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Federal reserve bank of Atlanta.

Before the Federal reserve board in
the matter of petition of First national
bank of Clarksville, Tenn. for change in
the geographical limits of F.R.districts
nos. 6 and 8 ...

BEFORE THE
FEDERAL RESERVE BOARD

IN THE MATTER OF
PETITION OF FIRST NATIONAL BANK AND CLARKSVILLE NATIONAL
BANK, OF CLARKSVILLE, TENNESSEE, SPRINGFIELD NATIONAL BANK
AND PEOPLES NATIONAL BANK OF SPRINGFIELD, TENNESSEE, FOR
CHANGE IN THE GEOGRAPHICAL LIMITS OF FEDERAL RESERVE
DISTRICTS NOS. 6 AND 8, AS DETERMINED BY THE ORGANIZATION
COMMITTEE.

ANSWER ON BEHALF OF THE FEDERAL RESERVE BANK OF
ATLANTA (DISTRICT NO. 6.)

TO THE FEDERAL RESERVE BOARD:

Edward T. Brown, Deputy Chairman and Deputy
Reserve Agent of the Federal Reserve Bank of Atlanta, the
representative duly appointed by the Board of Directors of
said Bank to appear and answer the petition of the member
banks of said Federal Reserve Bank of Atlanta above named to
review the assignment by the Organization Committee of said
banks to Federal Reserve District No. 6, and to alter the
lines of said District so that the said banks above named
shall be included in Federal Reserve District No. 8, herein-
after called Respondent, makes answer to said petition as fol-
lows:

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(a). The Federal Reserve Bank of Atlanta, com-
prising District No. 6, contains 372 national banks, and would
have resources from capital stock on this date of \$4,710,000.
if the entire capital stock had been paid in full. At the
present time only one-third of said capital has been paid in.
Its gross capital, therefore, is the smallest amount of any
of the Banks in the Reserve system, and but little in excess

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of the required minimum of \$4,000,000. fixed by the Federal Reserve Act. Respondent is advised that the capital of the First National Bank of Clarksville, Tennessee, is the sum of \$100,000.00, with a surplus of \$75,000.00; Clarksville National Bank, capital \$100,000.00, and surplus \$30,000.00; Springfield National Bank, capital \$60,000.00, and surplus \$60,000.00; the Peoples National Bank of Springfield, capital \$100,000.00, and surplus \$20,000.00. The aggregate contribution of these four petitioning banks when fully paid to the capital of the said Bank would be approximately the sum of \$90,000.00. If said Banks were removed from the Sixth to the Eighth District, it would reduce the gross capital of the Federal Reserve Bank of Atlanta to approximately the sum of \$4,620,000.00, which sum would be only \$620,000.00 in excess of the minimum amount required. Respondent submits that these figures alone furnish a very strong reason why the prayer of these petitioning banks should not be granted, because if these banks are withdrawn and if for any reason only a very few of the larger banks in the District should discontinue business or withdraw from the system, it might easily be possible for the capital of the bank in the Sixth District to be and become reduced below the minimum fixed by the Act.

Respondent further shows to this Honorable Board that the Federal Reserve Bank of Atlanta in the midst of the eastern part of the cotton growing section of the South, and the demands upon the resources of said Bank, in properly financing the cotton crop annually will be considerable, and when to these demands there is added the normal annual demands which will be made upon said Bank by those engaged in other agricultural, industrial and commercial pursuits in the section, it is evident to respondent that all of its resources

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will be in constant use and demand. Respondent says that for this reason any action which would result in a reduction of the capital and consequently in the resources of said bank should receive the closest investigation and scrutiny before being put into effect, and respectfully urges that for the reasons already stated no such reduction should be made or allowed, unless in case of imperative necessity, and it is respectfully submitted that the case presented by petitioning banks in this instance is not of this character.

