the 20 cents, under 30 cents, whereas your tax is \$1.10, nearly five times as great, so that the value of the whiskey when you take it out of bond is very much greater than the original cost of manufacture, due to the tremendous tax, and the financing of the crop to make the whiskey is less of a proposition in dollars and cents than what is involved afterwards by virtue of paying the government tax on that.

The Secretary of the Treasury: I assumed that in the question, because after you get the finished product in bond it is simple enough.

Senator James: Of course, they only pay the tax as they take it out.

The Secretary of the Treasury: I understand, but to what extent are you required to finance the crop itself before you convert it into whiskey? After you convert it into whiskey I know it is a very much simpler proposition.

The Secretary of Agriculture: Then it is liquid.

The Secretary of the Treasury: Because then, as the Secretary says, it is a very liquid transaction.

Mr. Barr: You must recognize there is a very large amount of private capital which goes into the financing of the crop.

The Secretary of the Treasury: Yes, I understand, but I want to find out to what extent a load is put upon the Louisville banks for this entire operation. You have tobacco and whiskey?

Mr. Barr: Yes. Fortunately for us they come on one after the other, they do not come on as a peak load.

The Secretary of the Treasury: It is a rotary converter.

Mr. Barr: Yes. Coming to the figures upon the banking



capital and surplus and deposits within these regions included, you asked about the capital and surplus. It is \$9,779,000, and the surplus is this amount (indicating).

The Secretary of the Treasury: That is state and national?

Mr. Barr: Yes, sir, and deposits of \$52,000,000, which is \$20,000,000 over any city located within the same region, and of course that means that the capital and surplus each are larger. When it comes to the clearings, our clearings are greater than any others, \$715,000,000, and in that \$715,000,000 we include only the clearings of the city; not like some other cities, which include country accounts. If we did ours would run considerably more than \$800,000,000. So that that must always be borne in mind in comparing that sum to the other cities.

So you will see that <sup>within</sup> this proposed region No. 3 Louisville is first in population, in clearings, capital and surplus and <sup>it</sup> first in deposits, and therefore shows that financially it is the strongest. As shown you by a previous statement, which is not comparative at all, but I had to make a bare statement of fact, we were the largest in the amount of manufactured products.

Now here is a table simply for the purpose of com-

parison, showing the estimated amount --

The Secretary of the Treasury: Yes, we see that. Now the Federal Bank capital would be \$5,140,000 based upon what? I mean the national banking capital alone?

Mr. Barr: The national bank capital alone, that is, not region No. 3, but that is leaving out Kentucky and substituting for Kentucky North and South Carolina. Region No. 3 is shown here. That is what you want?

The Secretary of the Treasury: Yes, we want Region No. 3, what the relative strength of the different units would be.

Mr. Barr: The average Federal deposits for this region which we have spoken of is \$16,638,000, less the amount required for reserves, would bring it down to \$10,813,000.

The Secretary of the Treasury: These are the receivers that the bank would hold?

Mr. Barr: Yes, that is correct.

The Secretary of the Treasury: Setting aside the 35 per cent for reserves, you would have available for loans \$10,813,000?

Mr. Barr: Yes, and we would have in addition to that the capital which would come out of this district on the six per cent.

The Secretary of the Treasury: Where is the capital?

Mr. Barr: \$6,615,000.

The Secretary of the Treasury: Is that composed of national bank capital alone?

Mr. Barr: Alone, and I may say we have just had introduced in the Kentucky Legislature an enabling act which will permit state banks and trust companies to join the Federal Reserve system.

The Secretary of the Treasury: Is that likely to pass?

Mr. Barr: We have the sanction of the Banking Commissioner for it, yes. Up to the present time we have not been able to do that, and thought it was proper to have it done. Therefore the total funds which would be available would be \$17,328,000.

The Secretary of the Treasury: As the loaning power of the banks. Now from past statistics the average amount of re-discounts and bills payable would be \$15,000,000 in that district.

The Secretary of the Treasury: At the peak?

Mr. Barr: At the peak.

The Secretary of the Treasury: That does not take into consideration indirect re-discounts?

Mr. Barr: No, it do cannot.

The Secretary of the Treasury: And so forth.

Mr. Barr: Yes. This is for the average. The average in the above tables were compiled from the five reports made by the national banks to the Comptroller of the Currency during the year 1913.

The Secretary of the Treasury: What was shown by the last call of the Comptroller?

Mr. Barr: We have a table showing that.

The Secretary of the Treasury: Of re-discounts. Of course that information has not been called for so specifically as recently.

Mr. Barr: The re-discounts and bills payable on the same dates, the first call was \$15,000,000, \$10,000,000, \$14,000,000, \$20,000,000, \$18,000,000.

The Secretary of the Treasury: This is for 1913?

Mr. Barr: Yes.

The Secretary of the Treasury: That is October 21st, 1913 (indicating).

Mr. Barr: Yes. Now then we have a table here taking those same calls, and it would show that at the first call we had a surplus reserve of \$3,500,000 and the next one we had a



surplus reserve of practically \$6,500,000, and at the next call we had a surplus reserve of a little over \$2,000,000, and at the next call we had \$5,000,000.

The Secretary of the Treasury: Deficit?

Mr. Barr: A deficit.

The Secretary of Agriculture: That is August?

Mr. Barr: yes. And at this time it was very close to \$328,000. Now by comparing that with other southern territories you will find we have a surplus far oftener than any of the others. For instance, here is this southeastern territory --

The Secretary of Agriculture: Do I understand that is for the region you propose?

Mr. Barr: That is for the region we propose. And we lay this before you to show that we have the ability to care for the discounts through the entire period.

The Secretary of the Treasury: The trouble about all these statistics, Mr. Barr, is that of course the re-discounts which appear in the Comptroller's statement do not reflect at all accurately the borrowing, the demand of the district.

Mr. Barr: That is true, but --

The Secretary of the Treasury: Now the question is, how much in excess of the available resources of this reserve bank that demand is likely to be under a normal condition, which in fact encourages re-discounting instead of discouraging it, as heretofore.

Mr. Barr: Yes. Then we are led into mere conjecture. We have to use the best data that we can, as shown by the reports.

The Secretary of Agriculture: Can we get some intimate information? For instance, in Fort Worth the other day this question was brought up, and one of the gentlemen said that the banks of Fort Worth took care of 20 per cent of their annual cotton operations, about \$30,000,000, and that they handled the remainder indirectly, 70 per cent of it.

The Secretary of the Treasury: Of course, this Committee could get at that data if we would take time and exercise the power we have of issuing subpoenas compelling witnesses to come and testify, because by that method we could find out what the indirect discounting of these various banks was at a given time. We could also compel the state banks and trust companies to give us similar information, but that

would be a very tedious process and would take a long time. But it is a very important question and we would like to get as much light on it as we possibly can. I do not think this reflects actual conditions by any means. I do not mean your district in particular, but all districts.

Mr. Finley: We can speak pretty accurately as to Louisville. I do not know so much about the other cities in the district. I think there are very few indirect loans made from Louisville.

Mr. Barr: Very few. We take care of our own demands.

The Secretary of the Treasury: Again, another question, which arises in connection with these re-discounts is this: We have had testimony from many of the national bankers who have said that when they have gotten down to their reserves, in making loans, no matter what the demand was from legitimate business, that they either stopped making loans where they did not re-discount, or strengthened their reserves by contracting credits.

Mr. Barr: Yes.

The Secretary of the Treasury: Now again, the thing that we are bound to learn as far as we can, and I know it is difficult to get it, is the real demands from legitimate business.

Mr. Barr: Yes, we can do that.

The Secretary of the Treasury: You may do that and file it as an exhibit.

Mr. Barr: What we wanted to impress upon you is this, that our banking capital and banking deposits and our ability to take care of the legitimate business and the business of such a vast character and variety is such that it does not all come at once, that it would strengthen tremendously this region to have Louisville and Kentucky located within it, Region No. 3.

Now I think we have endeavored to show you gentlemen very briefly, because I know there are others to follow, first, that as a matter of convenience we meet the requirements; and secondly, the customary course of trade is altogether north and south, the course of trade is between Kentucky and the south, it is not with the east. Of course there is a great deal of financing and sending money to New York and all that, but the course of trade is from the Ohio River south. There would be a less fluctuation ~~in~~ <sup>when</sup> money was needed by locating the bank here than at any other place. We think for all of these reasons that this Region No. 3 is the proper one, subject of course, to probably minor changes,



business under conditions which would encourage legitimate business transactions rather than discourage them; the extent of that demand has an important bearing upon the determination of these districts and the location of the banks.

Mr. Barr: Yes, that is quite true. All that we could say is this, that in the past, experience has shown us that we were able to take care of the requirements of that community, and as shown by these general figures which you have properly said are not entirely accurate, nor are they satisfactory, they show our ability to take care in the main for all the requirements of this section, and it makes it --

The Secretary of the Treasury: But could you not get and give us later a statement showing the actual re-discounts of the banks, state and national, in Louisville?

Mr. Barr: Certainly.

The Secretary of the Treasury: At a given period?

Mr. Barr: Certainly we can do that.

The Secretary of the Treasury: For instance, you can take it as of the date of the latest call of the Comptroller, October 21st, 1913. That would fairly reflect the condition. Is it not the period of the year when you have your maximum demands?

to designate as the proper district, and Louisville would be located within it.

The Secretary of Agriculture: I was just going to ask if you have anything to show that that is true of the trade of Alabama and Georgia?

Mr. Barr: We have only this, that we will have to get statistics from the Board of Trade showing the volume of business which goes into these states. We have not them here, I will say.

Mr. Finley: These are just general statistics.

Mr. Barr: These are just general. We could not do it like we could if you were in Louisville. If you were in Louisville we could call them right here to explain these matters to you. Now we have made inquiry and sent out a number of letters asking for first, second and third choice in all this region, and in every state embraced within this region, after their own local pride was satisfied, and we have been the second or third choice, and in the whole we are the first choice, so far as the replies have been received by us, and we will file that and make it an exhibit in detail with our statement.

Now I do not know that there is anything more to say,

5  
unless you gentlemen want to ask me some questions.

The Secretary of Agriculture: You say you sent out letters of inquiry?

Mr. Barr: Yes.

The Secretary of Agriculture: Throughout this district?

Mr. Barr: Throughout this district.

The Secretary of Agriculture: Have you copies of the inquiries?

Mr. Barr: Yes.

The Secretary of Agriculture: And will you file those?

Mr. Barr: Yes, we will file those.

The Secretary of Agriculture: How many did you hear from?

Mr. Barr: We sent out approximately 5000 and we heard from about 1400 of them.

Mr. Sherley: I suggest that you show that compilation and explain it.

Mr. Barr: It was not in very good form. Here is as far as it goes: Replies received from approximately 4000 letters -- I thought it was 5000 -- mailed to banks in these states, Indiana, Kentucky, Tennessee, Mississippi, and so forth, requesting first and second choice for location of regional bank, Louisville was first choice in 444, second

choice so and so, or first, second and third choice in 853.

The Secretary of Agriculture: You do not give the states there expressing a choice; it is not arranged that way.

Mr. Barr: No, but we have it and it can be tabulated very easily.

The Secretary of Agriculture: It is very desirable.

Mr. Barr: We shall be pleased to furnish it.

The Secretary of Agriculture: You will file those replies with the reporter?

Mr. Barr: Yes.

The Secretary of the Treasury: Have you any additional summary?

Mr. Barr: Yes.

The Secretary of the Treasury: File this in triplicate, please.

Mr. Barr: I take it you would prefer it in a smaller form.

The Secretary of the Treasury: No, that is all right.

The Secretary of Agriculture: As to the information about the distribution of trade and the movement of trade to and from this section, you do not need to have the witnesses in person. We get our best impressions from the maps showing the percentages.



Mr. Barr: Yes, we shall have our Board of Trade prepare them.

The Secretary of Agriculture: We get it more briefly, and it stays with us. We would be very glad to have your large distributing houses prepare separate maps and prepare a composite map, or your Chamber of Commerce.

Mr. Barr: We have a number of exhibits showing such <sup>implement</sup> letters sent out by large ~~xxxxxxxxxxxx~~houses and others, which we would like to file with you.

The Secretary of Agriculture: Have you filed any figures to show the reserves kept by the banks in this district with Louisville?

Mr. Barr: We have not, but we will do that. As stated, we want you to bear in mind there were a great many points of information you desire which of course we could not anticipate.

The Secretary of Agriculture: Where does Louisville keep her reserves?

Mr. Barr: New York and Chicago primarily.

The Secretary of Agriculture: You can give us the percentages of the various cities in which she keeps them?

Mr. Barr: yes, sir, very readily.

The Secretary of Agriculture: Suppose it were not possible to accede to Louisville's request, what would be Louisville's first choice?

Mr. Barr: Sentimentally, and listening to what Secretary McAdoo said, I would have to say practically, but sentimentally we would prefer New York, and practically we would prefer Chicago.

The Secretary of Agriculture: What would be your second choice?

Mr. Barr: Well, we had Louisville first choice, New York second choice and Chicago third choice. We did not go any further. We canvassed that in the Clearing House, and beyond that, of course, I should not like to speak.

The Secretary of the Treasury: How about St. Louis?

Mr. Barr: Well, we do keep some small reserves there, but our trade relationship with St. Louis is not very close.

The Secretary of Agriculture: You go north or east?

Mr. Barr: Yes.

The Secretary of Agriculture: What about other cities to the east, Cleveland and Pittsburgh?

Mr. Barr: Our trade relationship with them is not intimate at all. North of the Ohio River it is not intimate,

The Secretary of the Treasury: Do Washington or Baltimore appeal to you?

Mr. Barr: The amounts vary as to those. We have comparatively no trade relationship with them.

The Secretary of Agriculture: You have included Atlanta in your territory. What about Atlanta?

Mr. Barr: We thought this, that if Atlanta was very ambitious, that you gentlemen would probably extend the number of regional banks and put it in the Atlantic Coast states. We did not consider it seriously in ours.

The Secretary of Agriculture: I asked that in order to ask the next question. You say the movement of trade and business for Louisville is east or north.

Mr. Barr: No, I say it is north and south.

The Secretary of Agriculture: From Louisville?

Mr. Barr: Yes.

The Secretary of Agriculture: You indicated a preference for New York or Chicago?

Mr. Barr: Yes.

The Secretary of Agriculture: Has Atlanta any special touch with you?

Mr. Barr: No, no very direct touch.

The Secretary of Agriculture: Do you not think she would resent that suggestion, if she did not have a bank and wanted to go east somewhere?

Mr. Barr: In order to satisfy Atlanta, we would put her along with the Coast states and not in this region.

The Secretary of Agriculture: But you have included it in this district.

Mr. Barr: But you are asking what we would do with Atlanta, if she were not satisfied.

The Secretary of Agriculture: I just wanted to bring that point out, if Atlanta would not feel as much violence would be done her to attach her to New Orleans or Louisville, as if you were attached to St. Louis.

Mr. Barr: Not in as great respect. It is the metropolis of the region, and our manufacturers are far in excess of theirs, and our financial resources are far greater than hers, and we think it is an entirely different proposition.

The Secretary of Agriculture: And Cincinnati you do not even consider?

Mr. Barr: No, we consider that Cincinnati will be with Cleveland or Pittsburgh or some of these other cities.

The Secretary of the Treasury: If you eliminated Georgia



and Florida from this district, the customary course of business of Florida is not with Louisville, clearly.

Mr. Barr: Not at all. It is really with New York.

The Secretary of Agriculture: And Georgia is clearly the same way, and East Tennessee is very largely the same way, is it not?

Mr. Barr: No, I think not.

The Secretary of the Treasury: East Tennessee does not go very much to Louisville, does it?

Mr. Barr: Very considerably, yes, sir. Our relationship has been growing very materially in that direction. Very frankly --

The Secretary of the Treasury: If you omit Georgia and Florida from this district, have you calculated what would be left in the way of banking capital?

Mr. Barr: Yes, that would reduce it from \$6,500,000 to \$5,000,000 based simply on the national ~~and~~ banks.

The Secretary of Agriculture: Would it weaken or strengthen the district?

Mr. Barr: If they were eliminated?

The Secretary of Agriculture: Yes.

Mr. Barr: Well, I rather think it would strengthen it.

The Secretary of Agriculture: It might strengthen them, you think, to be attached to Kentucky?

Mr. Barr: Yes, I do indeed, because they are borrowers and we are more lenders.

The Secretary of the Treasury: In laying out this district for the entire country here, I presume you have done this arbitrarily without reference to any specific or known condition.

Mr. Barr: Necessarily, to a certain extent it must be that way, Mr. Secretary.

The Secretary of the Treasury: Is it your judgment that there ought to be only eight districts in the country?

Mr. Barr: We have rather been of the growing impression that it would be a larger number, there is such a desire for these banks and the country is growing so rapidly, I take it there should be 10 or 12.

The Secretary of the Treasury: Well, aside from the desire.

Mr. Barr: Well, from the needs.

The Secretary of the Treasury: And looking at the matter as an economic problem only, and looking to the strength of the system and to get the strongest system to begin with,

what do you think should be the maximum number of these banks at the outset?

Mr. Barr: I originally was not for either twelve or eight banks, but the law being as it is, I am inclined to the opinion it would be better to have a larger number of banks, the maximum number.

The Secretary of the Treasury: You gentlemen are getting thoroughly converted to the matter.

Mr. Barr: The bill has been so changed that it has grown greatly in favor.

The Secretary of the Treasury: You are going to furnish us with a statement of the reserves kept by the banks in this territory with Louisville?

Mr. Barr: We will, yes, sir.

The Secretary of the Treasury: And you will show the number of banks by states which keep reserves in Louisville?

Mr. Barr: Yes, sir.

The Secretary of Agriculture: And their choices by states?

Mr. Barr: Yes.

The Secretary of the Treasury: Yes, their choices by states.~~xxx~~ What interest do you pay on reserve balances in Louisville?

Mr. Barr: Two per cent.

The Secretary of the Treasury: What do you do about check collections?

Mr. Barr: Well, the Clearing House governs that. In certain states the collection is at par and in certain others there is a charge made for it.

The Secretary of the Treasury: Is the effect of the practice to make the collection of checks practically free at Louisville?

Mr. Barr: It has not been so.

The Secretary of the Treasury: But in the large majority ?

Mr. Barr: No, the State of Tennessee is free, but further south it is not.

The Secretary of the Treasury: You heard the questions we addressed to the New Orleans Clearing House this morning about the definition of commercial paper and about the Clearing House functions that these banks are to exercise?

Mr. Barr: Yes.

The Secretary of the Treasury: I should be glad if you would consider that we have addressed the same questions to Louisville Clearing House, and the reporter will furnish



you with copies of these questions, and we should be glad to have your views on that subject at the earliest practicable moment, say by the first of March, if you will send them to us.

Mr. Barr: Yes.

Mr. Finley: The next is Mr. Richard W. Knott, Editor of the Louisville Evening Post.

STATEMENT OF RICHARD W. KNOTT.

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

Mr. Knott: Richard W. Knott, Louisville, Ky.; Editor of the Louisville Evening Post.

The statistical facts and the geographical facts in so far as they relate to Louisville are embodied in Mr. Barr's statement and in these statistics. The question you asked goes to the heart of the whole movement, what is going to be the effect of changed relations, what is to be normal under the new bill. You spoke, and we all know, that the present conditions are not normal, they are abnormal, due to a certain premium offered by the National Banking Act for the accumulation of the loanable capital of this whole section

of the country in the east. And it was that condition that gave rise to the demands for a new bill, for a reorganization of our currency system.

Now there is but one motive back of this, there is but one purpose, and that is the decentralization both of capital and credit.

