

# STENOGRAPHER'S MINUTES

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THE RESERVE BANK

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ORGANIZATION COMMITTEE.

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

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vs.

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At Washington, D. C.

Date Beginning January 14, 1914.

Law Reporting Company, Official Stenographers  
115 BROADWAY, — NEW YORK  
TELEPHONE, 2820 RECTOR

U. S. Treasury Building

Washington, D. C. January 14th, 1914.

10:20 A. M.

**Present:**

The Secretary of the Treasury.

The Secretary of Agriculture.

**Appearances:**

The Secretary of the Treasury: Gentlemen: The problem immediately confronting the Committee is the division of the country into not less than eight, nor more than twelve districts and the selection of the headquarters bank in each one of those districts. The Committee wants to address itself to that problem exclusively. We do not need so much information about the accessibility of the cities and transportation facilities and their relative commercial importance, because we are entirely familiar with that anyway. We have general knowledge of that subject, and we are obliged, on account of the amount of time at the disposal of the Committee, to request those who appear to confine themselves very largely to the questions which the Committee will address, because those questions elicit the information which we particularly want. We naturally cannot submit a great deal of oratory. We understand the natural tendency to indulge in that, when the claims of these cities are being presented, and while we like to hear, we have, unfortunately, not sufficient time; so we shall ask the gentlemen who are here, representing Washington -- I think both Secretary Houston and I are pretty familiar with Washington's claims, and if you will confine your answers to the questions we are

going to ask, I think we can expedite the hearing and I think we can bring out all that is necessary. Mr. McKee.

STATEMENT OF HENRY B. MCKEE.

The Secretary of the Treasury: State your occupation?

Mr. McKee: Cashier of the National Capitol Bank of Washington.

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

Mr. McKee: Clearing House Association in Washington.

The Secretary of the Treasury: And your desire is to press upon the Committee the advantages of Washington as the headquarters for one of the regional banks?

Mr. McKee: Yes, sir.

The Secretary of the Treasury: What is your idea, Mr. McKee, as to what territory would best be served by a Federal Reserve Bank in Washington?

Mr. McKee: We think that a territory comprising the eastern part of the State of Pennsylvania, the southern part of the State of New York, Delaware, Maryland, District of Columbia, Virginia, West Virginia and North Carolina. We have taken the liberty of preparing a blue print map,

showing that territory, and there is statistical information at the upper left hand corner there in regard to the area, population, the distances north and south and east and west, the available banking capital and surplus and the available capital, surplus and profit of state banks.

The Secretary of Agriculture: What do you figure the banking power of such a Reserve Bank, if established for that territory?

Mr. McKee: The banking power, the capital of the Federal Reserve Bank -- the subscribed capital would be approximately \$14,000,000; the paid in capital approximately \$7,000,000 and deposits about \$40,000,000, based on bank reserves alone. Of course, that would be increased by whatever state banks might come in, in that territory.

The Secretary of Agriculture: To what extent is that territory now affiliated with Washington?

Mrs McKee: Three-fourths of it affiliated. That part south and southwest is naturally tributary and affiliated with sections north of it. In other words, the trend of business is from the south and southwest in the direction of Washington. We must confess that that part of the territory which is to the north of it, Philadelphia -- at

least in the eastern part of Pennsylvania, is naturally affiliated with Philadelphia; but our idea in selecting a district like that was to select a well balanced district, in which every form of activity could be found; farming, mining, manufacturing and every industry that could be thought of can be found in that territory.

The Secretary of Agriculture: What do you mean by saying that it is naturally affiliated with Washington?

Mr. McKee: The distributing point for the south, is Baltimore -- naturally Baltimore, Philadelphia and New York, and merchandise sold here, goes down south, and the general trend of business is -- that is, in the payment of goods is from the north to the south. Therefore, a good many banks down in the south keep their accounts with banks in Washington, Baltimore and Philadelphia, against which they draw in payment of goods, that are bought in the south; so that the trend of depositing is in the south and southwest.

The Secretary of Agriculture: Can you give us the facts bearing on those points with reference to Washington?

Mr. McKee: I cannot. I did not get that up. There are, however, about four of our national banks which have

quite extensive southern connections. Those gentlemen are here, and later on may be able to give you details in regard to that.

The Secretary of the Treasury: To what extent do banks in this territory keep their reserves on deposit in Washington?

Mr. McKee: I have not gathered that information, but these gentlemen who are here may be able to give you that, later.

The Secretary of the Treasury: What are the bank clearances here in Washington?