(b). Respondent calls attention that evidently the Organization Committee considered the Tennessee River a natural geographical boundary, and by reference to the map of Tennessee it will be readily noticed that the western boundary of the Sixth District is fixed along said river, with the exception of the County of Wayne.

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Respondent is advised that it is not necessary to answer specifically many of the allegations generally stated in said petition. Admitting that petitioners are located in the tobacco growing sections of West Tennessee and Kentucky, yet no satisfactory and convincing reasons are advanced by petitioners why the Federal Reserve Bank of Atlanta cannot meet all their reasonable, proper and lawful demands. On the contrary, respondent says that said Bank can and will take care of all such demands and requirements.

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(a) Petitioners allege that the town of Clarksville and the town of Springfield are served by the lines of the Louisville & Nashville Railway Company, and it is here shown to this Honorable Board that said Railway Company likewise supplies lines of connection between Atlanta and said two towns. The distance from Atlanta to Clarksville and Springfield is approximately 350 miles, whereas the distance from said two towns to St. Louis is approximately 300 miles, so that the distance from Atlanta to said two towns is practically the same distance from said two towns to St. Louis. If this petition was granted, said two towns would be only about fifty miles nearer to the reserve city to which they would be then attached, than they are to Atlanta.

Respondent shows that at the present time mail and express matter leaving Atlanta as late as 4:55 P. M. arrives in Springfield the next morning at 8:26 A. M. and at Clarksville at 9:34 A. M. and such matter passing in the reverse direction from Springfield and Clarksville to Atlanta moves practically within the same limits of time. Both mail and express matter passes to and from Atlanta and said two towns practically over night, and in time to be received and handled in the early morning of the day following. Respondent is advised that no greater facilities as to mail and express or transportation ~~would~~ would be enjoyed by petitioning banks if they were attached to the Eighth District than they now enjoy at Atlanta.

(b) Respondent is advised that while it may be true that tobacco furnishes the principal commercial crop of the section in which petitioning banks are located, and

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that a large percentage of said crop is exported to European countries through New York, yet this condition of affairs is not exceptional with the tobacco crop, but is true to a very great extent of many other commodities produced in the Sixth and other Districts. Respondent cannot agree that it would facilitate the business ~~x~~ of petitioning banks for these tobacco transactions to move westward through St Louis merely because the larger part of the tobacco growing section is attached to the Eighth District. Respondent cannot agree that the mere coincidence that two of the Directors of the St. Louis Bank are familiar with the details of how the tobacco business is conducted furnishes any good and sufficient reason why petitioning banks should be attached to the Eighth rather than the Sixth District.

(c) Respondent says it is true that the Federal Reserve Bank of Atlanta will probably have demands of large volume upon it during the season when cotton is being harvested and moved in the section which it serves, but taking into account the capital and surplus of petitioning banks in this case, the probable aggregate amount of the legitimate demands of petitioning banks upon said Bank will not likely cause said bank any embarrassment in meeting the same, whether it be true or not that cotton and tobacco are harvested and marketed at the same time of the year. The cotton crop as a rule is harvested and marketed commencing in August of each year and extending over the fall months and probably into the months of January and February of each year, although as a rule much the larger part of cotton has passed out of the hands of the grower by the first of January each year. Respondent respectfully calls attention to the very

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able brief presented on behalf of Louisville, Kentucky, to the Organization Committee by the Honorable Ollie M. James, Honorable Swager Sherley, Honorable Richard W. Knott and Honorable John W. Barr, Jr. and printed in Senate Document 485, on page 187, from which respondent quotes as follows:

"Tobacco is different from other crops in that it does not go to market in the fall along with cotton, corn, etc. The season begins in December and extends through March, depending largely on weather conditions. As can be at once seen, it, like whiskey, can be moved after the pinch in the cotton section is over. Surplus funds from tobacco sales can find employment in the South during the planting and growing season."