Now what is going to follow this new system? These statistics relate to commerce as it is today. It shows what the channels of commerce are; it shows through what ports the products of this country seek foreign lands; it shows through what channels the interstate commerce flows. But there is no man who can tell you what changes are going to take place with a radical alteration not only in the currency system but in the spirit back of the financial system. No man could foretell, when the railroads were built, what transformations would take place. No one knew when steam was applied to the rivers what changes were to take place. We cannot tell what the future holds, except as you follow the history of the past, except as you follow the development of commerce from small things to great things, from local commerce to interstate commerce and from interstate commerce into national commerce. Now that is the history and we have

to study that history to determine what the future is to be, and then we will be far wrong.

In so far as Louisville is concerned, the question which you have a right to ask is concerning this great aggregation of capital, this great movement of the different products, is it temporary, is it adventitious, is it the creation of a few years or is it the normal condition of trade and commerce in this basin? If so, then you will have some foundation upon which to build <sup>the</sup> distribution of these centres of capital and credit.

Now, Mr. Chairman and gentlemen of the Cabinet, the people all over this country, not only represented by the bankers and their depositors, but all interests in the country, all industrial and especially all agricultural interests, are looking for the beneficent effect of this radical alteration of our banking system. In my judgment there has been much anticipation that can never be realized; and yet there is no doubt in my judgment that the effect of the distribution of the credit where credit is most needed is to follow almost any alignment that you make, and after business has adjusted itself to the new conditions, then and not until then are the promoters of this new system to be

vindicated.

It is 50 years since the great men of that day created the national banking system, and now the great men of this day have created this system, and the only thing necessary, the chief thing is that you make as few alterations in the normal conditions, as few alterations in the channels of commerce, as is possible. We have had, and the stress of the past six months shows we have, a remarkable confidence throughout all this country in the system of banking as it stands. Now that confidence we want to transfer to the new system, and you want it. On that confidence you must build. We have had many changes in the past twelve months. I am not talking simply on tables of statistics; there are other facts besides statistics, and if we confine ourselves solely to statistics, we are apt to blunder into many an error. But, Mr. Chairman, we have had so many statistics, we newspaper men, we have had to study the statistics of the tariff, in order that we might interpret it and bring to the public attention and the public conscience the argument being made by the leaders in this new march of industrial freedom; and following the tariff the Democratic editors have had to take up again the statistics concerning your banking business.



Now it is with us as it is with you! There is such a thing as indigestion from statistical matter, as we all know. But it is the part of the statesmen, when they discuss legislation, and the part of administrative officers when they apply legislation, and the part of the press when they interpret legislation, to get all the information possible and all the statistics possible and get from those statistics your own judgment and your own opinion, and we rarely unload them upon the public at large.

Now if this past history of commerce in this country carries any lesson, let us get at it. There are certain things legislation can do and certain things it cannot do. You have to build all these acts, tariff acts and financial acts, upon fundamental laws and conditions. And one of the fundamental laws of the present situation is this, that there lies a great basin between the Ohio and the Gulf, between the mountains and the rivers, that is homogeneous, of and it is ~~not~~ diversified agriculture, and therefore of diversified commerce; and always in the very heart of that territory there were the influences of two cities from the beginning, the City of Louisville at the Falls of the Ohio, and the City of New Orleans on the Gulf. The first commerce

of the west followed the line down the river into the Gulf, and history points to these two cities. From that time, there has been one revolution after another. The revolution under which the flat boat was superseded by the steamboat, just 100 years ago; under which the railroad succeeded the river traffic; under which war destroyed all commerce and industry, and after the war under which that commerce and industry was rebuilt. But through all of these revolutions, through all of these changes, Louisville and the influences of Louisville, her commercial, financial and industrial influences, were poured right through this basin. It was Louisville just before the war which built the Louisville & Nashville Railroad, and after the war it was about all that was left for transportation about which to gather the scattered elements of the other lines. And it has been so from the beginning. Louisville is more interested in this thing that we may have a success than that we may have a regional bank. If it can be demonstrated historically, if it can be demonstrated statistically that Louisville is not entitled to this position, that Louisville cannot meet the demands made upon it, then by all means discard Louisville and readjust your map in accordance with the sound judgment

of the officers appointed by law to administer this. We have not come to you pleading for any special privileges. We trust the day of special privileges is past with the passing of the old system. But we do come urging upon you, not merely that the past justifies us in what we present, but that there is a great work to be done.

I will not refer to the coast line nor to the west, but there is a great work to be done in this valley scooped out by the forces of nature itself. Not only have we to develop commerce and industry, not only have we to take care of the credit of this great people, but throughout this territory there must come a new agriculture as well as a new commerce. We are told there is a great meat shortage, and it is true. How are you going to supply it? By importation from foreign nations? By the development of new sources of meat traffic here at home, and there is no part of the country which will contribute more to that than the agricultural region in the territory we have described, for there is no where in the world so large a territory of rich agricultural land awaiting only the credit that those land owners are entitled to and have never yet received. You cannot build up the live stock interests of these states

of Kentucky, Tennessee, Mississippi and Louisiana without money. We have got to improve the grade of the stock and we have got to market the stock, and we have got to feed the stock.

There was introduced in Congress only a short time ago a bill to prohibit the farmer from selling calves one year old. Why do they sell them? Because they have not the capital and the credit to carry them through the second feeding season.

Now there is a great work to be done throughout this section by the Agricultural Department, as well as by the Treasury Department. It is doing a great work, but it is teaching a kind of agriculture that needs more money and more credit. There is no disputing the chemical fact, there is no disputing the argument for a new agriculture. But, Mr. Secretary, you know when all your plans and arguments have been laid before the farmers of this territory they ask where is the money to come from. Now, sir, they expect the money to come from these great cities, freed from the abnormal conditions of the past 50 years, and released from that influence that has drained the country that needed the money to enrich the cities which needed it not.



Now I do not attempt to prophecy, and most editors have that failing; I do not attempt to prophecy even political events, but I know that there are going to be changes greater following two events of the past year than the generation that knew the war felt. Those two events are this new system of currency, and there is no use of denying the relation -- there are two laws today that have a logical union, and you cannot separate them -- the new conditions to be brought about will be brought about by the revenue tariff and the regional reserve bank system; the next is the opening of the Panama Canal. Now that is going to produce greater changes than any of us can imagine. We know that the unanticipated changes of the Suez Canal were greater than those foreseen by its progenitors, and one was the destruction of the commercial sailing fleets of the world. Two millions of tonnage of the sailing ships were destroyed practically as efficient agents of commerce. This opening of this canal is going to change the agricultures of every Gulf state; it is going to change the tides of commerce; and the effect of that must not be only foreseen, but you must provide for it, not by your eight regional banks, nor your twelve; you cannot decentralize the capital

of this country and put it where it is most needed by limiting the number of regional banks to eight or twelve; and that is indicated in the Act itself, that you can readjust these divisions, and as the great western empire builds up, as Texas really develops to a commanding position in finance, Texas will want and will have a regional bank.

The Secretary of the Treasury: Is it your view, Mr. Knott, that there should be eight of these banks at the beginning, or more?

Mr. Knott: Twelve.

The Secretary of the Treasury: You think we should have the maximum?

Mr. Knott: Twelve, yes, sir.

The Secretary of the Treasury: And upon what theory?

Mr. Knott: Upon the theory that the purpose of this Act is to decentralize the congested capital in the east and distribute it throughout the country to meet the varied needs of a whole continent.

The Secretary of the Treasury: Well, that decentralization is inevitable, even if the minimum number should be established. Of course, the law gives discretion to the Committee

to make the number not less than eight nor more than twelve. Now as an economic problem, at the moment, is it your view we should start with the maximum number rather than the minimum or an intermediate number.

Mr. Knott: I think it ought to be twelve, Mr. Secretary, as a mere matter of efficiency, in order to make your capital efficient, in order to make your credit sound --

The Secretary of the Treasury: Of course, the point there is this, whether or not you would get the same effective use of credit with twelve weaker units than eight stronger units. That is one phase of the problem that has to be considered, of course.

Mr. Knott: Let us consider it, Mr. Secretary. You are basing all your calculations here upon the existing national bank system --

The Secretary of the Treasury: Not at all, you are mistaken.

Mr. Knott: I mean your figures.

The Secretary of the Treasury: No, we take them for what they are worth.

Mr. Knott: I mean when you ask what are the resources of this district No. 3, you say that includes so much capital

and resources --

The Secretary of Agriculture: Simply as a minimum.

Mr. Knott: But you start in with that basis. Now if this law is to be successful, and I do not mean a transitory and ephemeral success, I mean if this new law is to do for 50 years to come what the old law did, you are going largely to abolish the state banks, certainly throughout the west and south; and therefore I think you ought to start out with as large a circle of influence <sup>over</sup> ~~from~~ which the effect of credit and capital will be fixed, as possible. And I believe with that division, starting in there, it will be not long before the world itself will realize the benefit of that system and the continuation of that policy. Let us not be mistaken, gentlemen. The original movement for the reform of the currency came from men, and there are many of them honest in their conviction, who believed in a central bank. But I cannot believe that those men had a complete view of what the continent was. I do not see <sup>how</sup> with the experience of the past and the present conditions, one bank could possibly do the work which is expected from a system of credit and banking.

The Secretary of Agriculture: That is the view we took



of it in Washington, that we needed more than one.

Mr. Knott: Now there is very little difference between one and three, because it would give you the three centres.

The Secretary of Agriculture: I agree with you on that.

Mr. Knott: And there would be no dissipation, and there is very little difference between one and seven or one and five. When you come to eight, it is possible to distribute, but you need twelve in order to meet the reasonable requests of the people.

One thing more about Louisville and I will relieve your patience. Louisville is really the one point for an interior bank. You are going to distribute most of these along the coast, along the lake region and along the Pacific, and one certainly on the Gulf. Now St. Louis is not an interior city --

The Secretary of Agriculture: Mr. Knott, that is an assumption, of course.

Mr. Knott: Purely. I am only speaking my own mind, sir; I am only speaking from the statistical standpoint, backed up by the history of the industrial development. Now we are building this system of currency, we are offering to this people a new basis of credit; we are saying even now to the

farmers that your property is a basis of credit, and you are entitled to more money than you have been getting. But there was a time when the commerce largely of this basin ended at the Gulf. It does not end there any more; we go to Cuba and Porto Rico and the Panama Canal, with your credit agencies and your commerce, and then if annexation follows commerce we can take care of the annexation.

Now, Mr. Secretary, I am obliged to you.

The Secretary of the Treasury: Senator James, you want to be heard, I believe?

Senator James; Mr. Sherley will present some facts.

STATEMENT OF HONORABLE SWAGER SHERLEY.

The secretary of the Treasury: Mr. Sherley, I know your occupation so well, I will not ask you. I have seen you before in regard to appropriations.

Mr. Sherley: Yes, and with the desire to relieve the strain on that appropriation, we want to help you out by giving you a proper regional situs. I only want to suggest three basic things. First, as has already been intimated here, the purpose of this law was to decentralize capital, and it was to make the financial lines follow trade lines,

which is a natural economic situation, instead of having them arbitrarily following legal lines. Under the requirement of the deposit in reserve cities, we have seen money go across instead of along trade lines, with a corresponding accumulation of money in the East, and with a situation unique among nations, whereby a discount rate for a speculative transaction was lower than that for a legitimate trade transaction. Now, it was to get away from that, in my judgment, that Congress passed this law. And the reason that it did not agree to the central bank, I think, was with the idea of making certain that it would decentralize.

No man can serve in the House of Representatives and no man can travel over America without learning that there are certain divisions of America which arise whenever anybody thinks of the country on the whole. You think of New England of necessity as one section. You think of the Pacific Slope as one. You think of the Western Mountain section and you think of the North and you think of necessity of the South, and then of the great Southwest. Now, that is because of many reasons, some of them largely geographical and some of them climatic; but they are actual living facts, and no scheme can ever be worked out, in my judgment, that

will be worth anything that does not recognize those facts, because they constitute the very life of the nation. Cities, states and countries have habits, and you have got to recognize them. You can lay off a new boulevard, as we have tried to do in Washington and make the traffic go through the Mall, and yet people continue to go from the White House to the Capitol along Pennsylvania Avenue, because the habit of the city is that way. Now, there are certain habits of trade, and it is because we believe those habits of trade and the geographical division of America make Louisville a proper center for a Regional Bank, that we are here urging her cause.

We have got, of course, the natural pride that every man has in his city, but we are not putting it on the basis simply of our partiality for Louisville. The Ohio River was the great waterway prior to railways, and then the Mississippi, and there has been from the beginning of this government a trade from the South up North, and Louisville has been the northern most southern city. It is distinctly a Southern City, Southern in its association with the world, in its trade contacts. Cincinnati, our near neighbor, so near that a casual look at the map would seem to put it in



the same class with Louisville, is yet as distinctly a northern city as Louisville is distinctly a southern city. You may say that that is an arbitrary thing, but it is a fact, and no man who knows the cities but must recognize it. We believe that it is essential that the South, speaking of the South proper, should have at least two Regional Banks. If it is to have two, it would seem to follow almost as a matter of course that the city that, with the exception of New Orleans, is the greatest city in the South, should be the situs of one of those. The capital, as has already been set out, is sufficient to take care of the territory that we have outlined. Florida is the extreme, and part of Georgia might come up and become tributary to a bank situated at Baltimore, if one was established there, but all of this other country which we have indicated and Southern Indiana belongs naturally by virtue of trade, to Louisville.

Now, we are not only able to take care of it because of the total capitalization that a bank would have there, but we are able to take care of it for another reason. We would get rid of the financial peaks that would fall upon many banks and would be able to use our money during a

because the time when the demand on tobacco and whisky comes, and those are the two big movements of money requirements in Louisville, are times distinct from what would come from the more southern part of the section where the cotton demand would come, and as shown by the figures, we have been able always to take care of the situation, and we therefore believe that that fact should be considered, and not an attempt made to take Kentucky and force it into an unnatural alliance which will be legal but cannot possibly be a natural one. Our trade is not with Pittsburgh, with Cleveland, with Cincinnati. Those belonged into that north middle section of the eastern part of the continent, But Kentucky is essentially southern, and it has always been.

I do not want to undertake to repeat what has been said here about the figures, but there is no question as to our ability to create a bank of sufficient size, one that will run anywhere from five to six or seven millions of capital, and take care of the needs of that entire section and not thrust us upon other places.

Now, you asked several times about first and second choice and that sort of thing. Atlanta was suggested,

and it was urged that any objection we might have to Atlanta she might have in an equal degree to us. That is true, if she could grow to be our size, but it is hardly fair to say that the same objection of a city half the size and about half in money ~~ways~~ and resources should have the same complaint because it is tied to the larger city as that the larger city should be tied to the smaller.

The Secretary of the Treasury: It is a question of the district more largely than anything else; I mean that is the fundamental question. Now, on that same point, here is Texas which objects very strenuously to being attached to some other part of a district which is much smaller in capitalization than the capitalization of the banks in Texas. So that where you have the argument in one case which you present, we have the reverse of it in another place.

Mr. Sherley: I am not responsible for the other fellow's argument, but I submit --

The Secretary of the Treasury: But the committee is, nevertheless, puzzled by this conflict of views.

Mr. Sherley: That may be, but I am trying to straighten you out in this suggestion, that the cases are not parallel between any of the cities which were suggested for Louisville

to be tied to as it would be for them to be tied to Louisville, because Louisville is the dominant city and that dominance has been earned by her size, by her financial strength, by her manufacturing resources and by her ability to do, and it is not a matter of pride.

The secretary of the Treasury: Is it dominant, though, with respect to Georgia and Florida, for instance, in the matter of trade influence?

Mr. Sherley: No.

The secretary of the Treasury: Looking to the normality and the preservation of normal conditions of trade and commerce in the district, in which respect the Act is mandatory upon us, as you are well aware?

Mr. Sherley: Not at all, but if your premise is that Georgia and Kentucky shall be tied together --

The Secretary of the Treasury: No --

Mr. Sherley: Well, assuming they are in a Regional Bank, then there are many more reasons why Georgia should be tied to Kentucky than Kentucky to Georgia, simply because the strength of Atlanta is so much less than the strength of Louisville. Now, I grant you that in my judgment this part of Florida, particularly the Atlantic Coast side belongs up the coast and does not belong in this part of the country,



and there may be part of Georgia that that is true of, but all of this territory which has been suggested belongs historically and geographically and by financial and trade laws, by the very flow of commodities today to Louisville, as the dominant and strongest financial center within it, and that is what we desire to present here.

Now, there has been something said about the marketing of whisky, and I would like, as Mr. Barr did not go into it very fully, to have Mr. Gaddes or someone of these bankers here explain to you gentlemen just what occurs and how it saves the piling up of amounts carried by virtue of the stock carried in bond.

The secretary of the Treasury: we will have him do that tomorrow. We wanted to hear from you and senator James so you could get away if you desired to.

Mr. Sherley: Unless you have some questions, I have about expressed my views. I want to say I think there ought to be twelve regions instead of eight. We came here and still come on the theory that <sup>with</sup> only eight we are still entitled to one, but I think the reason you are going to have twelve is for the very reason that underlay the writing of this law, and that is to make certain of keeping capital at home

to perform the functions there among the people who created it rather than carrying it into certain centers; and there is no reason for eight as against twelve that will not apply for six as against eight, and if you carry the process out, then you are driven to the logic of the man who argued in favor of a central bank because of its strength and mobility of the funds which would there be gathered.

The Secretary of the Treasury: The law gives the committee discretion to select from eight to twelve districts, in order to meet the conditions as they may determine.

Mr. Sherley: But I want to state that I believe twelve would meet the situation in America better than eight, and you have tied all of them up, whether eight or twelve, through your Reserve Board. While it is true, when you get into this country, you find a good deal of difficulty to get capital enough to make a large sized Regional Bank, you take all this country in here (indicating) and you can only get about \$2,500,000, while when you come into this country the making of only a few Reserve Banks serves to bring about the same abuse we are striving to get away from, and that is making a district which is by nature dependent and subservient to some other district, and that has been the con-

dition for half a century past, it has been subservient by law rather than by nature to the financial centers of the East.

STATEMENT OF SENATOR OLIVER M. JAMES,  
Of Kentucky.

Senator James: I shall not take up your time. Of course, it is always understood when you make a Kentuckian sit down, you handicap him to that extent, and I could see at once the purpose of the Board when I saw that each man was required to keep his seat. It has about the same effect on a Kentuckian as tying his arms when he starts to make a speech.

But as to the number of banks, personally I prefer the larger number on the theory that it will serve in better fashion the country. But I would be willing to compromise on any number that would give Louisville one of the Regional Banks.

Now the truth of it is that Louisville, without undertaking to deprecate in any way any other city in the South, is the chief city of the South; it has been in manufacturing, and is almost as large in inhabitants, and when you take

into consideration that Jeffersonville and New Albany are just across the river and connected by easy access, Louisville is as great in the point of inhabitants as New Orleans. Of course, it is greater in manufacturing than New Orleans. They have got the greatest wagon works in the world there; they have got one of the four largest plow manufacturing establishments in the world. It is the largest loose tobacco market in the world. It pays in more revenue to run this government than all of the South besides or combined.

With that state of the case, if the South is to have a regional bank, it appears to me that you are are irresistably driven to the city of Louisville. Louisville, as Mr. Sherley has stated, is naturally southern. We take pride in the fact that we are almost as much southern if not quite so, as Mississippi or Louisiana. The tendency of the trade is with the South and has always been with the South.