Mr. McKee: Last year they were \$402,000,000.

The Secretary of the Treasury: What inducements do the Washington banks hold out to correspondent banks to get their reserves here?

Mr. McKee: The usual inducements, two per cent on balances.

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

Mr. McKee: Our bank has not a very great number of such accounts, and I am not able to answer with respect to the general practice prevailing among other banks. These gentlemen can give that information.

The Secretary of the Treasury: Do you think Washington will be a convenient point, for Philadelphia and Pennsylvania exchanges?

Mr. McKee: You mean for the purpose of the collection of checks?

The Secretary of the Treasury: For the purpose of this Act?

Mr. McKee: I think it would, sir.

The Secretary of the Treasury: Would not you do a good deal of violence to the ordinary courses of business and exchange, if you placed that territory -- I mean eastern Pennsylvania, if you forced it to come to Washington.

Mr. McKee: I do not think within the meaning of the Act that you would, because --

The Secretary of the Treasury: I am talking about the facts though.

Mr. McKee: There will be a large amount of business naturally transacted by the Pennsylvania banks, with the banks in Philadelphia and it would be diverting only part of that business down here, if they kept part of their reserves in the Federal Reserve Bank here.

The Secretary of the Treasury: How much dislocation of

the ordinary machinery and operations of business would result from requiring the whole of eastern Pennsylvania to come to Washington?

Mr. McKee: Well, I do not think it would amount to very much, because the only amount they would have to keep here would be the amount that they would have to keep on deposit, as reserve, based on the deposits of other banks.

The Secretary of the Treasury: Their transactions, however, of various characters with the Federal Reserve Bank, would have to be considered.

Mr. McKee: Would have to be; of course, that is true.

The Secretary of Agriculture: Banking transactions usually follow the courses of commerce generally, do they not?

Mr. McKee: Yes, sir.

The Secretary of Agriculture: Is Washington relatively a large commercial centre?

Mr. McKee: No, sir, it is not.

The Secretary of Agriculture: On what ground would you base your recommendation that this be selected as a centre?

Mr. McKee: Now, gentlemen, we have taken the liberty of preparing a brief. It is not very long and we have set

forth the reasons therein. If you will be good enough to let me read them, I think we can give you the idea of why we think it ought to come here. (Reading)

"The Washington, D. C. Clearing House Association has petitioned you in writing to locate one of the Federal Reserve Banks, provided for in the Federal Reserve Act, in this City.

We, a special Committee from said Clearing House, are here, by your permission, to submit several reasons why the banks and business men of Washington and the surrounding country believe a Reserve Bank should be located here.

In pursuance of authority vested in you by the Federal Reserve Act, it is your purpose to divide the United States into several districts and designate in each one of said districts a city in which a Federal Reserve Bank shall be organized.

These Reserve Banks are designed to hold part of the reserve funds of their bank members, discount their members' paper and furnish them with currency in an emergency. They are to be essentially Banker's banks, and, while their purely domestic affairs are to be managed by their own directors, many of their broader powers, in addition to

their relations to each other and to the whole system, are to be subject to the supervision, direction and control of the Federal Reserve Board which will be located permanently in Washington.

The powers granted the Federal Reserve Board indicate that it will have to be thoroughly acquainted, not only with the operation of the system as a whole, but with many of the domestic details of each Federal Reserve Bank. Therefore, if one of such banks be located in Washington directly under the vision of the Federal Reserve Board, that supervisory authority can watch from day to day the work that is being carried on, note how the bank serves the purpose for which it is intended and decide from personal contact and observation what rules and regulations are needed to bring all such banks up to a high state of efficiency.

The System that is about to be put in operation is a new and untried one among the great Nations of the World. Its operation will be watched keenly by Foreign powers. Its success, and we assume that it will be successful to a marked degree, will inspire the confidence of other Nations in our banking and monetary system. Therefore, a Federal

Reserve Bank, brought to a high state of efficiency under the direct supervision of the Federal Reserve Board here in the Capital City of the Nation, can be watched, studied and its efficiency appreciated by the foreign representatives stationed here, as well as by members of Congress and numerous visitors of prominence from other parts of our country who come to Washington to study and learn by personal observation something about the machinery of Government. Such a bank in Washington would be a continuous object lesson to students of finance.