If these gentlemen correctly state the matter, the two crops are marketed at different periods of the year, at least in large part. Respondent further calls attention to the fact that the banks of St Louis probably have heavier and greater demands upon them to move the cotton crop than is true of Atlanta, he being advised that the St. Louis banks supply in large part the capital necessary to move and handle so much of the cotton crop ~~x~~ as is raised in that State, Arkansas, and the parts of the States of Tennessee and Mississippi which are in the cotton belt. If respondent's information is correct, and he affirms that it is correct, the St Louis Reserve Bank would be confronted with the same difficulty which petitioners allege now confronts the Atlanta Bank in regard to the matter of furnishing funds to move the cotton and tobacco crops at the same time. Therefore, no advantage would be gained to the petitioning banks to be connected with the St. Louis instead of the Atlanta Bank in these respects.

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(d) Respondent shows that petitioners allege that "Unmistakably the trend of the business of the two communities is northward, less than 1% of the business being South of Nashville, Tennessee." If this is true, it is difficult to understand how their situation would be bettered in the banks were attached to St. Louis, which lies almost due west of both Springfield and Clarksville. If the trend of the business of the two communities is unmistakably northward, it would seem more logical for petitioners to be attached to the Cleveland Bank than to the St. Louis Bank, but respondent insists that for reasons already stated and those hereinafter stated, it is not necessary for petitioning banks to be removed to either of said reserve bank cities. Respondent is advised that all of said banks do considerably business with the banks of Nashville, Tennessee, which is one of the important cities attached to the Federal Reserve Bank of Atlanta, and shows that one of the Directors of the Federal Reserve Bank of Atlanta, Hon. W. H. Hartford, is a citizen of that city, which is situated very near to Clarksville and Springfield, (less than 75 miles distant). His knowledge of the business conditions of that territory will make it easily possible for the Federal Reserve Bank of Atlanta to become accurately advised of the needs and demands of petitioning banks and all others therein, whether there be anything unusual or extraordinary in the nature and course of business in said section or not.

In addition to the foregoing, respondent is advised that a very much larger per cent of the business of said

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two communities is south of Nashville than that stated in the petition, and asserts that investigation would disclose this to be the fact. It is naturally very difficult to obtain exact statistics on such a matter, but respondent is advised that a very considerable amount of business in said two communities is toward the South and not Northward. Also respondent states that petitioning banks on account of their location close to Louisville, one of the important cities in the Eighth District, as well as to Nashville, one of the important cities in the Sixth District, are virtually enabled to utilize the facilities of both of these banks, the Atlanta bank directly and the St. Louis bank indirectly. Said banks doing business with Nashville, send their checks on Louisville to the banks at Nashville, and in payment of these checks Louisville sends the Nashville banks checks on the Reserve Bank of St. Louis, which checks in turn are sent by the Nashville banks to the Federal Reserve Bank of Atlanta for credit, and recently interchange of business of this character resulted in the establishment of a credit balance in favor of the Federal Reserve Bank of Atlanta against St. Louis in excess of \$50,000.00. No reason is seen by respondent why this arrangement and interchange of financial balances cannot continue, and it results, as stated, in petitioning banks and others in their neighborhood enjoying the credit facilities of both the Atlanta and the St. Louis Reserve Banks, the former directly and the latter indirectly.

Respondent also calls attention to the well known fact that large amounts of tobacco is now being raised in the State of Florida, and the peculiarities of the tobacco industry

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in general, if any exist, will necessarily have to receive, and in fact have received, the careful study of the officers and directors of the Atlanta Bank.

(e) Further answering respondent advises that one of the petitioning banks, to wit, the Peoples National Bank of Springfield, has already and since the first of January, 1915, availed itself of the facilities offered by the Federal Reserve Bank of Atlanta and has applied for and obtained a loan from said bank to the extent of \$22,000. Respondent says that the officers and directors of the Bank found no difficulty in accommodating said bank, as one of its member banks, and easily and readily and quickly responded to its request to participate in the discounting privileges to the extent stated, and said Bank, through its proper officers and directors, is ready to likewise and similarly respond to all of the ordinary, legitimate and reasonable demands of said banks when called upon in the future, whether by said peoples National Bank, or others of the petitioning banks.