Now, as to the thought which has been suggested here about a branch bank, that a branch bank would perhaps serve some cities as well as the Regional Bank. Well, the fellow who takes that view of it, I am willing for him to have the branch bank, but I think there is as much difference between



a branch bank and a Regional Bank as there is between a fellow who has got a crib full of corn and the fellow who has his corn in the field, where he has got to go after it.

Louisville produces one half of the whisky in the country. Now, it has been stated here that Louisville alone pays into the treasury about twenty million dollars a year. The whole state of Kentucky, taken together, pays in right close to \$40,000,000 a year, for the purpose of the government, which, of course, must be interested in it, because it helps defray its expenses, and it has been made legitimate by law, and the placing of this Regional Bank there, of course, would facilitate that business in a great degree, and also the tobacco business, which is also a revenue paying business. One third of the <sup>entire</sup> tobacco in the United States is produced in our state and financed through the city of Louisville. The city of Louisville has first and last about ten railroads and branch railroads that serve different parts of the country. It has the river facility of transportation. It has connection with Indiana, and with other parts of the states of Kentucky and Ohio by interurban routes or lines. From the standpoint of convenience

there is no city in the South that approaches Louisville in that respect. And for the purpose of getting in quick and immediate connection with the parts which are to be served by this district which has been laid off here --

The Secretary of Agriculture: You speak of the Middle South?

Senator James: Yes, of the Middle South and that part of Indiana which is included in this district.

The Secretary of Agriculture: May I interrupt you a minute, Senator?

Senator James: Certainly.

The Secretary of Agriculture: Aside from Louisville's relation to this district, do you conceive that to be a better arrangement than an east and west district?

Senator James: Yes, I think so, because the trade has naturally run that way.

The Secretary of the Treasury: Are you gentlemen going to file with the Committee a composite map or any map showing the sphere of Louisville's trade influence in these states?

Senator James: Oh, yes, that will be done by a brief all along that line.

I just came along so that if there was anything that

might be said that was not said I would suggest it, but it has all been so admirably and splendidly covered that I think any further statement from me upon this line would be a trespass upon the patience of you gentlemen. I am sure the brief will be filed showing all these facts to be sustained, and in that view of it I do not see any other way, if the South is to have a Regional Bank, to escape giving it to Louisville.

And originally, in the creation of these eight Regional Banks the thought was two to the South, two to the West, two to the Central States, and two to the East. That was originally the idea. personally, I suppose the Secretary remembers I was for twelve banks on the theory that it would be better for the whole country than eight, but even cutting it down to the minimum, when you give two to the South I do not see any other way on earth than for one of them to come to Louisville. of course, I will not enter into any fight between New Orleans and Atlanta, as to which gets the other one (laughter).

The Secretary of the Treasury: The Committee will adjourn now until ten o'clock tomorrow morning.

Whereupon, at 5 P.M., the hearing was adjourned to February 12, 1914, at 10 o'clock A. M.

New Orleans, La., February 12, 1914.

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

Present: Parties as before.

-----

The Secretary of the Treasury: Gentlemen, come to order please. Who is next to speak for Louisville?

Mr. Pinley: Mr. Fort, of Clarksville, Tennessee, in the Dark Tobacco District, is to be our next speaker.

The Secretary of the Treasury: We heard Mr. Fort once before.

STATEMENT OF STERLING FORT.

Mr. Fort: I am President of the Northern Bank of Tennessee, Clarksville, Tennessee. I want to go on record, gentlemen, as being entirely consistent in this matter. I am the same attitude in New Orleans as I was in St. Louis, Louisville first and St. Louis second. You understand that, of course.

The Secretary of the Treasury: Yes. Have you anything to add in addition to the testimony you have heretofore given?

Mr. Fort: I told you in St. Louis that I represented the Clarksville bankers, but I did not have this paper then.



This is just a resolution endorsing Louisville first and St. Louis second. Shall I read it or file it?

The Secretary of the Treasury: Yes, you may read it.

Mr. Fort: (Reading):

"Clarksville, Tennessee, February 6, 1913.

"At a meeting of the Clarksville bankers of Clarksville, Tennessee, held today, the following resolution was passed:-

"It is hereby resolved that Louisville, Kentucky is our first choice as a location for a regional bank. The large tobacco business of this section renders it very necessary that we should be thrown in daily contact with a community that is familiar with the transactions of same.

"We also believe that the banking business of Tennessee could better be served by a regional bank in Louisville, Ky., than at any other point. We favor St. Louis, Mo., as second choice.

Northern Bank of Tennessee,

By Sterling Fort, Pt.

First National Bank,

By Wesley Drane, Pt.

Clarksville National Bank

pjb

S. Port

3859-a

By

Pt.

First Trust & Savings Bank,

By

Cashier.

Southern Trust Company,

By C. W. Bailey, Cashier.

Security Trust Company,

By Geo. Port, Prest."

The secretary of Agriculture: How many banks have you there?

Mr. Fort: There are six banks there, four regular commercial banks and two trust companies.

The Secretary of Agriculture: Have you anything to add?

The secretary of the Treasury: Mr. Fort testified at St. Louis, as you will remember.

Mr. Fort: Well, our principal reason for wanting Louisville is stated in that resolution. It is the tobacco section, and Louisville is the largest tobacco market in the world for all characters of tobacco, and Clarksville is the largest strictly dark tobacco market, and we have been --

The Secretary of the Treasury: That resolution is upon the theory that a Regional Bank placed elsewhere would not give you the same degree of facility that the Louisville bank would, is it not?

Mr. Fort: Yes, sir.

The Secretary of the Treasury: And that is again upon the theory that the Regional Bank directors, if it was located in Louisville, would know more about the conditions than if it was located in Nashville or some other place?

Mr. Fort: Yes.

The Secretary of the Treasury: Well, of course, you know that that assumption is not accurate?

Mr. Fort: Well, not at Nashville.

The Secretary of the Treasury: Well, St. Louis.

Mr. Fort: Well, I think the Louisville bankers, who have handled the tobacco business all their lives, would know more about it than St. Louis.

The Secretary of the Treasury: They would not have all the directors; you would have representation on the board wherever it was located; and then suppose you had a branch at Louisville, you would have more directors on the directorate than if the Regional Bank itself were located there.

Mr. Fort: I think Senator James hit the nail on the head when he said as between a branch and a parent bank, if the other fellow feels that way, we are willing for him to have the branch.

The Secretary of the Treasury: We are not talking about the feeling so much as about the fact.

The Secretary of Agriculture: Your trade mostly goes to Louisville?

Mr. Fort: Yes.



## STATEMENT OF WESLEY DRANE.

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

Mr. Drane: Wesley Drane, President of the First National Bank of Clarksville, Tennessee.

The Secretary of the Treasury: Can you add anything to what has been said by Mr. Fort?

Mr. Drane: I have reduced to writing in about one page a few facts, if you would let me read it.

The Secretary of the Treasury: Yes, you may proceed.

Mr. Drane: Concerning the two main points in determining suitable location for a Federal Reserve Bank, accessibility of city itself and the territory to be served, Louisville, in our opinion, fills requirements most admirably.

It is the terminus or crossing point of almost all the important trunk line railroads extending east and west, and north and south. Its interurban traction lines now radiating in many directions, are being rapidly extended. As a consequence, the facilities for passenger and express transportation are unsurpassed by those of any city in the territory. It has long been the financial center for the manufacturing, mining, mercantile, agricultural, and commercial industries in Kentucky, Indiana, Tennessee and West

Virginia. Its banks have been for many years correspondents for financial institutions through those states. It has been the logical place for bankers to rediscount their notes whenever necessary. The capitalization of the banks in this territory is ample to take the required stock to organize a Regional Bank.

Clarksville, Tennessee, can certainly be better served by a bank located at Louisville, than at any other point. It is in one of the largest tobacco sections in the world; and to market this crop many millions of dollars are required, and frequently daily transactions in this great staple are made through the aid of Louisville banks, which involves more than the combined capital of our local banks.

In other words the deposits in a single day often exceed the combined capital and surplus of my institution.

The domestic manufacturers of tobacco products draw largely from our locality, and in addition to this, a large portion of our crop is exported to Europe and other foreign countries. Our city has national and international reputation, as one of the largest primary tobacco markets in the

world, and in times of financial stringency would suffer for ready money to move this crop. Louisville itself being the largest tobacco market, its bankers understand the business and have always aided the Clarksville banks in handling the tobacco crop.

While I do not claim any superior knowledge on the subject, I am familiar with the banking business in our state, and have served as President of the Tennessee Bankers' Association, and I believe I know the wishes of a large number of the bankers of our state; and I feel confident that the location of a Federal Reserve Bank at Louisville, would not only be acceptable and satisfactory to them, but is desired more than one at any other point.

The secretary of Agriculture: Are you speaking in that statement for cities like Nashville, Chattanooga, Knoxville and Memphis?

Mr. Drane: I am speaking for the country. The Nashville Clearing House, as I understand it, have endorsed Cincinnati, but I do not know, they are not in the field themselves, but they decided on Cincinnati. I am speaking for the cities such as Springfield, Robertson County --

The Secretary of the Treasury: And the small towns contiguous to your district?

Mr. Drane: Yes. Of course, I could not speak for the cities, but the country districts of Tennessee.

The Secretary of the Treasury: How far have you canvassed them, and what particular cities do you feel authorized to speak for outside of Clarksville?

Mr. Drane: Well, just in general talks with the banks and the business interests of Springfield; they are near our place.

The Secretary of the Treasury: How big a town is that?

Mr. Drane: Springfield is four or five thousand people, and they handle considerable tobacco. But I do not know just what action they are going to take. Nashville might coerce



them.

The Secretary of the Treasury: Well, they might voluntarily go with Nashville, might they not?

Mr. Drane: I could not tell about that. But we are the largest primary dark tobacco market in the country.

The Secretary of the Treasury: Yes, we have heard those facts submitted before.

Mr. Drane: I suppose fifty or sixty million pounds of tobacco a year probably, I do not know just how much.

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

FURTHER STATEMENT OF THOMAS W. LONG.

The Secretary of the Treasury: You reside at Hopkinsville?

Mr. Long: Yes.

The Secretary of the Treasury: You testified before at St. Louis, did you not?

Mr. Long: Yes, sir.

The Secretary of the Treasury: Have you anything new to add to this question?

Mr. Long: I have just one item which seems to have been overlooked by these gentlemen, and it is a statement in re-

gard to the immense amount of coal handled in our section, and Louisville, of course, is the headquarters. There is a little section between Hopkinsville and Henderson about 80 miles there and perhaps about as long, perhaps about a square of 80 miles, and this section is handling an immense amount of coal. It takes millions of dollars to handle that every year. A few of the mines were combined the other day with a capital of \$7,000,000.

The Secretary of the Treasury: Have you any statistics bearing upon that industry in a concrete form that you can present?

Mr. Long: No. I can furnish them.

The Secretary of the Treasury: Suppose you prepare it and forward it as an exhibit to your testimony?

Mr. Long: I will be glad to do it. That is all I have to say.

#### STATEMENT OF EARL S. GWIN.

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

Mr. Gwin: Earl S. Gwin; President, Second National Bank, New Albany, Indiana, and formerly president of the Indiana

Bankers Association.

The Secretary of the Treasury: What do you represent?

Mr. Gwin: I represent primarily the banks of New Albany and Jeffersonville, the immediate territory contiguous to Louisville, and the New Albany Chamber of Commerce.

The Secretary of the Treasury: You have credentials, I presume?

Mr. Gwin: Yes.

The Secretary of the Treasury: Will you submit them?  
Just read the resolution.

Mr. Gwin: (Reading) "Be it resolved by the Chamber of Commerce of the City of New Albany, Indiana; that this organization favors the location of a Federal Reserve Bank in the City of Louisville and pledges the hearty support of its members to that end.

"That it is our belief that it would be of material advantage to the commercial interests of Southern Indiana.

"In support of this contention we submit that 80 per cent of the output of our factories is sold in the South. The chief industries of this community consist of the manufacture of Furniture, veneers, hardwood flooring and other wood-working lines, fertilizer, leather, stoves,

ber iron and the rehandling of all kinds of grain destined for southern points.

"The trend of these products is toward and through Louisville, Kentucky. To place this section in the territory served by a Federal Reserve Bank located in any other city would be a serious inconvenience and turn our financial operations against their natural course./

CHAMBER OF COMMERCE OF THE CITY OF  
NEW ALBANY, INDIANA."



I have no formal resolution of the New Albany Clearing House. I would like to reserve the privilege of filing such resolution later.

The secretary of the Treasury: You do claim to represent the Clearing House?

Mr. Gwin: Yes, but the action has just been merely by individual banks in discussion, and not as the result of a meeting.

The secretary of Agriculture: What is the population of New Albany?

Mr. Gwin: 25,000.

The Secretary of the Treasury: And of Jeffersonville?

Mr. Gwin: About 13,000. It is a few miles east of us.

The secretary of the Treasury: Now, you may present the case from your standpoint, Mr. Gwin.

Mr. Gwin: Mr. Secretary, if I have the proper conception of the thought that is in the minds of the Organization Committee with regard to the establishment of these Regional Banks, they are taking into consideration first the convenience, second, the natural course of trade, and third the territory that will furnish the required capitalization. Upon that theory, I feel that the division of the state of

Indiana south of Indianapolis would fit in very well and logically to the section outlined by the committee from Louisville.

First, in the matter of convenience, it is the natural trend of commerce from Southern Indiana. The capital represented in that section of the national banks is \$20,000,000. This would furnish about \$1,250,000 towards the capitalization of the Federal Reserve Bank. The total deposits of Southern Indiana national banks average about \$75,000,000. The estimated deposits of the Federal Reserve Bank would be about \$3,000,000 from this section.

The point that I would like particularly to emphasize is that this section of Indiana, at no time of the year is a borrowing community, with the exception, of course, of individual cases under special circumstances; but generally speaking it is a lending community always.

Now, the difficulty has seemed to be, in outlining a southern territory, or a territory which will take in the Southern States, to overcome this natural difficulty, that the South is a borrowing community rather than a lending community. I believe that the placing of this part of Indiana with Louisville, which can be done without disturbing the

natural course of trade, would help to level the load, as it were.

The secretary of Agriculture: To what extent do you think you can speak for the bankers in that section outside of New Albany?

Mr. Gwin: Of course, authoritatively for none, but knowing the sentiments and general ideas of the bankers of southern Indiana, I think for a very large percentage of them. A few cities that are closer situated to some of the other points that might be considered for a Regional Bank would possibly prefer another point first.

The Secretary of the Treasury: We are interested in the division, in the line you would draw south of Indianapolis. Can you give us the line by county boundaries as you lay it off?

Mr. Gwin: If I had a map --

The Secretary of the Treasury: Have you any map which shows just the exact position of the line?

Mr. Gwin: No, except I could take the map of the state of Indiana, and draw the line. The line, of course, is not a fixed line.

The Secretary of the Treasury: No, but we would have to

get an exact idea of that line. If you will prepare such a map by county lines and send it to the Committee at Washington to be made an exhibit in your testimony, we would like to have it.

Senator James: I suppose you speak of the line proposed there by the Louisville committee?

Mr. gwin: Yes.

Senator James: And I think they have the counties in Indiana set out there.

The secretary of the Treasury: They are not indicated on any map which has been presented to us.

Mr. Pinley: In that map submitted by Mr. Barr yesterday, they are submitted.

Mr. Barr: We have the line indicated with every county named.

Mr. Gwin: There are about 30 counties, are there not?

Mr. Barr: Yes.

Mr. Pinley: Were you the last President of the Indiana State Bankers Association, and have you not pretty accurate knowledge of the wishes of these people?

Mr. gwin: I have an acquaintance throughout the state.

The Secretary of the Treasury: You were formerly president



of the Indiana Bankers Association?

Mr. Gwin: yes, sir.

The Secretary of the Treasury: Have you recently made any effort to ascertain the views of the bankers and business men in these 30 counties you are proposing to attach to this district?

Mr. Gwin: No systematic effort. I think that should be done, and it could be.

The Secretary of the Treasury: Do you know anything about the drift of trade from Florida and Georgia to Louisville and this section?

Mr. Gwin: I know with reference to all those states perhaps with the exception of Florida. I do not believe the natural trend of business is to and from Florida.

The Secretary of the Treasury: How about Georgia?

Mr. Gwin: We handle in our bank a great many hundreds of thousands of dollars of grain drafts through the state of Georgia.

The Secretary of the Treasury: I am speaking about the general drift of trade and commerce in Georgia? Would it be towards Louisville or some other point generally?

Mr. Gwin: Well, with the exception of the eastern part of

the eastern part of Georgia, I think, yes.

The Secretary of the Treasury: North Georgia, you think?

Mr. Gwin: Yes.

The Secretary of the Treasury: Not comprising Atlanta or Rome, would you take those in?

Mr. Gwin: No, in dividing the state in my own mind I had reference particularly to Augusta and Savannah and that section, which do not naturally do business with Louisville.

The Secretary of the Treasury: Do you include Atlanta then in the territory which you think should be attached to Louisville?

Mr. Gwin: It would seem a logical arrangement, yes, sir.

The Secretary of the Treasury: Suppose Louisville were not made the headquarters for one of the Reserve Banks, what would be your second choice?

Mr. Gwin: Chicago.

The Secretary of the Treasury: Is the drift of your business to Chicago from that quarter more than to St. Louis?

Mr. Gwin: Yes, sir.

The Secretary of the Treasury: Decidedly?

Mr. Gwin: Oh, yes. For instance, I do not suppose there is a bank in our city which carries any deposit in St.

Louis.

The secretary of Agriculture: How about Cincinnati?

Mr. Gwin: We do some business in Cincinnati, as a matter of convenience; not as a reserve center, except, of course, the southeastern part of Indiana, Greensburg and points very close to Cincinnati, very like carry the majority of their reserves there.

The Secretary of the Treasury: What are your relations with Indianapolis?

Mr. Gwin: Commercially, you have reference to, of course?

The Secretary of the Treasury: Yes.

Mr. Gwin: The business of Indianapolis is very largely local throughout the state of Indiana.

The Secretary of the Treasury: Do you carry reserves in Indianapolis?

Mr. Gwin: A small portion of our reserves, yes, sir.

The secretary of the Treasury: How much do you carry in Louisville?

Mr. Gwin: About 65 or 70 per cent.

The Secretary of the Treasury: And where do you carry the remainder?

Mr. Gwin: Indianapolis and Chicago.

The secretary of the Treasury: And a working balance in

New York only? What percentage do you carry in Chicago and what in New York?

Mr. Gwin: About 15 per cent I should say in Chicago and ten per cent in New York.

The Secretary of the Treasury: Have you anything else to add?

Mr. Gwin: Only one point with reference to the agriculture of Southern Indiana. Madison, located on the river east, is rapidly becoming a very important tobacco point. Tobacco is raised in that section and a great deal of it is rehandled at Madison, in the vicinity of Evansville. There is quite a good deal of tobacco, which gives them something in common with Kentucky in that respect.

The Secretary of the Treasury: Thank you. Who is the next speaker?

Mr. Finley: Mr. Alexander, the President of the Phoenix Third National Bank of Lexington. After he is heard from, I think Louisville will be willing to rest her case, of course, reserving the right to present you with any additional information.

The Secretary of the Treasury: Yes, I may say now, that between now and the first of March you may file any briefs or exhibits that you choose to with the Committee at Washing-



ton. You will have sixteen days in which to supplement the evidence in any way you see fit.

Mr. Pinley: We will furnish anything desired. We would like to know what you desire to have furnished, and we will furnish it.

The secretary of the Treasury: Well, our questions here, I think, give you a pretty good idea, or if there is anything else that occurs to you, you may furnish that.