The District of Columbia is Federal Territory in which the power of the Federal Government is supreme and exclusive. No state laws conflict with the statutes enacted by Congress and no traditions of any right or power save that of the Federal Government intervene to raise a question of doubtful authority. In short, there is only one jurisdiction here, one central source of power. Legal questions, which may arise in connection with the work and powers of the Federal Reserve Bank located here, can be submitted to the Attorney General and appealed to the Supreme Court of the United States and precedents established thereby for the guidance of the conduct of other Federal Reserve Banks.

The discretionary power granted the Secretary of the Treasury to lodge public funds in Federal Reserve Banks implies that the Federal Government may become, at some future time, a depositor in such banks. It would seem to be very desirable, then, that such relations, in their beginning at least, should be of an intimate personal nature. Therefore a Federal Reserve Bank located in Washington having direct daily contact with the Treasury Department, and performing the functions of a depository of public moneys, in addition to being under the direct personal supervision of the Secretary of the Treasury could act before that department, not only in behalf of its members, but perform many services of value to the Treasury and to other Federal Reserve Banks in connection with the transfer of funds to and from Washington.

The operations of a Federal Reserve Bank in Washington, as outlined, imply that such a bank should be supplied with Capital and Deposits ample in volume to serve the needs, not only of its own members, but affect the exchanges and transfers mentioned between the Treasury and other Federal Reserve Banks. Therefore, we must consider now the territory which should be included within the District to be

served by the Federal Reserve Bank of Washington.

One of the objects of this law is to decentralize reserves in the established reserve centers and distribute them among several reservoirs, each reservoir to be located as nearly as possible in the center of a district wherein a great number of diversified activities are carried on, to the end that the available funds will flow easily and rapidly to supply the needs of the farmer, the manufacturer, the miner, and the tradesman and stimulate and build up every branch of industry, trade and commerce.

The first and most essential point to be considered in connection with the designation of a Federal Reserve City is means of transportation whereby a letter mailed or currency shipped to or from a Federal Reserve Bank or its members will be delivered speedily.

In the transaction of banking business a letter mailed to or from a member of the Federal Reserve Bank at the close of business one day should reach its destination before the close of business the next day.

The second consideration is the physical security which the constituted authority of a place thus designated is able to throw around a bank located therein, as for

example: A small city or town may be admirably located for such a purpose, but lack of proper protection would destroy its availability.

Mindful of the object to be attained by the designation of a Federal Reserve City and moved by the two considerations hereinbefore set forth, we submit a plan for a Federal Reserve District composed of all that part of the State of Pennsylvania east of the 78th Meridian of longitude. All of that part of the state of New Jersey south of the 40th parallel of latitude and the states of Delaware, Maryland, Virginia, West Virginia and North Carolina and the District of Columbia. This district to be tributary to the Federal Reserve Bank of Washington.

This territory has a population of, approximately, 12,000,000 persons. Nearly every form of industry trade and commerce is carried on within its borders. It has three large seaports, the total commerce of two of which, viz: Philadelphia and Baltimore, amounted to nearly \$320,000,000 in 1913. It is traversed in every direction by not less than eight large trunk line railroads and many smaller lines which bring every city, town and village within easy reach of Washington.

The capitalization of the National banks located therein is approximately \$120,000,000. Their surplus \$123,000,000 and total individual deposits \$777,000,000.

A Federal Reserve Bank in Washington, based on the tributary capital and deposits mentioned, would have \$14,000,000 subscribed capital, \$7,000,000 paid in capital and \$40,000,000 deposits.

State banks and trust companies in the territory mentioned have \$250,000,000 capital and surplus and \$720,000,000 deposits and as some, if not many of such banks, will enter the system, the capital and deposits of the Federal Reserve Bank of Washington will be increased to the extent that such banks accept the provisions of the law.

Figures compiled from the published reports of the thirteenth census show that the territory mentioned is rich in agricultural, Mining and Manufacturing interests. (To arrive at the result one half of the published returns from Pennsylvania and two-thirds of the published returns from New Jersey have been omitted to cover that part of these States which are not included in the contemplated Reserve District.)

The total value of farm property in 1910 was

\$2,400,000,000 and the relation between available acreage and improved farm lands indicates that if capital could be secured for that purpose the total value of farm property would be greatly increased.

The total value of all crops in 1910 was \$432,000,000. \$743,000,000 is invested in mining enterprises of various kinds, and the production of such enterprises in 1910 was valued at \$218,000,000.

\$2,500,000,000 is invested in manufacturing enterprises of all kinds, and in 1910 their output was valued at \$2,700,000,000.