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Further answering, respondent says that the relations of petitioning banks with their correspondents will in no wise be altered by the operation of the Federal Reserve Act, or by their being placed in the Sixth or the Eighth Federal Reserve District. It is true they will be expected to keep the reserves required of them under the Act in the Federal Reserve Bank of Atlanta instead of in the Federal Reserve Bank of St. Louis, but there can be no serious inconvenience in this. If the prayer of the member

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banks of Springfield and Clarksville is granted, doubtless other similar petitions in this Reserve District and in other Reserve Districts will be presented to this Honorable Board, and if this or other similar petitions are granted, so far as the Federal Reserve Bank of Atlanta is concerned, it will at once bring prominently into view the capital requirements of said Bank as measured by the terms of the Federal Reserve Act.

No one can doubt but that careful consideration was given by the Organization Committee to such matters as convenience, accessibility and the trend of business in the apportionment of the various Districts, and the selection of Reserve Cities. This was a duty imposed upon the Organization Committee by the Federal Reserve Act, Section 2, which is as follows:

"That the Districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be co-terminus with any State or States."

In determining what regard was paid to this provision of the Act by the Organization Committee, no better way can be devised than to quote from the report of the Committee itself. Said Committee said:

"Among the many factors which governed the committee in determining the respective districts and the selection of the cities which have been chosen, were:

First. The ability of the member banks within the district to provide the minimum capital of \$4,000,000,00 required for the Federal Reserve Bank, on the basis of 6% of the capital stock and surplus/member banks within the district.
of

Second. The mercantile, industrial and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve Bank.

Third. The probable ability of the Federal Reserve Bank in each district, after organization and after the provisions of the Federal Reserve Act shall have gone into effect, to meet the legitimate demands of the business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

Fourth. The fair and equitable division of the available capital for the Federal Reserve Banks among the districts created.

Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between Federal Reserve Banks and all portions of the district.

Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past and its prospects for the future.

"In determining the several districts the committee has endeavored to follow State lines as closely as practicable, and whenever it has been found necessary to deviate the division has been along lines which are believed to be most convenient and advantageous for the district affected."

In explanation of their decision as rendered on April 2, 1914, from which these excerpts are taken, subsequently the said Committee made a further statement, April 10, 1914, to which attention is called and in which they reaffirm the above.

When due regard and consideration is given to the very thorough study and investigation of the subject, the great care which was exercised by the Organization Committee in the performance of its duties in the laying out of the country into twelve districts, there must arise a strong presumption that the very considerations which are advanced by the petitioning banks in this case were duly passed upon and considered by said Committee, and the attaching^{of}/petitioning banks to the Sixth District instead of the Eighth District was deliberately done. It will be presumed at least

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prima facie that said Committee considered the fact that petitioning banks would enjoy^{equal}/if not the same mail, express and transportation facilities if attached to the Atlanta District as they would if attached to the St. Louis District, and their principal business, as they themselves now allege, constituting only a small portion of the tobacco crop, the Bank at Atlanta could furnish them all reasonable and proper rediscounting accommodations, notwithstanding the fact that said bank would likewise be called upon to furnish similar accommodations for the cotton industry and all other agricultural and commercial industries in the section. Respondent respectfully submits that the decision of the said Committee should not be lightly altered or overridden. Respondent insists that there has not been sufficient time as yet to determine what will be the result of the operation of the banks under the Federal Reserve Act in the districts as they are now made, and it is respectfully claimed that sufficient time should be given to the practical operations under the Act in the Districts now formed to determine whether it is as effective, efficient and satisfactory as it would be if their boundaries were changed.

All of which is respectfully submitted on behalf of the Federal Reserve Bank of ATLANTA.

E. J. Brown

Deputy Chairman and Deputy Reserve Agent.

Hollins W. Randolph

Counsel.