STATEMENT OF Y. ALEXANDER.

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

Mr. Alexander: Y. Alexander, President of the Phoenix Third National Bank of Lexington, Kentucky.

The secretary of the Treasury: What do you represent, the Clearing House?

Mr. Alexander: Yes.

The Secretary of the Treasury: Has there been a resolution adopted?

Mr. Alexander: No, but there has been a meeting of the Clearing House and I am authorized to speak for them.

The Secretary of the Treasury: You may state your views on

this question.

Mr. Alexander: we are very much interested in Louisville having this bank. of course, our interests are very closely interwoven there, and we have a large tobacco market, the largest loose leaf market in the world, and Louisville assists us a great deal in helping us to finance it. we sell about 40,000,000 pounds of tobacco.

The secretary of the Agriculture: What does that represent in dollars?

Mr. Alexander: About \$5,000,000.

The Secretary of the Treasury: You favor the district outlined by Louisville, do you?

Mr. Alexander: Yes, sir.

The Secretary of the Treasury: Have you considered the problem in its entirety, as related to this district or only with respect to the bank being located at Louisville?

Mr. Alexander: No.

The Secretary of the Treasury: You are not familiar with the course of trade and business of the district as a whole?

Mr. Alexander: To some extent I think I am.

The Secretary of the Treasury: How about this district of Georgia and Florida?

Mr. Alexander: I think they would be well taken care of at Louisville.

The Secretary of the Treasury: I was speaking about the general and normal course of business in those states. Does it go to Louisville or some place else?

Mr. Alexander: A great deal of it does, I think.

The Secretary of the Treasury: You think, you do not know?

Mr. Alexander: I am not positive.

The Secretary of the Treasury: What would be your second choice?

Mr. Alexander: Cincinnati.

The Secretary of the Treasury: Are your relations with Cincinnati more intimate than with Louisville?

Mr. Alexander: No, they are not.

The Secretary of the Treasury: Where do you keep your reserves?

Mr. Alexander: Louisville, Cincinnati, Chicago and New York.

The Secretary of the Treasury: What percentages in the different places?

Mr. Alexander: I should say we keep 60 per cent of our reserves in Louisville.

The secretary of the Treasury: How much in Cincinnati?

Mr. Alexander: Probably 15 or 20 per cent, and the balance in New York.

The Secretary of Agriculture: What would be your third choice?

Mr. Alexander: Richmond, Virginia.

The Secretary of the Treasury: That is on account of the tobacco business, is it?

Mr. Alexander: Yes.

Mr. Finley: I think that finishes Louisville's case, Mr. Secretary.

The secretary of the Treasury: You may file as we said before, any additional data which you choose to present.

Now, Memphis is here, I believe. Who represents Memphis?

Mr. R. B. Snowden: We represent the Memphis Clearing House Association and Business Men's Club jointly. We have a brief and map prepared, and I think we will take very little time. We have everything in precise form and we have asked Mr. Mooney to read the brief.

The Secretary of the Treasury: Very well, Mr. Mooney, we will hear you now.



## STATEMENT OF C. P. J. MOONEY.

The Secretary of the Treasury: Give us your full name, address and occupation and what you represent?

Mr. Mooney: C. P. J. Mooney, Editor. I represent the Business Men's Club of Memphis, which is a body controlling all the consolidated business trades of Memphis, and of which the Memphis Clearing House is a member.

The Secretary of the Treasury: Do you represent the Clearing House Association by itself or only incidentally?

Mr. Mooney: The Clearing House Association passed resolutions and turned those resolutions over to this committee.

The Secretary of the Treasury: And you speak for them as well?

Mr. Mooney: Yes.

The Secretary of the Treasury: Proceed, Mr. Mooney.

Mr. Mooney: Mr. Secretary, I will try to detain you a very few minutes. Our idea was that I should run through this brief hurriedly, and then the details you gentlemen would like to seek information about could be answered by various others who are here. This is a synopsis of our position.

The Secretary of the Treasury: You may present your case, of course, just as you like.

Mr. Mooney: The city of Memphis would have had nothing to say as to the claims of other cities in the South except as in the development of this information yesterday certain statements were made which were not in line with certain ideas we had, and, therefore, it will be necessary as we go along to take them up and answer them.

I want to state by way of beginning that Memphis is the largest cotton market in the world excluding Liverpool. That Memphis is the largest hardwood lumber market in the United States. That Memphis is the largest cottonseed products market in the world.

This map is drawn to scale and the measurements are accurate. You will see that it takes in part of Kentucky, part of Missouri, part of Oklahoma, the west boundary of the map being the 100th parallel; it takes in the states of Arkansas, Louisiana, Mississippi, Tennessee and Alabama.

Memphis is more accessible to all parts of this region than any other city in it. Memphis has 17 lines of railway and branches that pretty well cover this territory. From the city of Memphis to any part of this territory you

can mail a letter or you can make a trip and cover that distance within less than 24 hours. The mail service in and out of Memphis throughout this territory is good. If you drew a circle around Memphis within a radius of three hundred miles you will find it includes thirteen states.

Memphis is the great gateway between the Middle Southeast and the Middle Southwest. Memphis is the center of the transportation lines of this region. They have drifted there because of the establishment of the great bridge many years ago. And that is so well shown that notwithstanding times have not been very good, the last year, they are constructing a double-track additional railroad bridge over that river, at a cost for track, terminals, bridge, and so forth, of about \$6,000,000. That bridge will be completed next year. Memphis is within easy distance of Chicago and Washington and New York.

Now, the banking capital and the surplus of the national banks within this section are \$174,370,000. The banking capital and surplus of the state banks within this section are \$188,235,000, or a total of \$362,605,000. If the national banks alone enter the Reserve system, they would give a capital of \$10,462,200. If the state banks enter

the system, it would give a combined capital for the Regional bank of \$21,756,000.

The aggregate deposits of the national banks in this proposed region are \$564,752,000 and the state banks \$551,493,000, or a total of over a million dollars in round numbers.

Now, gentlemen, the supreme necessity of this region is cotton, the supreme crop is cotton, and the supreme crop of the South is cotton, and ever since cotton has been made, the money has had to be borrowed to make it. Within this particular region within five hours of Memphis is the commercial and geographical center of the cotton region of the United States. As you know, cotton is the great stabilizer of international exchange. Cotton is a great factor in bringing balances of gold back to the United States. It brings back into the United States the gold that goes abroad in trades and that is spent abroad by travelers. Memphis is the heart of the cotton region in the South. It is, as I said, a moment ago, the largest cotton market in the world, excepting Liverpool. Memphis handles more spot cotton, more cotton is brought to Memphis and sold along the boards, that is, cotton is there sampled



and sold along the boards, than any other place in the United States. This year the cotton bought and sold in Memphis alone has already run to 700,000 bales. The gross receipts, that is cotton finance in the territory or by Memphis and brought to Memphis and reshipped from there runs 300,000 bales more. We will handle in Memphis about 1,000,000 bales of cotton this year.

The remarkable thing about the claim of our sister cities and so forth on cotton is that Memphis is the only town seeking a regional Bank in the South, that is a great cotton market. No cotton is handled in Louisville, and about 250,000 bales in New Orleans and thirty or forty thousand in Atlanta. The Georgia crop is handled in Savannah.

The Secretary of the Treasury: How about Galveston and Houston?

Mr. Mooney: Houston is the funnel for Texas, but the cotton that is gathered in Texas is first marketed in Waco, Dallas, Waxahatchie and all those towns and the marketing and financing is done there, and it is sent down through Houston and finally to Galveston. The Houston spots, that is the cotton sold on the tables in Houston, through the

Houston factors, numbers about 150,000 or 175,000 bales a year.

The Secretary of the Agriculture: What about Dallas?

Mr. Mooney: I should say that Dallas handles, I am not sure, but I should say that Dallas handles about 200,000 bales a year.

The Secretary of the Treasury: They showed us down there something like a million bales handled through each of those cities.

The secretary of Agriculture: 1,300,000.

Mr. Mooney: That is true, but they get those figures in this way. Memphis will ship out this year about a million bales of cotton. About 400,000 of that will come through New Orleans, and New Orleans will add its gross receipts.

The secretary of the Treasury: You mean it passes through here?

Mr. Mooney: It passes through here.

The Secretary of Agriculture: But originates, you mean, at Memphis?

Mr. Mooney: But originates at Memphis, yes. The cotton is sold in Memphis and the foreign bills are drawn in Memphis and the bills of lading are issued in Memphis and the shipping

arrangements are made here. The bottoms are already arranged for and the cotton is loaded on trains and sent down here and reloaded into the ships. The cotton that is harvested in Texas -- if you take all the claims of the Texas cities or any other community, you will find probably that they recount this through cotton. The way to get at the thing --

The Secretary of Agriculture: In other words they pyramid cotton as much as they pyramid reserves now in the banks?

Mr. Mooney: Yes, yes, and sometimes Clearing House statements. There are 600,000 bales of cotton up to this minute which have been sent into Memphis and compressed and samples taken out of that and laid on the tables in Memphis, where the factors sell it to the buyers. There are 300,000 bales this year that have been bought in towns like Covington, Dyersburg, Greendale, Clarksville and so forth, and sampled there and then shipped to Memphis and rehandled there. That is called through cotton. So the total from Memphis this year is a million bales. Take Dallas and Houston and those towns where the small towns originate the cotton and send it into Dallas, Dallas probably waybills it and banks it, and gets exchange on it, and then sends it down to Houston,

and it finally goes to Galveston.

The Secretary of Agriculture: And they count it over again?

Mr. Mooney: Yes, and that is the enormous receipts. If you will pardon me, I will explain it to you from the morning paper --

The Secretary of Agriculture: You think that can be relied upon?

Mr. Mooney: Yes, sir. I am prepared to make an affidavit to the truth, as far as I know, of anything that is in this paper.

The Secretary of the Treasury: It must be a Memphis paper?

Mr. Mooney: It is.

The secretary of the treasury: Oh, you are the editor?

Mr. Mooney: Yes.

The Secretary of the Treasury: I rather suspected you, from these preliminary remarks.

Mr. Mooney: I hope I got nearer the subject than that. If you will look here, Mr. Secretary, for instance it will probably be shown here -- here is the Memphis cotton statement. There is the net receipts yesterday and the gross and net since September 1st. gross, that is 580,000 bales. That



is what is handled locally there on the Memphis tables, and 300,000 was handled at Covington, Dyersburg and various points and shipped through, but most of it financed there. Now, if you will look here, let me show you (indicating). There is New Orleans receipts. That is 9800 bales receipts at New Orleans. That means cotton gathered up in Memphis and all other places to be loaded in ships. Here is the Galveston receipts of 25,000 bales in one day. You know there is not a bale of cotton grown within miles of Galveston. If you look a little further, Mobile and Savannah receipts, 2,400,000, stock of 91,000. That is cotton gathered up in Georgia and reshipped, but mostly for export. Here is Wilmington and New York and other ports.

Now you see Houston says receipts 10,000 bales. It is an interior count, and that is 10,000 bales which were shipped through Houston. It is a little boom, boys, you know. You know these figures look big.

Now, getting back to cotton, Memphis is the largest cotton market in the world excepting Liverpool, and it is a growing market for the reason that Memphis has solved the greater part of the problem of handling cotton for the benefit of the farmer. We have the largest warehouse for cotton

in the world. It covers an area of 160 acres, one house. That warehouse has railroad terminals running into it, and it makes the handling of the cotton itself very inexpensive. It is fireproof and the rates of insurance, and so forth, are low, and that has attracted cotton this year from Georgia to Oklahoma and points that hitherto we had not received much cotton from.

Memphis is a great cotton market for another reason, that Memphis handles all this alluvial soil cotton, and that is called benders, and that classes up next to Sea Island cotton. If ordinary middling uplands cotton is selling at 12-1/2 cents, some of that Mississippi benders cotton may command a premium of 10 and some as much as 15 cents over middlings. Some of it has been sold this year as high as 28 cents per pound. The types of cotton are more numerous in Memphis, and Memphis is a great cotton market, for the reason that buyers come there and they can fill all sorts of demands. The types vary, and it is a good market for the planter, for the reason that if he has one hundred bales of middlings and one hundred strict middlings and ten bales of ordinary, he can ship them to Memphis and will find a market for the whole 210 bales, because men are continuously

there filling out lots.

The further fact of it being a great cotton market is shown by the fact that there are buyers from Continental Europe and England there, and the Japanese houses are represented in Memphis and also the Russian and Turkish houses. We have not been doing much business for the Turks lately, however.

Another remarkable thing about the territory adjacent to Memphis is that the cotton territory adjacent to Memphis is only one-sixth open. This Yazoo River and St. Francis River delta, and so forth, around which they have thrown a levee, is probably the least open of any territory in the United States, and it is susceptible of a higher ratio of cultivation than any other territory in the United States, and that territory is only one sixth open. Now, in this territory itself, last year it produced 7,000,000 bales of cotton, and in 10 years there will be a demand for 30,000,000 bales, and the United States only grows it, and they will stop growing it unless the cotton people themselves are a little better financed, because they will begin to go into Africa and India. This region produced 7,000,000 bales last year in this area alone, and is capable of producing about

15,000,000 bales.

Another thing about the cotton grown in this territory is this, that 58 per cent of all the cotton sold in the Memphis market is exported and goes to Europe, and a large percentage goes to New England, Fall River and so on, and the balance, the other 10 per cent over into <sup>the</sup> Carolina<sup>s</sup>. So it is safe to say that 50 per cent of the cotton grown in this region, which we have set aside here, is export cotton, because of the excellence of the type, and that cotton itself brings back to the United States even in this territory itself about \$350,000,000 of exchange every year.

The cotton crop of the United States runs around a billion dollars, and about \$650,000,000 of that billion is sold in Europe, and out of the United States. As you gentlemen know, cotton is a thing that in times past has always brought the gold back to the United States. The peculiar thing about the South is this also, in relation to cotton. It has barely got money enough, and hardly enough to grow its ordinary crops outside of cotton. Cotton has been grown on credit ever since the war, and must be grown with credit for a long time to come, and the money must be borrowed; and the South needs all the money all at once, and



that money has in the past always come from New York and Boston and a little of it from Philadelphia and Chicago.

The city of Memphis alone originates nearly \$56,000,000 of foreign exchange on this cotton, and it originated last year \$56,000,000 of foreign exchange and \$38,000,000 of domestic exchange. These amounts merely represent the exchange that is written on the cotton that is sold across the Memphis tables.

I want to come to cottonseed for just a moment. Memphis is the largest cottonseed market in the world. Last year \$20,000,000 of cottonseed products were manufactured in Memphis. That seed comes to Memphis from a region that is more wide than the cotton fibre comes from, because of the advantages the mills have there, and we pay a little higher price for the seed, and a great deal of it is crushed and turned into oil there and is then and there manufactured into soap stocks and so forth, right in the city itself. So the value of the cotton crop itself this year handled by Memphis will be \$80,000,000 and the value of the seed crop handled by Memphis this year will be \$20,000,000 or a total of about \$100,000,000.

That cottonseed product is used, the oil and so forth,

in making a very superior brand of lard and in making butter,

and in making soap. The Fairbanks people and all that sort have plants there. Cottonseed meal used to be shipped to Denmark and England, but the demand for that in this country is so great that it is not exported any more.

Memphis is the largest hardwood market in the world. The largest supply of lumber in the United States is located within the area of this proposed district. The center of the hardwood lumber region is located about 150 miles south of Memphis. It is a large yellow pine market, and the yellow pine is mostly down in this rim here, you see, along there (indicating). That is the yellow pine, and the hardwoods are on the hills in the high country in here and over in this basin of the St. Francis and the Yazoo Rivers, and that part of Arkansas south of Helena. The pine lumbers are in lower Mississippi and Louisiana and the cypress is also in Louisiana. But a great deal of that is handled in Memphis. The headquarters of all the larger Southern lumbering concerns are in Memphis, and they handle a great deal of lumber out of Louisiana and some Texas points. The value of the hardwood business is approximately \$20,000,000 a year. That is not the manufactured stuff, but the first sawing, the rough lumber. Unfortunately we Southern<sup>ers</sup> make

the cotton, and the pig iron and the rough lumber and then our friends in the North refine it and make the money, and that is why we want a bank down here. That is why we always have to borrow it from them. They have the money and we have not.

The exchange originated from this \$20,000,000 runs in this way. \$6,000,000 of it is foreign exchange and there are fourteen millions of it domestic exchange, and about five millions of that is exchange drawn against the East for lumber sold in the East, and the rest of it is sold in the Northwest, up above Chicago and around Minneapolis, and that territory, and as far in the Northwest until the freight rates allow them to send the lumber back from Washington and Oregon.

The natural lumber market here -- and this is the greatest hardwood lumber region in the world probably, and the greatest pine region in the world, I mean the trees that are still standing -- this lumber business is in its development, at the very beginning of it.

Now the question of financing cotton is one in which I have not the information that is absolutely accurate, but I can give you a general idea of it and some of these expert

bankers can enlighten you further. As I said before, cotton has always been a credit crop, we have always had to borrow the money to grow the crop. We have borrowed the money in the past from New York and Philadelphia. A man can grow cotton for 8 cents a pound, and he will have to borrow about 6 cents a pound to grow his cotton, and the Memphis banks in the past have been supplying part of the money to grow this cotton and the Memphis factors, and they have been borrowing the rest of it from the East. You have to spend money on cotton the year round, and you only get the money back from it once. In the spring the farmer goes to his factor, and makes arrangements to get furnished and borrow money --

The Secretary of Agriculture: We are familiar with that.

Mr. Mooney: Are you?

The Secretary of Agriculture: Yes.

Mr. Mooney: All right, I will pass over that. But I only wanted to emphasize this fact for Memphis, that yearly it sends out about \$20,000,000 in currency to handle this harvested crop, and borrows from twenty to thirty million dollars a year to finance the crop in the fall.

The secretary of the Treasury: Where does she get that



money?

Mr. Mooney: we get that money from the people we put our reserves with from January until March, Boston, New York and a little from Philadelphia and some from Chicago.

The Secretary of the Treasury: Mostly from New York, I suppose?

Mr. Mooney: How about that, Mr. Snowden?

Mr. Snowden: yes, more than half of it from New York, I should think.

Mr. Mooney: That is the first borrowing, and then there is a second. After the bill of lading is attached and the planter sends it to the factor, we have a system by which every bale of cotton sent to Memphis has a certificate attached to it, and it is identified, and there is a certificate for each separate bale, and you take those certificates and put a note against them, and get your money. Chicago has gone into that business in the last two or three years.

The Secretary of the Treasury: Does St. Louis do any of it?

Mr. Mooney: No, St. Louis does no warehouse certificate business. They occasionally loan money to Memphis, but their rates of interest are very high. St. Louis is a

central reserve city. Our money comes first from New York, next from Boston, some of our bankers have old time friendly before-the-war relations with Philadelphia and it comes from Philadelphia. Then in the fall of the year when these warehouse certificates come, they are all certified and guaranteed, and it is like a whisky certificate; you can take that and get money anywhere. However, it took them five years to make them understand it.

The Secretary of the Treasury: You mean it took five years to make a banker understand anything?

Mr. Mooney: Yes, and some of them have not understood even yet. This system of certificates in Memphis went into effect about five years ago. Before that the certificating of cotton was done on the word of mouth, and the marvelous thing about cotton is that it is a word of mouth business, a great deal of it.

The Secretary of Agriculture: That is the warehouse certificate?

Mr. Mooney: Yes, I am talking about cotton after it is in a warehouse, after it is in a guaranteed or insured warehouse.

The Secretary of Agriculture: What is the object of that?