The combined capital invested in these human activities is \$5,843,000,000 and in 1910 they produced \$3,350,000,000 of real wealth, not paper or imaginary profits, but actual values represented by every conceivable thing servicable for human need and comfort.

In addition to the actual wealth grown in fields, dug from the earth and fashioned into shape in mill and factory, we must contemplate the vast fabric of business that is needed to transport these things from place to place and put into the hands for which they are intended. Transportation, trade and commerce represent other millions of

money invested.

Washington, the Nation's Capitol, is in the midst of this rich, prosperous, territory. Four large trunk line railroads with their tributaries connect it with every part of the south and southwest. Two large trunk line railroads and their branches connect it with every part of the north and west.

Communication between this city and every village and town and city in the proposed district is rapid and regular. Letters mailed to Washington from points farthest away reach their destination in eighteen hours. Mails to and from points in the north and south pass through Washington, and letters from some points in the south and southeast section intended for points a few miles west pass through Washington ere they reach their destination.

Its central location, its prestige as the seat of Government and the location of the Federal Reserve Board here make Washington the logical location for one of the Federal Reserve Banks.

The extent of territory naturally tributary to the City by reason of easy and rapid means of communication in every direction and the volume and diversity of business

activities in that territory will enable the Federal Reserve Board to bring a Reserve Bank located here up to such a high state of development that it will serve as a model for other such banks elsewhere, and

Finally, the sense of security afforded by the protection which the Federal Government throws around this City must not be overlooked in the matter of locating at least one of such banks.

A detailed statement of the capital, surplus and deposits of National and State Banks in the proposed District is set forth in Appendix A, and Statistical information in regard to manufacturing, mining and agriculture is contained in Appendix B. Appendix C. shows a map of the proposed District with principal cities, their population and lines of railroad communication with Washington."

The Secretary of the Treasury: What may be made an exhibit to Mr. McKee's testimony. In making this division, I suppose you have assumed that there will be some number of Reserve Banks in the country?

Mr. McKee: Yes.

The Secretary of the Treasury: What assumption have you made in that respect?

Mr. McKee: We have assumed that there will be approximately ten, between eight and twelve.

The Secretary of the Treasury: This is based on eight, ten or twelve?

Mr. McKee: Well, we had not thought of that very much. We thought there ought to be at least four of them on the Atlantic Coast, and if that were so --

The Secretary of the Treasury: Where would you put them?

Mr. McKee: We would put two in the north, one in Washington and one on the Southern Coast.

The Secretary of the Treasury: What places, for instance?

Mr. McKee: I should say one ought to be in Boston, one ought to be in New York and one in Washington and --

The Secretary of the Treasury: What would you have

the New York district cover under this scheme which you have outlined, what would you put in the New York district?

Mr. McKee: New York State, the City of New York, Northern New Jersey and perhaps that part of the State of Connecticut which immediately borders on the State of New York.

The Secretary of the Treasury: What would you do with Southern New Jersey?

Mr. McKee: I would incorporate Southern New Jersey in with this District.

The Secretary of Agriculture: What would you do with Western Pennsylvania?

Mr. McKee: I think, being west of the Allegheny Mountains, it ought to be naturally tributary to a bank located in the central part of the middle west.

The Secretary of the Treasury: Where would you put the other two banks on the eastern seaboard, which you refer to?

Mr. McKee: We would put one here and one at Atlanta, Georgia.

The Secretary of the Treasury: What states would you have Atlanta serve?

Mr. McKee: I should say Atlanta should serve South Caro-

lina, Georgia, Alabama, Tennessee, Kentucky and Florida.

The Secretary of the Treasury: Where would you put the others?

Mr. McKee: Four on the eastern coast.

The Secretary of the Treasury: Where would you put the others throughout the country? Had you thought of that?

Mr. McKee: I have not thought of that, no, sir. I have given attention only to those located on the eastern seaboard.

The Secretary of the Treasury: In the brief which you submitted, and your argument, you seem to lay a good deal of stress on the fact that a more perfect bank could be organized and operated here in Washington. Do you think there is force in that suggestion, in view of the fact --

Mr. McKee: I mean by that that a bank located here would have perhaps as great, if not greater diversity of activities to draw from or serve than a bank in almost any other section of the country. If we consider carefully the industries along this territory I have outlined here --

The Secretary of the Treasury: But touching this point, I understood from your argument, perhaps I misunderstood it, that you thought the fact of the location of a bank

in Washington under the very eye of the Federal Reserve Board, and the more intimate relation the Federal Reserve Board could have with such a bank, would tend to make it a more perfect bank than one located anywhere else, Am I right about that?