Mr. Mooney: Before that we had to finance this cotton after it was in the warehouse merely on the word of the man who had it, and naturally the mere statement of a Memphis bank or money broker to a New York broker that he had ten thousand bales of cotton, when he had no evidence of it, --

The secretary of the Treasury: The warehouse receipt you have now is evidence of it?

Mr. Mooney: Yes. We now have a warehouse receipt that is guaranteed, and it is like a whisky receipt of a bonded warehouse, almost, except it is not a government transaction. These are taken and a piece of paper put up against them and it floats around.

The Secretary of the Treasury: The bales are all marked and identified?

Mr. Mooney: Yes, you can go to Memphis and for every bale of the 200,000 bales there you will find a certificate on them. From the time cotton gets to the market somebody has got to carry that, maybe sixty or ninety days. Now people think that cotton is held for speculation. It is not. Cotton gluts the market beginning, as you understand, as you are a farmer -- it begins to glut the Memphis market about the first of November and it gluts the Texas market

earlier, and it comes in --

The Secretary of Agriculture: We know about that. But I wanted to bring out that point, whether you held it for a better price or for purely economical handling and distribution.

Mr. Mooney: We hold it until we can get a demand for it, and sometimes almost regardless of price. Last year we had to let it go very fast, because these bankers will lend \$50 a bale on this cotton, and they began to squeeze them in New York, and you helped to save the situation, and they called them for payment. There is no cotton --

The Secretary of the Treasury: Was there any reason assigned at that time for the calling of these loans by New York?

Mr. Mooney: Yes, it began like this. The philosophers of finance began in New York first, the wise men, who wrote these banking letters out, advising caution, advising conservatism, and then naturally those letters came from New York and Chicago and these big wigs and so forth began to make the Memphis bankers look around and see how they were off, and these Memphis bankers were all at that time borrowers on New York and then it got in the air, and they began to squeeze down there and there, and we had an enormous stock



of cotton on hand and could not move it because the European market was slow because of the Balkan war over there, and a lot of the German brokers broke because they are great sellers to Turkey and Arabia, and Turkey had no money and the German houses broke, and the foreign demand went off, and that left the cotton on our hands. But I want to say, answering your question, I do not believe, of the million bales of cotton handled through Memphis, there are 50,000 <sup>there</sup> bales held for speculative purposes. Now and then some planter will think his cotton is worth more than the market offers, and he holds it until he gets a price for it that he thinks is good.

The Secretary of Agriculture: The reason I ask that is that some people think it is the function of a good credit arrangement to facilitate production and distribution and others think it is a function to prevent distribution.

The Secretary of the Treasury: And encourage speculation.

Mr. Mooney: Yes. Well --

The Secretary of Agriculture: In other words you can get this into the warehouse and prevent the very thing the system is intended to promote.

The secretary of the Treasury: The process can be carried

to an extreme.

Mr. Mooney: Yes, that may be true, but the fact is, and of course we can only speak of things that are and have been, that cotton in the Memphis warehouses is never held if the farmer can sell it at a profit and the factor can pay the debts against it.

The Secretary of Agriculture: You think that this is a legitimate part of a proper system of this condition, this machinery you are describing?

Mr. Mooney: Yes, because it is cheaper for the farmer, it is cheaper for the producer; it makes a better market and makes the expense of handling cheaper and the intermediary charges are all cut down by it. The system has been in vogue all the time, except we improved it in Memphis, because they were scattered all over the city, and we consolidated them into one great warehouse, and we put it on the side of a hill and we put the bales of cotton in at one end and run it by gravity all over the warehouse and handle it cheaply, and we can borrow money on the certificates.

The Secretary of the Treasury: And you have your responsible house back of the certificate?

Mr. Mooney: Yes. Heretofore you could get money -- the

New York banker loaned it because he knew Mr. Snowden or his father, and the whole business was done on character. But the country is getting so big that you cannot keep acquainted with one another and do business in that way. But I have wandered away from the subject.

There is another matter I want to call your attention to, Mr. Houston, from one of your own very excellent documents, and it will take but a second. probably this was issued after you left Washington. Here is a weekly news letter to crop correspondents, from the United States Department of Agriculture, issued by the authority of the Secretary of Agridulture, washington, D. C. January 28th. There is a very interesting article in here on the fact that only 27 per cent of the tillable land in the United States are under cultivation. I do not know that you saw this. There are the ratios of land in the United States under cultivation by states. First, there is the total acreage, next the possible --

The Secretary of Agriculture: I have been making speeches on this thing a good while, so you will preach my sermon, if you do not look out.

Mr. Mooney: I will reach the conclusion in a minute.

There is possible plowing production and there is possible grazing production, and then there is the waste.

I find by looking at this map that Ohio and Iowa are the most thoroughly cultivated states of the United States. For every acre of land in crop in Ohio, or which is tilled, there is available 1.8 of an acre. For every acre in Iowa under crop there is still available 1.6 of an acre. Now this territory here, if you run a line from here down to there (indicating) and then cross over to New Orleans, you will find an alluvial territory, which is the richest territory in the world, because the land from all up in here has been coming down there for a million years, dropped there as the current stopped, and for every acre under cultivation in Arkansas there are 4.7 possible for plow cultivation. For every acre in Mississippi, there are four acres uncultivated that could be cultivated; and in Tennessee 3-1/2 acres, and in Louisiana four acres. That goes to show that while the ratio of cultivated to uncultivated land in the United States is 28 per cent, that the ratio of cultivated to uncultivated land in this territory is about 18. If the function of a bank -- as I understand the philosophy, and I am not going to dwell on philosophy but a second -- but the



thought of the gentleman who framed this banking law was first decentralization and second the caring for the individual or for the debtor or for the debtor region that was in debt for money but had an asset in something that it produced. Now, I believe the thought of this banking scheme was to take care of those regions that were debtor regions. The fact that a region is a debtor region is an evidence of the fact of its being a wealthy region. We in the South are in debt because we have credit, and we have got credit because <sup>we</sup> have the greatest productivity --

The Secretary of Agriculture: You will get into some pretty tangled economics if you pursue that line. I think you had better drop that.

Mr. Mooney: But I want to say this, the South ought to have a regional bank for that particular region. This cotton territory ought to have something because we have been borrowing in the past and we have got to continue to borrow.

The Secretary of Agriculture: You know it is one of the objects of this bill to make a self-sufficient region. Now your argument is that this will not be self-sufficient.

Mr. Mooney: The entire South is not self-sufficient, if

you look at it in that way, because it takes about \$700,000,000 to finance this cotton crop, and it is not down here.

The Secretary of Agriculture: Now, do you think it is desirable to suggest the creation of a district which would be dependent normally?

The secretary of the treasury: Assuming that you could create a district or if it were possible to create a district that had a borrowing as well as a lending and connected with it.

Mr. Mooney: I say as a general proposition the South is a borrower, but I believe I can show that this district will be about as nearly independent as any district could be, if you intend to have any regional Bank in the South. But the fact is --

The Secretary of Agriculture : It is not so much where the bank is to be located as the character of the district.

Mr. Mooney: Yes, I understand.

The secretary of the Treasury: The district itself is of supreme importance.

Mr. Mooney: I shall say one or two words about Memphis and come to the district generally. Memphis is the largest wholesale grocery town in the South. It has the business

of \$24,000,000 a year. Memphis is the largest or one of the largest hay and grain markets, and it has \$18,000,000 a year.

Now, coming back to that matter of the debtor and creditor, I do not want to argue with you gentlemen in the least, but I want at least to settle my mind on this point. What do the credit sections need with a Regional Bank at all? Now this region is as nearly self-sustaining as any region in the South can be, and this region would be helped very little by having a reserve city even in St. Louis. In the East you are thoroughly familiar with the iron and coal. Along here is the iron and coal, running to East Tennessee and Alabama. Here is the lumber which runs the year round. Here is the cotton which must be helped tremendously in the fall of the year for about 90 days. Here is a great cattle, wheat and trucking region in Tennessee. Here is a great cattle and wheat region right in Alabama along the Tennessee River. Here is a rice territory --

The secretary of Agriculture: we are familiar with all that. I have been studying it for 25 years definitely.

Mr. Mooney: Then you will agree with me that the district

is self-sustaining.

The secretary of the Treasury: we are quite familiar with the natural resources of this district.

Mr. Mooney: Yes. Well, the natural resources we know are about as near balanced as any other in the South, of course. Now, there is one more point about it, and that is this, and I am through. We have no desire to criticise any competitor or anything like that, and we are not competing for it, but there is no cotton handled in Louisville and there are no business relations between Memphis and Louisville. There is very little business relation between Memphis and Atlanta and very little between Memphis and New Orleans, except as a funnel, as a port.

The Secretary of Agriculture: Since you are presenting this map, let me ask you one or two questions. Of course, so far as possible, having regard to that provision of the law that says we must have due regard for convenience and the course of trade, we must also have due regard for the convictions of the people of the various parts of the territory as to what those <sup>move</sup>ments are and what they desire. I say, having due regard for that, so far as our information goes up to date, from the testimony, Oklahoma unanimously desires to go to some other place than Memphis.



Mr. Mooney: Yes.

The secretary of Agriculture: And Arkansas the same.

Mr. Mooney: I do not think -- is Arkansas unanimous?

The secretary of Agriculture: I say so far as we have testimony to date.

Mr. Mooney: All right.

The secretary of Agriculture: And Texas the same.

Mr. Mooney: Yes.

The secretary of Agriculture: And Louisiana the same and Kentucky the same. we have had no indication except from Memphis that any of this territory desires Memphis as the center. Now, that <sup>not</sup> only applies to the first choice, but to the second choice and the third choice with one exception. Now, what evidence have you that Oklahoma, any considerable part of Arkansas, Texas, Louisiana or the southern part of Kentucky, or Alabama desire Memphis as a center of the district?

Mr. Mooney: Well, this -- of course, you have the unanimous desires of all these regions against Memphis, and we might answer that by saying that Memphis has the same objection to each of these other competing points --

The Secretary of Agriculture: These are not cities, but

these are states.

Mr. Mooney: In any region that you make up there will be some parts of that region that may, in the nature of things, have closer relations with cities outside the region than they do in it. Now as to Oklahoma, the Rock Island Railway and other lines --

The Secretary of Agriculture: Just confine yourself to my question. What evidence have you that the people of those communities desire to be attached to Memphis?

Mr. Mooney: I have no evidence from the people, but I have the evidence of the physical fact that the cotton business is coming here --

The Secretary of Agriculture: we do not care for the physical facts, except as to the movement of commodities are concerned.

Mr. Mooney: That is all as to Oklahoma.

The Secretary of Agriculture: You have no evidence that the people of Oklahoma desire to be connected with Memphis?

Mr. Mooney: No.

The Secretary of Agriculture: Have you any that Texas does?

Mr. Mooney: No.

The Secretary of Agriculture: Have you any that Louisiana does?

Mr. Mooney: No.

The Secretary of Agriculture: or any that Kentucky does?

Mr. Mooney: No.

The Secretary of Agriculture: have you any that the larger part of Arkansas does?

Mr. Mooney: Yes.

Mr. Snowden: You will recall at the St. Louis hearing Arkansas, as represented by their delegates there said in answer to the question if they could not have St. Louis, I believe they said Memphis.

The Secretary of Agriculture: I do not recall that.

The Secretary of the Treasury: A few of them preferred Memphis, that is true.

The Secretary of Agriculture: have you any that Alabama does?

Mr. Mooney: No.

The Secretary of Agriculture: Have you any that Tennessee does?

Mr. Mooney: Yes, they will be produced here.

The secretary of Agriculture: What part?

Mr. Mooney: West Tennessee.

The Secretary of Agriculture: Now that is the only section that prefers Memphis?

Mr. Mooney: Yes. And if I may follow that up for a minute, it is very easy to see why neither New Orleans nor St. Louis would give Memphis second choice, because in this equation they feel that Memphis must be eliminated from the problem.

The secretary of Agriculture: we are not speaking about New Orleans at all, but the people of these states.

The secretary of the Treasury: And the evidence they have given us as to the normal course of business in these different states. Now the Act makes it mandatory upon this Committee, in laying out these districts, to have due regard to the convenience and customary course of business; that is the exact language of the act.

Mr. Mooney: Well, this map is based upon the normal course of business throughout the whole district.

The Secretary of Agriculture: In these other cases where cities are applying, we have had whole states asking to be attached to a certain place.



Mr. Mooney: Yes.

The Secretary of Agriculture: Now here you apparently have no request from any of this region except West Tennessee.

Mr. Mooney: That is very true, and probably this city of Memphis is a very peculiar city in a business and in a personal way. Memphis is not in the center of any one state --

The Secretary of Agriculture: Let me follow that with one other point. These states not only express their desire but their convictions that their trade movements are in another direction. Now we have to observe that as a representation made by those who come from the different cities.

Mr. Mooney: We can show that there is more trade moving from the city of Memphis through this territory than there is from any other city throughout this territory. The first proof of that will be the fact --

The Secretary of the Treasury: Have you someone who can testify to that?

Mr. Mooney: Yes. The first proof of that is that the greatest railway tonnage in the South goes in and out of Memphis. There were handled last year 10,000,000 tons of freight --

The secretary of the Treasury: That is passing through,

Mr. Mooney: And the greatest freight tonnage originates in Memphis of any other city in the south.

The Secretary of Agriculture: What about the value of it?

Mr. Mooney: And the value of it is probably -- well it is cotton and lumber and those values run pretty high.

It will run higher in millions than iron and steel and coal. It is a fact that there is more freight traffic into the city and out of the city than there is in any other city in the South, originating here, that it is a market for. I do not mean a funnel through Memphis.

The secretary of the Treasury: Have you anything additional to submit?

Mr. Mooney: I only have this to say. I believe I have stated everything I had thought of. No, I only want to repeat these 50 words, that Memphis is the largest cotton market in the world except Liverpool; it is the largest hardwood lumber market in the United States; it is the largest cottonseed products market in the world --

The Secretary of Agriculture: We have that in your brief, and it is not necessary to repeat it.

Mr. Mooney: yes, and Memphis has the largest freight tonnage of any city in the South that comes in and goes out, and more nearly dominates this territory in a business way

then does any other one city in the territory dominate it  
or then does any other city out of the territory dominate it.

The Secretary of Agriculture: Who is your next witness?

Mr. Snowden: It was not our idea to have a series of  
speeches. We had an idea if Mr. Mooney could interest you  
gentlemen you could ask for whatever further information you  
desired, and we would try to supply it.

The Secretary of the Treasury: If there is some banker  
from Memphis here we might hear from him.

Mr. Mooney: Mr. Snowden is here, and Mr. Kyle.

Mr. Snowden: Mr. Kyle will answer any questions.

STATEMENT OF WILLIAM H. KYLE.

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

Mr. Kyle: William H. Kyle, banker, Memphis, Tennessee.

The secretary of the Treasury: What bank?

Mr. Kyle: The National City, Cashier.

That Memphis and the territory it represents really  
needs and is entitled to a Regional Reserve Bank, I think  
no one can seriously question. Cotton, of course, is the  
main reason.

The Secretary of the Treasury: Yes. Now those observations we will have to deal with ourselves. Will you give us the facts now, which is what we want?

Mr. Kyle: That is what I am trying to do. At one time this season we had stored in our warehouses in Memphis upwards of 265,000 bales of cotton. The idea that the Memphis banks are taking care of the loans necessary to financing this enormous sum is idle talk. As a matter of fact loans are made upon it by banks and individuals all over this country and even in Europe.

Most of the lenders are located in New York, Chicago, Boston, St. Louis. The fact that non-residents make these loans increases the expense incident thereto, and the farmer pays the bill. Higher rates are charged than would prevail if the collateral were in sight of the lenders. Personal examination of these loans adds to the expense. The extra care necessary on the part of the lender in making "out of town" loans adds to the expense.

In that connection I wish to say that the cotton is stored in Memphis and the receipts are held by a trustee in Memphis on which the loans in the North and East are based. The lender never sees the cotton itself, and he seldom sees the certificate. That necessitates some expense on account



the certificate. That necessitates some expense on account of the fact that the trustee has to be paid and so forth. That is, the extra care on the part of the lender in making an out of town loan adds to the expense.

The fact that Memphis factors are such heavy borrowers, renders it difficult for them to get all the money they need, and they have to pay higher rates accordingly which is another addition to the expense. All these costly extras fall on the farmer.

The Secretary of the Treasury: Why does that follow, that if a bank were located in this district at another place than Memphis, that all these expenses would continue?

Mr. Kyle: Well, they would not see the cotton.

The Secretary of the Treasury: That is not necessary.

The Secretary of Agriculture: The bank does not lend on the cotton direct.

The Secretary of the Treasury: The Regional Bank does not lend on that cotton. It lends on the paper endorsed by the member bank.

Mr. Kyle: They would have to extend credit based on that. That was the idea I was trying to convey. I tried to make this as brief as I could and --

The Secretary of the Treasury: I am trying to get at your point. It is a wholly wrong conception of the functions of the Reserve Bank. The member bank re-discounts this paper and the Reserve Bank would rely upon that endorsement and upon the fact that the member bank has investigated the fact and knew that the cotton was there.

Mr. Kyle: Still, at the same time it is bad wisdom on the part of any bank to loan too much money in one locality.

The Secretary of the Treasury: Well, that is aside from

the point.

Mr. Kyle: Yes.

The Secretary of Agriculture: Just one other question. There seems to be a thought running through your mind that this community will become self-sufficient if a Regional Bank is established at Memphis. How? It does not bring any more capital here.

Mr. Kyle: It does not bring any more capital here, but we have nearer a rotary liquidation than any other part of the South.

The Secretary of the Treasury: You mean this district on the whole?

Mr. Kyle: Yes.

The Secretary of the Treasury: of course, you understand that the capital of this Reserve Bank is not new capital drawn from the outside, but it is a contribution on the part of the banks in the district, and in addition to that this new bank holds a part of these reserves. Now it is an additional facility but it does not increase the available capital of the banks of the district.

Mr. Kyle: I beg your pardon, it --

The Secretary of Agriculture: That is, with one qualification. It keeps some reserve.

The Secretary of the Treasury: I say you have the reserve deposits with that bank, but so far as the capital condition is concerned, it does not add to that, but it simply transfers it to the Reserve Bank.

Mr. Kyle: It goes a little further than that. For instance, a factor in Memphis that borrows largely in the East and North, keeps large balances there in the summer and we never get the use of that in Memphis because he has to keep the margin good up there to get credit next year.

The secretary of the Treasury: That applies to a Reserve Bank wherever it may be located, so far as the bank is concerned. I mean it would not be necessary to have it in Memphis to get that result, and the establishment of a Reserve Bank in this district is not going to interfere with the normal relations between banks and their customers. They can continue just the same as heretofore. It is going to establish a new relation between the member banks of the district and the Reserve Bank, but the factor may continue to keep balances in New York if he wants to and the member banks may continue, in so far as their own interests may make it necessary.

Mr. Kyle: I figure the factor would keep it at home, be-



cause with a Regional Bank we could take care of them.

The Secretary of the Treasury: Let us hope that they will, but at the same time it is not fair to assume that the mere establishment of a Reserve Bank is going to lead to that particular result. The Reserve Bank cannot control the voluntary action of the factor or member banks of the district in their ordinary relations.

Mr. Kyle: What is probable under the circumstances is what I was speaking on. Now as regards to the trend of trade, you have noticed the amount of clearings we have every year. Atlanta is ahead of us very considerably. Memphis is very conservative in handling clearings. They simply handle the clearings, and one bank draws on another, they do not include in that checks drawn on themselves and clearings drawn from other banks.

The Secretary of the Treasury: We do not attach much importance, because we know they are very largely artificial, any way. It depends on so many different conditions that we do not attach much importance to them.

The Secretary of Agriculture: What interest do Memphis banks pay?

Mr. Kyle: It depends on the season. This year we paid

higher interest than ever before.

The Secretary of Agriculture: On deposits, on reserves?

Mr. Kyle: We are not a reserve city, but on deposits we paid 2 per cent. The idea that cotton is held in Memphis for speculative purposes is erroneous./ We have now a warehouse on which the insurance rate is less than half, and it is not fair to assume that the cotton being held in Memphis is for speculative purposes.

The Secretary of the Treasury: Yes, we have had all that. What we would like to know is about the actual banking business in Memphis. Those facts already appear. Where do you keep your reserves now?

Mr. Kyle: In New York, St. Louis, New Orleans and some in Philadelphia and Boston.

The Secretary of the Treasury: Any in Chicago?

Mr. Kyle: Yes, some in Chicago.

The Secretary of the Treasury: How is it divided between these different cities?

Mr. Kyle: I should say the larger part is kept in New York and the next in Chicago.

The Secretary of the Treasury: About what percentage in New York, should you say?

Mr. Kyle: Probably 50 per cent of the total out of town reserve carried with reserve agents by Memphis Banks is carried in New York.

The Secretary of the Treasury: And in Boston how much?

Mr. Kyle: I would not say that Boston carried over 15 per cent.

The Secretary of the Treasury: And Chicago?

Mr. Kyle: And Chicago probably 25 per cent.

The Secretary of the Treasury: That would leave 10 per cent for St. Louis and other places?

Mr. Kyle: Yes, sir, and New Orleans.

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

Mr. Kyle: I expect it is evenly divided.

The Secretary of the Treasury: About five per cent in each, in St. Louis and New Orleans?

Mr. Kyle: Yes.

The Secretary of the Treasury: Why do you keep such large reserves in New York?

Mr. Kyle: We are usually able to get money there at less rates than we can elsewhere.

The Secretary of the Treasury: Also for exchange reasons?

Mr. Kyle: Well, yes, most of the cotton foreign exchange

that is financed in Memphis is sold through brokers in New York and results in a check on New York by the local buyer, and that naturally turns our exchange in that direction.

The Secretary of the Treasury: Have you any data here showing the banks in this territory that keeps balances in the Memphis banks?

Mr. Kyle: I have not that, but I can prepare it.

The Secretary of the Treasury: Can you supply such a statement?

Mr. Kyle: Yes.

The Secretary of the Treasury: Showing by states the number of accounts kept by other banks in Memphis?

Mr. Kyle: Yes.

The Secretary of the Treasury: What rate of interest do you pay on balances?

Mr. Kyle: Two per cent.

The Secretary of the Treasury: What about check collections, are they free?

Mr. Kyle: It depends on the balances of the banks sending them in.

The Secretary of the Treasury: In Practical operation, however, the effect is to pay checks, is it not?



Mr. Kyle: We pay checks where the balance is sufficient to do so.

The Secretary of the Treasury: I mean in effect you practically pay all checks, I presume.

Mr. Kyle: Yes.

The Secretary of the Treasury: How many national banks are there in Memphis?

Mr. Kyle: Three.

The Secretary of the Treasury: How many state banks?

Mr. Kyle: I think we have 21.

The Secretary of the Treasury: What is the law of Tennessee about state banks becoming members of the Federal Reserve system?

Mr. Kyle: I do not know.

Mr. Collins: Our Attorney General has decided that we can. He has made a ruling that we can.

The Secretary of the Treasury: By the way, what would be your second choice for a reserve city, if Memphis should not be chosen?

Mr. Kyle: Personally, I cannot speak for the entire district --

The Secretary of the Treasury: Yes, I mean your personal

opinion.

Mr. Kyle: Chicago.

The Secretary of the Treasury: And the next?

Mr. Kyle: The next would be New Orleans.

The Secretary of the Treasury: You do not consider St. Louis as desirable?

Mr. Kyle: Well, St. Louis is a good place, but I figure this way, that we have got to make these regional banks pay, or the system is not going to be a success. I think if we divide the business up between St. Louis and Chicago it will not be a big enough bank to make any money.

The Secretary of the Treasury: Your idea being, then, if New Orleans were chosen, St. Louis and Chicago might be in the same district?

Mr. Kyle: Yes.

The Secretary of the Treasury: And that they would not be in separate districts?

Mr. Kyle: No, my idea is that they would not be in separate districts.

The Secretary of the Treasury: In laying out this region here, what is your assumption as to the number of districts that the country would be divided into?

Mr. Kyle: My preference is eight.

The Secretary of the Treasury: Is this district laid out on the assumption of eight districts?

Mr. Kyle: It is not laid out with reference to the others at all.

The Secretary of the Treasury: Do you not think to intelligently lay out districts of this country they must have relation to each other?

Mr. Kyle: I quite agree with you. I wanted them to make a map of the entire United States, but the other members of the committee did not agree with me.

The Secretary of the Treasury: Is this just laid out with the idea of laying out a district to give you sufficient capital for the Reserve Bank?

Mr. Kyle: No, it is covering our trade district.

The Secretary of the Treasury: Speaking of trade, as we said to Mr. Mooney, the law requires that the district shall be laid out having due regard to the convenience and customary course of business in the districts. Now would you say that the customary course of business from all these points is to Memphis?

Mr. Kyle: Not the customary points, but it is largely so

and it is bound to be naturally so on account of the rail-roads.

The secretary of the Treasury: Take the Texas cities.

Mr. Kyle: Texas is rather out by itself. I can realize the difficulty the committee are having in placing Texas, or that western country.

The Secretary of the Treasury: And Oklahoma?

Mr. Kyle: That does a great deal of business with Memphis.

The Secretary of Agriculture: But doesn't do as much as with some other city?

Mr. Kyle: I expect not.

Mr. Mooney: It does more with Kansas City and Fort Worth.

The Secretary of the Treasury: Take the evidence we have, however, from you this morning. The evidence we have had in both these places is that the customary course is not with Memphis. The territory of Texas embraced in this map has a combined capitalization of national banks alone of over \$76,000,000.

Mr. Mooney: I will answer that question, if I may.

The secretary of the Treasury: Yes.

Mr. Mooney: This map was drawn with the idea that there would be a sub or branch bank in New Orleans and that New



Orleans would take care of Houston, Galveston and that lower Texas country through the branch. That is the idea in drawing the map in that way.

The Secretary of the Treasury: Yes, but that is not the point I had in mind.

Mr. Mooney: Because, unexplained, it looks absurd.

The secretary of the Treasury: But the territory in Texas which is incorporated here, has a national banking capitalization alone of over \$76,000,000. Now the testimony of that district that we got there was that the customary courses of business in this territory did not relate to Memphis.

The Secretary of Agriculture: It has a capital 25 per cent greater than the entire state of Tennessee, of the national banks alone.

The Secretary of the Treasury: So would not this Committee be doing violence to the customary courses of business, as testified to by the people who ought to know, that is the Texas people, if we related them to Memphis.

Mr. Mooney: It might, but when you establish eight Regional Banks in the United States, when your map is made, you are going to do just as much violence in every region as you will do when you consider it this way.

The Secretary of Agriculture: That is an assumption. We have not tried to do it.

The Secretary of the Treasury:, But the law imposes upon us the duty of doing the minimum amount of violence.

Mr. Mooney: We have drawn a map here which reduces it to almost an irreducible minimum.

The Secretary of Agriculture: We found only one other place which has depended solely on its own views as to the location of a bank.

Mr. Mooney: Yes.

The Secretary of Agriculture: This is the only case where we find no support.

Mr. Mooney: There is a reason for that. If you will pardon me, I will give it to you. The element of personality and so forth, in business enters into it. Memphis is not a center of any state; it is not Tennessee and it is not a Mississippi city or an Arkansas city. It has more trade in Arkansas and Mississippi than it has in Tennessee, and Memphis itself, not being in the center of the state and not being the business center of any one state, but rather the business center of a territory, has always suffered because of the personal views and moves of some of the other cities. For

instance our friends at Nashville and we never agree upon anything much, so there is a personal element which enters into it.

The Secretary of the Treasury: That is all, Mr. Kyle.

Mr. Snowden: Mr. McDowell will be the next witness.

STATEMENT OF J. H. McDOWELL.

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

Mr. McDowell: J. H. McDowell, Buntyn, Tennessee.

The Secretary of the Treasury: What is your occupation?

Mr. McDowell: I am a farmer, and when I am not farming I talk to the farmers' institutes and farmers' unions.

The Secretary of the Treasury: You know our problem here, and if you can give us any light, we will be glad to have it.

Mr. McDowell: Well, I have, from a farmer's standpoint, some suggestions and if they are not out of line with what you allow --

The Secretary of the Treasury: We would be glad to have them.

Mr. McDowell: I desire to give expression from a farmer's

standpoint why one of the Regional Banks should be located in Memphis.

One of the special features of the currency bill as I understand it is to aid the farmers in building up the agricultural industry of the nation.

If I am correct in my conclusions, cotton being the staple crop of an immense territory in which Memphis is the commercial center where more cotton is brought and sold than in any other city in the United States, it is but reasonable to assume that it will require more money to make, gather and market the crop grown in this territory than is needed to handle any other agricultural product grown in the South.

Unfortunately in the cotton growing sections of our nation frugality among labor is the exception instead of the rule and farmers have to furnish food and clothing to tenants to make and gather the crops requiring large sums of money for at least ten months in the year. Now, the idea has been presented, I know, that we only need money once a year in our cotton region, but nine farmers out of ten in this territory that raise cotton are forced to make arrangements with banks and commission merchants to supply



their tenants, to make and gather that crop.

If the trade relations now existing with Memphis bankers and commission merchants and the farmers are broken up, and farmers are forced into a new territory or city where their property values and commercial standing is unknown it would work an injury to the farmers instead of an aid.

The Secretary of Agriculture: This will not interfere with that at all.

The Secretary of the Treasury: That is one thing we want to make clear, it does not interfere, not matter whether the bank is in St. Louis or New Orleans or Memphis.

Mr. McDowell: Well, the point I want to make you have not understood. I see your point. My idea is this, if the existing relations between bankers and farmers are broken up, and the farmers are forced to go into a new territory, or city, where their property values and commercial standing is unknown, it would work an injury to the farmers instead of an aid.

The Secretary of Agriculture: This does not affect that at all.

Mr. McDowell: It does not affect that at all?

The Secretary of Agriculture: No. The only thing the farmer is interested in is getting as strong a district as he can.

The Secretary of the Treasury: Which will have the lending power to take care of these needs as they develop.

Mr. McDowell: As I understand, the law contemplates preserving the independence of the different sections of our country as a reason for the establishment of not less than eight Reserve Banks. To preserve the equilibrium the South should have no less than two Regional Banks, and one of these in Memphis.

Now, I heard you ask the question about the sentiment for Memphis. Being connected with these farmers' organizations, I sent out about two hundred letters and in all the replies I received from among the farmers -- you understand farmers are not heard at your gatherings like the men of the city; their condition is such that they cannot get there and they are not aggregated as the cities are, and for that reason you do not hear from them, and with that in view I sent out two or three hundred letters and in all those letters I only got one reply that was against Memphis, among the farmers.

The Secretary of the Treasury: Do you want to file those replies together with the inquiry you submitted?

Mr. McDowell: Some of them are already filed with the Secretary of the club.

Mr. Snowden: They will be filed.

The Secretary of the Treasury: We would like to have filed with them the circular sent out to these farmers.

Mr. McDowell: I sent a similar letter to all, and I got those replies. It was largely in the institutes among the farmers organizations and officials and members that I knew in Tennessee and Arkansas. I heard of Arkansas as not being in favor of Memphis. The Secretary has a letter filed from the State Farmers' Union which is very strong in the state, and it says they are for Memphis.

The Secretary of the Treasury: I would like to correct one error. You say the farmers have not been heard from and are not represented. Now, we have a farmer on this Committee to represent them.

Mr. McDowell: Yes, I understand, and we rejoice to know it, but he has not heard from the farmers as he has from lawyers and bankers and men of other vocations. We realize you have a farmer there and are glad of it, and in my

opinion, as you have asked this question, 12 Regional Banks would be necessary to meet the demands of commerce in carrying out the great currency measure, without too radically destroying the trade relations now existing.

There are millions of acres of rich agricultural land in the Memphis territory undeveloped that would be put into cultivation if capital was available at a reasonable rate of interest, and the point made by Mr. Mooney was that production would not keep pace with consumption unless they are added. As I understand, in this bill it is a fact that they propose to lend money to farmers on five years' time.

The Secretary of the Treasury: Certain banks may lend a certain proportion of their capital to farmers on farm mortgages.

Mr. McDowell: Yes.

The Secretary of Agriculture: And the amount of those loans will depend on the strength of the district created and its ability to lend.

Mr. McDowell: Yes, I understand.

The Secretary of Agriculture: Now, if you are going to get a weak lending district, it is not going to help the farmers to that extent.



Mr. McDowell: I have great confidence in the government being behind this movement.

The Secretary of Agriculture: But the government is not lending the money. This is a mobilization of resources of the people. It is not a creation of money by the government for the use of individuals. I think there are a great many misconceptions of this law.

The Secretary of the Treasury: Except to the extent that the Reserve Board may, under the conditions described in the bill, advance the money.

The Secretary of Agriculture: But that is still upon the basis of existing resources.

The Secretary of the Treasury: I understand it is, in the form of eligible commercial paper and the maintenance of the required gold reserve against those issues, but to that extent there will be a liquifying of commercial paper, and under this bill when the resources of the bank itself are inadequate to take care of your needs.

The Secretary of Agriculture: The only point I want to impress upon you in this connection is that the farmers will be benefitted in proportion to the strength of the district.

Mr. McDowell: The amount of money will depend on the strength of the district, I understand.

The Secretary of Agriculture: You may proceed, Mr. McDowell:

Mr. McDowell: As to the question of developing these lands, you understand that.

The Secretary of the Treasury: I should like to say that the gentlemen who presented that point left out the most significant fact, that only 10 per cent of the farms under cultivation are yielding full return.

Mr. McDowell: But you have a provision providing for five years' time to farmers. Now farmers in this section, and it is not so true in your territory --

The Secretary of Agriculture: I was brought up in the South.

The Secretary of the Treasury: And I was raised in the South.

Mr. McDowell: It takes a great deal of money to raise cotton in the South.

The Secretary of the Treasury: Yes. I have picked it myself and know about it.

Mr. McDowell: And we need this money all the year, not

transferring backward and forward, but all we can possibly get legitimately will be needed in the South.

The secretary of Agriculture: I think it important, Mr. McDowell, that the farmers realize that it would not be to their interest to create a debtor district, one that is normally a borrowing district. If it can be done, you want an independent district.

The Secretary of the Treasury: As far as possible you want a district where there is a lending power as well as a borrowing power.

Mr. McDowell: Yes, I realize if we have not got the money we cannot get it.

The Secretary of Agriculture: You see this district simply mobilizes the reserves in the district. If the reserves in any district are inadequate to meet the demand, the district would be weak.

Mr. McDowell: Is this not the policy where they are not strong enough, for the Federal Reserve Board to supply the deficiency?

The Secretary of Agriculture: Yes, but the law very properly enjoins upon us the task of organizing those which will be normally independent and not normally dependent.

Mr. McDowell: I understand, but if it became necessary --

The Secretary of the Treasury: Yes, but our duty in the beginning is to make them as strong as possible, and we must use intelligence there.

Mr. McDowell: As you realize, the farmer does not understand commercial matters as do the men in the city, whose business it is to deal with commercial affairs altogether, and the point that most of our farmers that I have discussed the matter with have made is that without a Regional Bank our people could not make the same arrangement.

The Secretary of Agriculture: You will have a regional Bank, no matter what is done. You cannot escape it, if you would try.

The Secretary of the Treasury: You cannot get away from it.

The Secretary of Agriculture: You are bound to be in a region which has a Regional Bank.

Mr. McDowell: I understand, but the farmers are unknown and the value is unknown when you get away from where they are now established.

The Secretary of Agriculture: But do not overlook this fact. You have a bank in St. Louis or New Orleans, <sup>and</sup> the



directors of that bank will not be drawn from that particular locality but from the entire district.

Mr. McDowell: I understand they will.

The Secretary of Agriculture: And they would be no more familiar with your paper, if the bank were here, than if it were there.

Mr. McDowell: They would have to investigate it.

The Secretary of Agriculture: They would be drawn from the district, and you would have representation, but then as before you would deal with your individual bank.

The Secretary of the Treasury: You will have no personal relation to the Regional Bank.

Mr. McDowell: I understand that.

The Secretary of the Treasury: You could not borrow or deposit money. It is intended to hold the reserves of the district, and whenever the demands of the banks with whom you do business are so great that they need to get money elsewhere, they can resort to this Reserve Bank and re-discount the paper which they take, and in that way get funds they are unable now to obtain.

The Secretary of Agriculture: And the law requires that on the Board there shall be three business men. Now if you have any business farmers there is your chance.

The Secretary of the Treasury: And it requires agricultural men as well.

Mr. McDowell: One out of the three. Have you any other questions.

The Secretary of the Treasury: No, thank you.

Mr. Mooney: There are just two or three more gentlemen who will take a minute of your time. Mr. Collins will about close the matter.

STATEMENT OF MR. FRED COLLINS.

The secretary of the Treasury: I wanted to hear from Mr. Collins, as he is well known to me. You may state your name and occupation for the record.

Mr. Collins: Fred Collins, Milan, Tennessee, Cashier of the Milan Banking Company. I have been in the business about 40 years, except when I was at school.

The Secretary of the Treasury: You are the President of the Tennessee Bankers Association?

Mr. Collins: Yes.

The secretary of the Treasury: Do you represent the Bankers Association here?

Mr. Collins: No, sir, not authoritatively.

The Secretary of the Treasury: You are only speaking for yourself and your bank?

Mr. Collins: As an individual. The question was suggested that we might get an expression by circular from the Bankers Association, but I took the position that the expressions of preference based purely on selfish and personal reasons without a conception of the whole question and without a logical ground for that expression of opinion, were not worth anything. I do not think it is now.

The Secretary of the Treasury: It is not worth much.

Mr. Collins: No, sir. I do not think my opinion, unless it is based on reason, should appeal.

The secretary of the Treasury: The economic facts have got to be considered and studied carefully in order to reach any intelligent conclusion on the subject. If you will, you may give us your views.

Mr. Collins: I wanted to answer one question which you asked Mr. Kyle, that is how the establishment of a Reserve Bank is going to help the resources of this district to take care of the district, without borrowing money any more than is the case at the present time.

The Secretary of the Treasury: No, I did not ask that

question.

The Secretary of Agriculture: No. We Understand it is going to make certain changes.

The Secretary of the Treasury: certainly. What I was trying to find out from Mr. Kyle was this, why the location at Memphis would make a Regional Bank serve the interests of this district better than if it were located in some other city in the district.

Mr. Collins: Of course anybody that has really given this subject serious thought knows that the establishment of the district is the paramount issue, and in the first place, we have to have capital and in addition to that we have to have a balanced district in point of varied resources, so that the demands on the district would follow each other along.

The Secretary of the Treasury: Would rotate.

Mr. Collins: Yes. Then the man who has a practical conception of the question has to have some idea of what we are to do with the balance of the country. We cannot take all the good territory in the country and put it in the Memphis or New Orleans district without considering the other districts.

The Secretary of the Treasury: Precisely. Are you ad-



dressing your remarks to this district?

Mr. Collins: I will confess to you that my conception of the question was ten divisions of the country and not quite this division, although the greater part of this territory was included in the district I had mapped out in my own mind. That came a little beyond Nashville.

The Secretary of the Treasury: Have you a map showing your idea?

Mr. Collins: Well, it is not a very valuable exhibit, but I did not know but what you gentlemen would have some trouble in dividing the country up, and I thought I would help you all I could.

The Secretary of Agriculture: That is right, that is what we want. Of course, you have not heard the expressions from these various sections?

Mr. Collins: No, sir, I have not, but I believe and I think the evidence was given here yesterday, from the questions you asked these gentlemen who appeared here and expressed preferences, we ought not to put too much stress upon what they say about their preferences. They are too often founded altogether on selfish ground, without any conception of the problem.

The Secretary of Agriculture: That would probably discount about equally over the country.

Mr. Collins: We had two or three very intelligent gentlemen here yesterday who stated they would like to have New York as second choice. Evidently they had given no thought to it at all. There are a whole lot of them who have expressed opinions that you have not asked enough questions. You will find out they have the same conception of this.

The Secretary of the Treasury: Perhaps it was not necessary for us to have asked them.

The Secretary of Agriculture: We have been over it so much that we understand it. Here is the really vital thing I would like you to express your opinion about. Even though the balances and artificial accounts that are kept elsewhere were brought back to this district, would it be independent or dependent?

Mr. Collins: I believe it would be as nearly so as any district which could be established, having in consideration convenience.

The Secretary of Agriculture: Do you know how much of the time there would be re-discounting in that district?

Mr. Collins: Except in the temporary demand in handling

the cotton crop it would take care of itself.

The secretary of Agriculture: Have you made any statistics to show anything of that kind?

Mr. Collins: I have been in the business 40 years myself and never borrowed a dollar.

The Secretary of the Treasury: We are not asking whether you borrowed it, but we want to know what the re-discounts or seasonal demands and the normal resources of this district are.

Mr. Collins: No. I will tell you what we have got to show that the resources and demands of this territory are from the borrowers' standpoint. For instance at New Orleans, here is the sugar and the exports and imports --

The Secretary of Agriculture: We know that. You know there are two facts. First, the re-discounts of the banks, and you know that they have not considered re-discounting very respectable heretofore?

Mr. Collins: No, it has been a discredit to them heretofore.

The Secretary of Agriculture: You know that is foolish under the new banking system?

Mr. Collins: Yes, sir.

The secretary of Agriculture :: You know they have resorted to indirect re-discounting methods.

Mr. Collins: Yes.

The Secretary of Agriculture: And it is easy to get the re-discounting figures, but it is very difficult to get the indirect methods of re-discounts, and still more difficult to get the borrowing outside by the banks. Now, I have lived in different parts of the South for 25 years, and I have heard certain intimations of one kind and another, and I am trying to get views on this. Taking the bank rediscounts under a condition where respect has not been great for it --

Mr. Collins: Where it has been a dangerous practice, too, under our present system.

The secretary of Agriculture: Yes, and probably would have led to trouble.

Mr. Collins: Yes.

The Secretary of Agriculture: Taking the indirect discounts and then taking the volume of borrowing outside, can this district take care of itself, taking those as evidences?

Mr. Collins: I do not believe you could hardly establish



a district which would absolutely be independent, without putting in some territory far to the north.

The secretary of Agriculture: But to the extent to which we could, it would be preferable?

Mr. Collins: My impression or opinion is that as nearly as it can be done, with the varied resources in the territory, the varied demand for money, the temporary seasons in which these demands follow one another, it would make it as nearly independent as could be made, considering the matter of convenience.

The Secretary of the Treasury: But as a fundamental here guiding this Committee, is it or is it not your belief that we should have as far as possible in the laying out of these districts, regard to the joining of a borrowing end with a lending end, so as to balance --

Mr. Collins: There is no question about it at all, that that is the principal which underlies the whole proposition, that we must in so far as possible establish a region which must balance itself in point of borrowing and lending in the district, to take care of all of the wants.

The Secretary of the Treasury: The value of the system to the country depends upon the creation of well balanced units.

Mr. Collins: Still, there is a point beyond which you

could not go. You could not put Pennsylvania in with Tennessee, because it is too far away.

The Secretary of the Treasury: We understand that.

Mr. Collins: I know, but I want you to see that point. I believe that district -- I would not say it is independent--

The Secretary of the Treasury: How can you say that, when you say you have not studied and are not prepared to submit figures which show, as far as practicable to ascertain it, the extreme borrowing demand of this district in excess of its available capital and resources at the time of extreme demand?

Mr. Collins: I have said there would be a temporary time when we would need possibly some assistance, but --

The Secretary of the Treasury: If you were laying out these districts today would you not seek all that data before you made up your mind or formed any judgment? Would you not get that information if it was possible to have it?

Mr. Collins: Yes, sir, and still with all that information, Mr. Secretary, we would have to establish the regions with some view to convenience.

The Secretary of the Treasury: I understand that. We know that.

The Secretary of Agriculture: That is our duty under the law.

The secretary of the Treasury: That is our duty under the law, but what I mean is this, you cannot lay out a district here upon a few of the grounds that ought to determine it. We must have all the facts as far as practicable to enable us to do it intelligently. That is the reason we are holding these hearings, to get you gentlemen who are supposed to know about these things to give us the facts, not a few facts but all the facts. And the trouble is we only get a part of them. We want statistics as well as other things.

Mr. Collins: You understand they are very difficult to get, and you cannot get very much absolute --

The Secretary of the Treasury: No, but we can get all that are available.

Mr. Collins: Yes.

The Secretary of the Treasury: For instance, you can tell us, as you are a banker of 40 years' standing, and I knew you at college and know how thoroughly you went into problems when you had to, I know that if you take the time to find it, you can get data from the standpoint of the amount of borrowing --

Mr. Collins: but I think we can take care of that without any trouble.

The Secretary of Agriculture: For instance, a gentleman in Fort Worth the other day came to argue Fort Worth's case and his argument was that the cattle business turned over there amounted to \$30,000,000 and they had to go out of Fort Worth for 80 per cent of it, therefore they wanted a bank there; and furthermore, that \$100,000,000 worth of cattle paper was outside of Fort Worth. Now that is a little hint. And furthermore it did not appear in the re-discounts of the banks.

Mr. Collins: I know, the whole thing is to balance the borrowing and lending relations as nearly as possible, and that is the theory of the way to run a bank. My idea has been always to keep my bank, so far as I could run it, like the National City Bank. And there was not any reason why I should not do it, if the accounts were properly balanced.

The Secretary of Agriculture: We want to lay out the districts having regard not only to convenience and course of trade but to economic conditions.

Mr. Collins: And I have felt that these statistics we have compiled here would indicate to you gentlemen clearly



Fred Collins

that this district was one which would, as nearly be independent as would be possible, considering the matter of convenience. Now, I have never subscribed to the theory that the commercial importance of the city where the bank was located was of such very great importance or that the particular city which you designated was of so very great importance. Of course, as a country banker, located out in the country, convenience appeals to me. But I must not be selfish, I must want it convenient to the other banks too.

The Secretary of Agriculture: Yes, and as a country banker, when the pinch comes, you want to know that you have the resources?

Mr. Collins: Yes. We have that all covered with that Federal Reserve Board in a pinch, but just for general conditions, I believe this district will be as near self-sustaining as --

The Secretary of the Treasury: Take this district, and let us assume for the sake of the argument that everybody here is willing to come into this district, which is not a fact, but I will say that hypothetically --

Mr. Collins: I wish they were.

The secretary of the Treasury: Now, you are located near Memphis?

Mr. Collins: Yes.

The secretary of the Treasury: If the Reserve Bank was located in New Orleans, and you had a branch in Memphis you would get exactly the same facility, would you not, as a practical question? This branch up here will have seven directors who are more local than the directors of the headquarters bank.

Mr. Collins: The managers of the bank would be in touch with the business that they do and the fellow who goes to them with his collateral to borrow the money would have a better chance to get his business before the finance committee than the fellow who is away off somewhere and is not in touch, and it is a good argument --

The Secretary of the Treasury: I beg your pardon, it is not a good argument in this case, because if the Reserve Bank is in New Orleans, the six directors of that bank are chosen from this entire district?

Mr. Collins: Yes.

The secretary of the Treasury: And three more are chosen by the government.

Mr. Collins: How often do they meet?

The Secretary of the Treasury: They meet as frequently as necessary to transact the business of the bank.

Mr. Collins: They might not consider it necessary to have a meeting --

The Secretary of the Treasury: Pardon me a moment. So that whether that bank was located at Memphis or New Orleans, it would not only know the local situation here, I mean they would not be drawn locally.

Mr. Collins: I understand.

The Secretary of the Treasury: Suppose on the other hand that a headquarters were located at New Orleans and a branch at Memphis and with seven directors more or less local to that territory, with the same qualifications as those possessed by the headquarters bank; if your paper which you want to re-discount, your eligible paper under this bill, was presented to that branch, is it not evident that the directors and the manager of that branch bank would have more knowledge of it than the Reserve Bank at New Orleans?

Mr. Collins: Yes, I think your point is well taken. Still we all feel we would like to do business with the parent institution.

The Secretary of Agriculture: But it is a question of pride.

Mr. Collins: It is somewhat a selfish consideration.

The Secretary of Agriculture: As you said yourself, the paramount question is the district.

Mr. Mooney: Ask the Secretary about that parent bank. It is very vague.

The Secretary of the Treasury: Of course, the policy is controlled by the Reserve Bank and then the Federal Reserve Board must prescribe the regulations and rules governing the relations between the parent bank and the branches.

Mr. Collins: Now then I just want one word about Memphis. It is a question whether this branch would establish branches or not --

The Secretary of the Treasury: It is bound to under the law, it is mandatory upon the Reserve Bank in the district to establish branches, and the regulations are prescribed by the Reserve Board.

Mr. Collins: Why not establish it at Memphis, then?

The Secretary of the Treasury: If Memphis is as important as you represent it to be, I think it would be bound to have a branch.



Mr. Collins: We are interested in having it convenient because it would make it possible for us to get money back and forth and to have money in our vaults, and that means more profit and more profit for the Federal Reserve Bank, and the more conveniently it is located, the better for us.

The Secretary of Agriculture: We would be glad to have Memphis file any supplemental matter.

Mr. Snowden: That is our case, I believe.

The Secretary of the Treasury: Now, we have Montgomery here. We will hear from Montgomery. Permit me to say in this connection, gentlemen, as you were not here yesterday, the questions which we ask are in no sense to be construed as indicating any opinion on our part or any inclination of mind, but they are to bring out the argument.

Mr. Mooney: We understand that. We only hope that the whole thing will be worked out to the greatest benefit of the whole country, and we are not selfish at all about it, except that we have some very peculiar conditions around Memphis, about this cotton business.

## STATEMENT OF JOHN T. KOHN.

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

Mr. Kohn: John T. Kohn, President Montgomery Clearing House Association and President of the Sullivan Bank & Trust Company.

The Secretary of the Treasury: You know our problem?

Mr. Kohn: yes, sir. I will only take about three minutes, if you will allow me to read this paper.

The Secretary of the Treasury: Take your time. We want to hear you fully.

Mr. Kohn: In asking your honorable Committee to consider her claim for a Regional Reserve Bank, Montgomery takes it for granted that the gulf States will be regarded as one of the great subdivisions of the United States. Montgomery has always been recognized as the logical centre of that great subdivision, and this committee begs leave to submit a few facts and figures upon which that conclusion is based.

Trade statistics and railway authorities agree that Montgomery is the best distributing point in the South. A map

which accompanies this paper shows that a circle with Montgomery as the center and with a radius of 400 miles embraces Memphis, Tennessee, on the Northwest; Shreveport, Louisiana on the extreme west; Clarksville, Tennessee, on the north; Spartanburg, South Carolina, and Savannah, Georgia, on the East; Jacksonville and Pensacola, Florida, Mobile and New Orleans on the south.

Trains leaving Montgomery late in the afternoon could reach all these points before business hours the next morning, and would provide an overnight schedule for currency shipments for that immense territory.

A region composed of the states of Tennessee, Georgia, Florida, Alabama, Mississippi, and Louisiana would include one eighth of the population of the entire country, and would produce nearly one half of the cotton crop of the world and one third of the corn crop of the South.

The total money value of its annual products of factories, farms, forests and mines would exceed two and one half billions of dollars.

Montgomery is the heart of this wealth-producing region.

Alabama ranks third in the Union in total iron ore production.

The coal and iron tonnage of Alabama is more than two thirds of the total tonnage of the cotton crop of the country.

Mobile is the cheapest coaling port in the world; is the nearest Gulf Port to the Panama Canal, Cuba, Central America and South America, and is at the mouth of the second largest navigable river system in the United States.

Montgomery is at the head of Alabama River navigation, and lies midway between Mobile and two billion tons of iron ore and sixty-eight billion tons of coal in north Alabama.

At Montgomery's very doors old world capital is harnessing for distribution throughout the state one of the most gigantic water power propositions on the continent.

Montgomery should be the focus for the capital which must eventually be at hand for the immense development which will follow this happy arrangement by nature on one side of Montgomery of these inexhaustible mineral resources and on the other side of her water transportation to ocean ports.

Montgomery reaches the East through the Southern Railway; has three different trunk lines to the Atlantic seaboard; the Central, the Coast Line, the Seaboard; is connected with both the Gulf of Mexico and the Mississippi



River by the Louisville & Nashville, the Mobile & Ohio and the Western Railways; is connected with the Gulf of Mexico and the Great Lakes by the Louisville & Nashville, and is in direct and immediate contact with every point of prominence in this district through the various branches of these great systems of trunk line roads.

To emphasize the importance of Montgomery as a centre of Agricultural interests and development the following facts are cited: Montgomery next to St. Louis is the largest market for mules in the country; the largest manufacturer of commercial fertilizer in the Gulf States, and the third largest in the world. She is the third largest grocery jobbing center South of the Ohio River, and is the third largest distributing point on that railroad, the Louisville & Nashville, which spans the south from the Ohio River to the Gulf of Mexico.

This committee believes that your final judgment will be based on more the possibilities of business in a region and the adaptability of a city for centralizing the great resources of that region, than on the volume of business already done in a congested area or locality, and therefore takes heart in presenting Montgomery's cause.

Another member of the Committee, Mr. Farley, will present in more detail the practical points in connection with the banking resources and facilities involved in considering this matter.

The secretary of the Treasury: Now if Montgomery were not chosen as the headquarters for this bank, what would be your first choice?

Mr. Kohn: The Clearing House Association, Mr. Secretary, has acted in behalf of Atlanta as second choice.

The secretary of the Treasury: And what is your third choice?

Mr. Kohn: New Orleans third.

The secretary of the Treasury: Have you a fourth?

Mr. Kohn: No, sir. Of course, we could pick out a fourth and fifth, but we have not acted on it.

The secretary of Agriculture: How would Louisville strike you? That was suggested here yesterday.

Mr. Kohn: Well, there are a number of the bankers in Montgomery who favor Louisville, and that depends a great deal of course upon the manner in which the territory is to be arranged. As you brought out just now in speaking to Mr. Mooney, the question of arranging a district which would

have sufficient capital is important. We thought about that, and, of course, we would not probably adopt a region of this nature proposed here if we thought that region was so dependent upon others, but with the other Regional Banks to assist those local banks, we have rather ignored that proposition.

The secretary of Agriculture: You ought not to ignore that, because one of the theories of the law is that these should be normally independent.

Mr. Kohn: Well, I should not say ignore it, but we have let another proposition outweigh it, and that is that the territory composed as it is, probably understands the southern situation as to the crop movement and the farming situation and so forth, and we would have more expedition in handling business.

The secretary of the Treasury: What is the normal course of your business at Montgomery?

Mr. Kohn: We buy a great deal of grain and mules referred to, from Tennessee. Nashville ships us a great deal of stuff. We buy our rice, sugar, molasses, coffee and a lot of heavy groceries from New Orleans, and always have done so.

The Secretary of the Treasury: How about Atlanta?

Mr. Kohn: Atlanta sells us some manufactured goods, but not any volume. We selected Atlanta primarily on account of its accessibility and the fact that Atlanta looks like it was really entitled to one of these places, from the way it was going after it.

The Secretary of Agriculture: I was going to ask you to what extent was your action due to pressure from Atlanta?

Mr. Kohn: Not at all from pressure. We had some very pleasant visitations from Louisville, New Orleans and Atlanta.

The Secretary of the Treasury: They have all been visiting, have they?

Mr. Kohn: And latterly from Birmingham, much to our embarrassment.

The Secretary of the Treasury: They are getting very sociable, these days, aren't they?

Mr. Kohn: yes. I would answer a question you asked there that may be of some light to you, and that is so far as Montgomery is concerned, we have a great deal of indirect borrowing in Montgomery. The merchants borrow as much indirectly as they do directly. They borrow in New York and



sell their paper to brokers, the large merchants.

The Secretary of Agriculture: To what extent have you considered the problem that we raise in this discussion as to the desirability of laying out districts which would be normally independent and take care of this volume of direct bank re-discounts and indirect re-discounts and borrowings otherwise?

Mr. Kohn: We considered it some, but it was hard to arrive at conclusions. If it was put up for the Clearing House to consider, one city as against another, we could of course consider it more intelligently. Some of the gentlemen visited us from these other regions who really know very little about our section. Of course, we have always been doing business in New York and formerly in New Orleans. There has been a good deal done in New Orleans.

The Secretary of the Treasury: Have you relations with Baltimore and Richmond?

Mr. Kohn: No. Philadelphia has lately done a good deal of business with Montgomery.

The Secretary of the Treasury: Have you any relations with St. Louis of any consequence?

Mr. Kohn: No, we use to get a great deal of our merchandise

and grain from St. Louis. Not so much now, but still a good deal. Still we have no reciprocal relations.

Mr. Farley: The banks all keep accounts there.

Mr. Kohn: Yes, they do that to keep their reserves.

The Secretary of the Treasury: Where do you carry your reserves?

Mr. Kohn: We are a state bank.

The Secretary of Agriculture: What is the law as to state banks?

Mr. Kohn: We are permitted to own not over ten per cent of our capital in the stocks of other banks.

The Secretary of the Treasury: And that will qualify you?

Mr. Kohn: Yes.

The Secretary of Agriculture: Have you some exhibits you would like to file?

Mr. Kohn: Just a few facts which I will leave here.

The Secretary of Agriculture: And you will leave this map with us?

Mr. Kohn: Yes.

(The papers were accordingly filed.)

#### STATEMENT OF LOUIS B. FARLEY.

The Secretary of Agriculture: State your name, residence

and occupation.

Mr. Farley: Louis B. Farley; President of the New Farley National Bank, Montgomery.

In presenting the claims of my native city, Montgomery, Alabama, as the most logical southern city for the location of one of the Federal Reserve Banks, whether only eight are created or the maximum number twelve, permit me to emphasize its geographical location as being in the very center and by comparison more central than any other city of seven of the most important of the Southern Agricultural States, namely: Tennessee, South Carolina, Georgia, Florida, Louisiana, Mississippi and Alabama, and on this account drawn close by its endless bands of steel to every town and hamlet in these seven states, and in consequence thereof stands peerless in its readiness to serve in conjunction with the government of the United States not only the seven states named, but another still to the north, Kentucky, and still another farther to the west, Arkansas. Exhibit "A" attached.

Montgomery on account of its inadequate railroad facilities, its six trunk lines and other short lines reaches almost over night the farthestmost point in each

of the seven states. Its mail service to these points is no less quick than its service by express. Exhibit "B" attached.

Now I have prepared Exhibits A and B. Exhibit B shows the actual time and distance between each of the reserve cities as shown by that map as proposed, and also all of the principal points from Montgomery in the seven states.

The Secretary of Agriculture: Will you mention those states again?

Mr. Farley: Tennessee, South Carolina, Georgia, Florida, Louisiana, Mississippi and Alabama.

The trunk lines entering into Montgomery are the Louisville & Nashville Railroad from Cincinnati to New Orleans, reaching intermediate points --

The Secretary of the Treasury: We are familiar with the transportation facilities.

The Secretary of Agriculture: we have been there a good many times.

Mr. Farley: Well, this paper is based on the logical geographical location, and these are the connecting links. I can omit all of that.

The Secretary of the Treasury: You might omit all of that



and file it, because we know all about it. You see what we want are some facts as to other lines. However, your paper is not long. Go ahead with it.

Mr. Parley: The Atlantic Coast Line Railroad, the western terminus of which is Montgomery, reaches by quick schedules the cities of Savannah, Charleston, Columbia, Wilmington and Richmond, and towards the South, Brunswick, Georgia and Jacksonville, Florida, and covers the western portion of the state of Florida, having its terminus at Tampa, Florida, with a branch as far south as Fort Myers, Florida.

The Seaboard Air Line Railroad by quick schedule reaches Savannah and all intermediate Alabama and Georgia points, having from Savannah lines to all central and western Florida points.

The Western Railway of Alabama, whose terminus for its main line and Selma branch is Montgomery, connects with the Louisville & Nashville Railroad from the South, running through trains with fast schedules to the cities of Charlotte, Richmond, Washington, New York, Baltimore, Philadelphia and other eastern points, reaching intermediate points in Georgia and Alabama before connecting with the Southern Rail-

The Western Railway of Alabama also has a branch to Selma, Alabama, connecting there with the Southern Railway and the Louisville & Nashville Railroad, thus reaching many other points in Western Alabama and the state of Mississippi.

The Mobile & Ohio Railroad, whose terminus is Montgomery, has through trains with fast schedules to St. Louis, Missouri, touching Tuscaloosa, Alabama, West Point and Corinth, Mississippi, and Jackson and Union City, Tennessee, and other points in the State of Tennessee <sup>en</sup> route to St. Louis, having through connection at West Point, Mississippi, to Meridian, Mississippi and other points in Mississippi to Mobile, Alabama.

The Central of Georgia Railway, having Montgomery as its terminus, has through lines to Macon, Savannah, Atlanta, Augusta and all intervening points in Alabama and Georgia.

These cities and all other points within the seven states named can be reached with a few possible exceptions overnight.

In substantiation of the convenience of the railroad schedules from Montgomery, this city is the only city of size in the South which has no trains leaving the city after ten P. M. The argument being that mail or express matter

from Montgomery is always at any reasonable destination by early business hours next morning.

Attached hereto is exhibit marked "C" showing the time that express leaves Montgomery over the various lines, and the time it reaches the furthestmost boundary of the adjoining states.

At this time there are fifty-eight passenger, mail and express trains in and out of Montgomery per day, by which connections to and from all points can be made.

The Union Passenger Station records show that 1850 pieces of baggage were recently handled at the Union Station in Montgomery in two hours <sup>on</sup> an ordinary day, and in one month a total of over 35,000 pieces of baggage were handled. This station was opened to the public on May 6th, 1898, less than sixteen years ago. During August of that year there was handed in and out and out of that station (which does not include freight) 6348 engines and cars; during August 1913 there were handled 12,454 engines and cars, or practically double the number.

To further prove the point of recognized railroad facilities enjoyed by Montgomery this city with a population

much less than either Memphis, Tennessee or New Orleans, Louisiana, rivals these two cities as the most important wholesale distributing point in the entire South, ranking now as third and annually gaining on Memphis for second place.

To substantiate this relative standing of Montgomery as a distributing point, it is a matter of record that on the Louisville & Nashville Trunk Lines from Cincinnati to New Orleans the tonnage handled by said road ranks: Cincinnati, first; Louisville second, and Montgomery, Alabama, third.

The secretary of the Treasury: You mean passing through?

Mr. Farley: No, handled at that point.

The secretary of the treasury: You mean freight originating and terminating?

Mr. Farley: In and off there.

The Secretary of the treasury: You mean passing through?

Mr. Farley: No, in and off. That is the business men's league record. It is a distributing point.

No city in either of the seven states mentioned first reaches a greater number of points outside of their own state than does Montgomery, Alabama, in the distribution of



her merchandise, home grown and manufactured products.

Should Montgomery be chosen as a point for one of the Federal Reserve Banks and the district to be served by such bank be as suggested, then the National Banks in said district would contribute to the stock of such Federal Reserve Bank the sum of \$5,726,613.00, there being 476 national banks in the district having an aggregate capital and surplus of approximately \$95,443,396.00.

Should all state banking institutions in this district join the Federal Reserve system there would be subscribed approximately the sum of \$8,774,208.00 to the capital of the Federal Reserve Bank, there being 2571 state banking institutions in the seven states named with capital and surplus of approximately \$146,236,815.00.

The Secretary of the Treasury: How many are eligible? You cannot count them all because they are not all eligible.

Mr. Parley: It may be that some of the states have not the law,--

The Secretary of the Treasury: No, but assuming the laws of the state permitted them to subscribe, how many of them are eligible to subscribe? They must have the same qualifica-

It is shown by the latest abstract of the report of condition of national banks as published by the Comptroller of the Currency under date of November 20, 1913, that in the aggregate the capital and surplus of all national banks was \$1,785,705,285.00, capital \$1,059,402,908.00 and surplus \$726,302,377.00. The capital and surplus of all national banks in Alabama is \$16,031,583.00 which is a fair proportion based on the commercial development of the state which is as yet in its infancy: These figures compare favorably with a majority of the states of the Union.

The district to be served by Montgomery as a Federal Reserve Banking point consisting of seven states has over five per cent of the whole capital and surplus of all of the National banks.

The number of state banks doing business in Alabama is 292. This number based on a percentage calculation averages as large a percentage of state banks as the average of all other states.

The number of national banks in the proposed district to be served by Montgomery is 476 or over six per cent of those eligible, 7509.

The number of national banks doing business in Alabama

tions as the national banks, so you have to eliminate those that are not eligible.

Mr. Farley: That is a matter which would have to be taken under consideration, and I have not done so, but I suppose 50 per cent of them.

Alabama has 90 national banks with a capital and surplus of \$16,031,583.00 and 292 state banks with a capital and surplus of approximately \$15,443,085.00.

Montgomery, Alabama, has four national banks with a capital and surplus of \$2,515,000 (exclusive of undivided profits), statements January 13th, 1914, and six state banking institutions with a capital and surplus of \$881,762.00, October 21, 1913.

National banks, ipso facto, being the immediate reliance of the framers of the Federal Reserve Act to bring into life the Federal Reserve system are found in Montgomery Alabama exactly double in number to those operating in each of the other three large cities in Alabama.

The clearings of the city of Montgomery for the year 1908 were \$28,641,228.05, and for the year 1913 \$51,449,584.16, making an increase in five years of \$22,808,356.11, or about eighty per cent.

is 90, or nearly one fifth of the number doing business at this time in the seven states mentioned.

I take it for granted that in the selection of the location of any Federal Reserve Bank that neither the population of the City nor the present capitalization of its banks will be taken into serious consideration, and that the eligibility of any suggested city from the standpoint of volume of business, with attendant facilities for the prompt handling of same, will prove the main consideration, and as Montgomery is in the very heart of, and, in fact, the hub in the wheel of the agricultural district, the circle of which embraces in full the seven states named, it is felt that no better selection could be reached than the selection of this most central and progressive city, who submits its claims as the logical point for the location of the Federal Reserve Bank strictly and entirely upon its own merits and without overtures having been made on the part of its bankers or citizens to any other city in the district to which it aspires to serve.

The Secretary of the Treasury: Have you had any voluntary suggestions, as you made no overtures to banks in this district, that Montgomery ought to be made the headquarters?



Mr. Farley: Well, we have seen some of our country friends as they came into Montgomery, and they would ask us if we were applying, and we would say yes.

Mr. Kohn: Atlanta says we are the second choice for Atlanta.

The Secretary of Agriculture: You spoke about being embarrassed by Birmingham's application. Do you prefer Atlanta to Birmingham?

Mr. Kohn: Of course we would be for our home state, but Birmingham did not come to us until the others had, and we had declared our choice.

The secretary of the Treasury: Mr. Farley, what is the second choice of Montgomery?

Mr. Farley: Our Clearing House has passed on Atlanta for second choice. Of course, we all have state pride, but Atlanta is on the main trunk lines to New York, and it is adjacent.

The Secretary of the Treasury: What is your third choice?

Mr. Farley: New Orleans.

The Secretary of the Treasury: What do you think about Louisville?

Mr. Farley: Well, I really think that Louisville is a

little bit too far away. The nature of the business in that district is so dissimilar to ours that I really do not think it would be good.

The Secretary of Agriculture: Are there not some advantages in that?

Mr. Parley: Indirectly, yes, but you see they require the money about the same time as we do, and it would not be an advantage in that way, and I do not think --

The Secretary of Agriculture: Is not their tobacco and liquor crops handled at a different season than your cotton crop?

Mr. Parley: It dovetails into it. We do not have a season for cotton any more. It used to be September to January, but now we run all through the year.

The Secretary of Agriculture: Well, you always did.

Mr. Parley: More or less, but not to the extent we have for the last four or five years. Now, Louisville's whisky crop is of course all the year round and the tobacco is in the winter and spring.

The Secretary of the Treasury: To what extent does Montgomery now have financial relations with the rest of that district? Take Knoxville, Tennessee, and Nashville,

Tennessee.

Mr. Parley: We only have reciprocal accounts there for the matter of collection. You mean with the banks?

The Secretary of the Treasury: Yes. The customary course of business is not from Nashville and Knoxville to Montgomery.

Mr. Parley: We get a great deal of flour from Nashville.

The Secretary of the Treasury: Take Georgia and South Carolina points, do they focus on Montgomery?

Mr. Parley: We do a great deal of business with them, but naturally we do not buy a great deal in Georgia.

The Secretary of Agriculture: All the evidence we had in Washington, where we had the hearing for the people from South Carolina was that they desired to be attached to the north of them.

Mr. Parley: Well, they are so near the metropolis up there.

The Secretary of Agriculture: They were not seeking New York.

The Secretary of the Treasury: They wanted to be with Richmond or Baltimore or Washington.

The Secretary of Agriculture: They said their whole course of trade was that way.

The Secretary of the Treasury: The law requires us, as we have said, to lay out these districts with due regard to the convenience and customary courses of business. How can you show us the customary courses of business of this district are with Montgomery?

Mr. Farley: You spoke of Georgia. A great deal of our cotton is shipped right through to Savannah for export. It is not a deal with Georgia.

The secretary of the Treasury: But I am speaking of the district. To lay out the district, we want some facts as to the district which related to Montgomery.

Mr. Farley: You mean shipments into Montgomery or out?

The Secretary of the Treasury: In and out.

Mr. Farley: Of course, we buy from Tennessee and buy some manufactured products from Georgia and particularly from Atlanta and a great deal of fruit from Florida.

The Secretary of the Treasury: What percentage of this entire district do you suppose is focussed on Montgomery?

Mr. Farley: It would be very small, I expect.

The Secretary of Agriculture: To what extent would your argument apply to other cities? What is there in Montgomery's situation which would make the argument unique in its ap-



plication?

Mr. Farley: You mean as to the volume of trade?

The Secretary of Agriculture: No, as to the location for the Reserve Bank.

The Secretary of the Treasury: What makes it pre-eminently better than New Orleans or Atlanta or any other city?

Mr. Farley: We are down here in New Orleans and I am sorry you have brought up that point. We are third for New Orleans, but we feel if we are put with New Orleans we are first putting a foot backward before we go forward.

The Secretary of the Treasury: Would not New Orleans feel the same way as to Montgomery?

Mr. Farley: Yes.

The Secretary of the Treasury: Is not the thing which seems to be uppermost, that it is the center of the surrounding country? We have had a lot of cities to a manufactured circle which they are the center of.

Mr. Farley: Yes, I have no doubt that every city which has not been the geographical center claims it is the center some other way.

The Secretary of the Treasury: As Mr. Houston says, in these cases he finds that every city is the center of the surrounding territory.

Mr. Farley: Yes, even New Orleans.

The Secretary of Agriculture: Would you advise us in the operation of this system to secure the largest benefit, to select cities on that basis, because they are the center of the district around them?

Mr. Farley: That would depend entirely upon the rail-road facilities and facilities for handling business generally.

The Secretary of Agriculture: If you had this problem to solve, that would be your idea?

Mr. Farley: I should think so. In other words I would not select cities --

The Secretary of Agriculture: You say that is the unique justification of your claim. Would you utilize that in the selection of each district?

Mr. Farley: No, I do not know that I would in every case; it would depend upon the facilities to reach other points in that district very largely.

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

Now, before the hearing closes if there are any gentlemen here who desire to be heard from any other cities, and who can shed any new light on this subject, we should be glad to hear from them.

Mr. Wexler: You said something about wanting to recall me with regard to the other cities.

Mr. Mooney: Mr. Collins made a suggestion that probably we can answer clearly. The unanimous choice of the delegation from Memphis, representing the Memphis body as to second choice, is not asked of us.

The Secretary of the Treasury: I did ask the question.

Mr. Mooney: You only asked it personally, but the body took official action in regard to that. Our second choice is Chicago.

The Secretary of the Treasury: What is your third?

Mr. Mooney: The third is New Orleans, but the objections which you make to borrowing applies there, just as they are just as great borrowers and are in the same borrowing territory that we are.

The Secretary of the Treasury: we are not making objections, we are throwing out suggestions to develop the argument.

Mr. Mooney: Well, our first choice is Chicago, and the committee did not pass upon the second choice, but I take it that -- I am not sure --

The secretary of the Treasury: You had better state your second and third choices, because so far as Chicago is concerned, I mean its geographical consideration, it might preclude that consideration.

Mr. Mooney: We had thought it might include Kentucky and West Tennessee and the Mississippi River might be the dividing line.

The Secretary of Agriculture: Would you not consider this matter further as to your next choice and give us your preference?

Mr. Collins: New Orleans is the third choice. Would not that cover it?

The Secretary of Agriculture: We cannot tell yet.

Mr. Collins: That was about as far as you asked the others.

The Secretary of the Treasury: Yes, but we have asked some for the fifth choice.

Mr. Mooney: We have no further choices. We would have objections to Louisville and Atlanta because there is no business between us at all.



The Secretary of the Treasury: Do you object to St. Louis?

Mr. Mooney: We do not object to St. Louis.

The Secretary of the Treasury: How do you regard St. Louis as a choice?

Mr. Mooney: Well, we would regard St. Louis after New Orleans. First, Chicago, second New Orleans, and third St. Louis.

Mr. Collins: St. Louis or Kansas City. Kansas City would put us in the edge of a district.

The Secretary of the Treasury: Well, the geographical consideration has got to enter into this, of course. If you are going to skip over a lot of territory to get into some other one --

Mr. Collins: I did not know but what Kansas City would take in St. Louis.

The Secretary of the Treasury: We do not know ourselves, and that is the reason we ask so many questions.

Mr. Mooney: There is no relation between Georgia and this territory.

#### FURTHER STATEMENT OF SOL WEXLER.

The Secretary of the Treasury: Mr. Wexler, I want to ask

one question which I omitted yesterday. In laying out this district for New Orleans you stated you did it upon the assumption there would be eight districts in the country.

Mr. Wexler: Of course, not less than eight.

The Secretary of the Treasury: I understood this district had been laid out with reference to eight.

Mr. Wexler: Yes.

The secretary of the Treasury: I simply wanted to ask what other districts you had in your mind when you laid out this map?

Mr. Wexler: I had in mind there would be a district located in Boston, one in New York, one in New Orleans, one in Chicago and one in San Francisco beyond any question of doubt; that those were five cities which under no circumstances could be omitted. That then would be a consideration as to St. Louis or Kansas City as another central point. That would make six. Then that the following, Atlanta, Cincinnati, Louisville, St. Louis, Kansas City and Denver, representing the central territory, would be the next in consideration after those five above referred to. I had figured the matter out that you would have one either at St. Louis or Kansas City.

The Secretary of Agriculture: Have you tried to lay out the districts?

Mr. Wexler: No, but I can do so and would be very glad to do it.

The secretary of Agriculture: It is one thing to select a city and then when you begin to lay out the districts, it is another thing.

The secretary of the Treasury: We would like you to submit a map with your suggestion of the districts, such number as you think would be best within the limits of the law, and also attach to it a memorandum giving the capitalization of the reserve bank and the resources of each of the district as you lay them out. That can be filed as an exhibit.

Mr. Wexler: I will do it with pleasure. Will you let me make one point which may go in the record or not, which I think would be of some advantage to you in considering this question?

The Secretary of the Treasury: Yes.

Mr. Wexler: There has been a good deal said about deposits and about resources of various sections. Now I take it as fundamental that the volume of business transacted in a section has really the greatest bearing upon it, more than any

other question to be considered. The volume of the business, the turn-over; the residuum cuts very little figure. The residuum expresses the savings, the surplus funds of the community, but not the volume of business. I make that because I think it is a very strong one for some sections as against others. Not particularly as to New Orleans, but taking New Orleans as a point, the clearings amount to a billion dollars. Take the business done for cash, which we will say is 25 per cent, and we would have \$1,250,000,000. Add the foreign transactions of \$250,000,000, and you would have \$1,500,000,000; and if you add to that the country checks not cleared in such a manner and not represented in it, you have \$2,000,000,000 of transactions. Those two billion dollars are at present handled and financed without the aid of a Regional Bank at all. And it is figures of that kind that have a direct bearing upon the location of a Regional Bank.

The Treasury of the Treasury: So far as clearing house statistics represent real transactions.

Mr. Wexler: Yes, provided they do not represent duplication of transactions.

The Secretary of the Treasury: Yes, they are of value,



but the difficulty is that in most every city they represent varying bases of computation and in many instances they are largely artificial and therefore, they are not altogether reliable.

Mr. Wexler: I will admit that. I know of a number of cities, I have endeavored to get these statistics and make clearing house comparisons and I find that a great many cities pay balances to each other on cashier's checks, and that is balanced the next day and then another cashier's check is presented. But in New Orleans we pay in gold every day the entire balances existing between the banks.

The Secretary of Agriculture: And we find some other abnormal conditions, as at Albany and Pittsburgh and so forth.

Mr. Wexler: Yes. Take New Orleans exchange, they trade in New York exchange with each other, and I think that prevails at Memphis.

The Secretary of the Treasury: The difficulty about so many of these statistics is that they reflect a condition of almost complete artificiality.

Mr. Wexler: Yes.

The Secretary of the Treasury: And therefore they cannot be taken as safe guides. We take them for what they are

worth.

Mr. Wexler: I take it when you get back to Washington and sit down at the table with the expert advisers whom you will have, you will get all the information that you require.

Mr. Trezevant: Is it contemplated in the law that a Reserve Bank in one region may borrow from Reserves Banks in any other region or regions, for any demand in excess of the available supply of the borrowing bank?

The Secretary of the Treasury: The Federal Reserve Board has the power to permit one to borrow from another, or under certain conditions to compel it to lend the other.

Mr. Wexler: The law requires it.

Mr. Trezevant: It is not very clear, because Galveston asked that question --

Mr. Wexler: The law prescribes that.

The Secretary of the Treasury: Yes. Does anyone else desire to be heard? If not, the hearing is adjourned.

Whereupon, at 12 M., the hearing at New Orleans was adjourned.