Mr. McKee: Yes, it would, in connection with the diversity of interests which it would serve.

The Secretary of the Treasury: In view of the fact that the regulation of the Board must have application to all the banks, and they must all be dealt with in like manner, so far as its administration and general policy goes, do you think a bank in Washington would be any more perfect than one in Baltimore, or Philadelphia, in this district?

Mr. McKee: It would more quickly reach a high state of efficiency, and the Reserve Board, by reason of the knowledge gained by reason of personal contact with the bank, would be able to more quickly bring all the banks up to a high state of efficiency. That was the point I wanted to bring out.

The Secretary of the Treasury: Do you not think you could get the same result if a bank was in Baltimore or Philadelphia, serving the same district, I mean so far as the Federal Reserve Board is concerned, and its funct-

ions?

Mr. McKee: I do not think so, for the reason that if you are closely connected with an enterprise, and have the opportunity to see it from day to day, or from hour to hour, and visit it <sup>at</sup> any time you want to, ~~and~~ you can get a more intimate knowledge of what it is doing than if it is located at a distance, where you have to travel some time to get to it.

The Secretary of the Treasury: The Board would not perhaps go on excursions of that kind, but would depend on the examiner which it would send for that purpose.

Mr. McKee: Yes, it could be done through an examiner or perhaps by mail.

The Secretary of the Treasury: Baltimore would be fairly available for such a purpose?

Mr. McKee: Yes.

The Secretary of the Treasury: Or perhaps Philadelphia. Of course you must not assume from my questions that I have any opinions on the subject. I take this point of view simply to draw out the argument.

Mr. McKee: I understand.

The Secretary of Agriculture: Just what is there in your argument that would not apply equally well to Baltimore or

Philadelphia?

Mr. McKee: The fact that this is the capital city of the Nation. This is the central source of power for the whole country. The people are naturally going to study this plan in this country and abroad, and when we think of a foreign banking system, we naturally turn to the capital of the nation; and they are going to study this system very carefully. It is true the Federal Reserve Board is located here, but it would seem rather peculiar in the study of this that they should turn to Washington and find only the Reserve Board here and not find one of the banks located here. Therefore we think one of them should be here, because it is the capital city of the nation, and a bank like that, operating in that fashion here, would be a continuous object lesson to students of finance.

The Secretary of Agriculture: It was intimated in another city that an overwhelming bank ought to be established there because that was the city that foreigners would look to.

The Secretary of the Treasury: What do you think of that argument?

The Secretary of Agriculture: And that it was the commercial capital, and therefore that was the city they would

direct almost exclusive attention to.

Mr. McKee: We can settle that in a few minutes by asking where we looked when we studied the German banking system, the Reichbank system of Germany, or the Bank of France. We naturally look to the capitals of those nations.

The Secretary of the Treasury: They happen to be the commercial centres of those nations too, do they not?

Mr. McKee: Yes, that is true. Here we have students from all over the world, and members of Congress are located here, and we think that Washington offers, for that reason, every advantage for having one of those banks located here, for an educational purpose.

The Secretary of Agriculture: One other question. These regional banks, of course, have local boards?

Mr. McKee: Yes.

The Secretary of Agriculture: Six selected by the member banks and three by the Federal Reserve Board. Would a local board here be as intimately in touch with the securities arising in course of trade, as those in some other city?

Mr. McKee: Would that Board have to be chosen from local men?

The Secretary of Agriculture: Well, not necessarily, but that would have to be considered.

Mr. McKee: I think the local men in this city who have dealings with banks in the south and southwest, are just as intimately acquainted with the character of the paper that is offered for discount, as the gentlemen in Baltimore. We have some quite large banks here with quite a number of depositors, banks in the south, and considerable discount.

The Secretary of Agriculture: Are not the connections in Baltimore relatively much larger?

Mr. McKee: Yes, they are.

The Secretary of Agriculture: Assuming that branches are established, as the bill authorizes, and that there was a branch bank in Washington, no matter where the headquarters bank happened to be, and that board would be composed, as required by the Act, of seven directors of the local or branch bank, possessing the same qualifications as those required for the Federal Reserve Bank itself, which would mean that they would have to be residents of the community, a certain number of them, would not Washington's interests be as effectively served through a branch, for instance, as through the headquarters bank?

Mr. McKee: Yes, I think the interests of any city would be as well served through a branch bank as through the parent bank.

The Secretary of the Treasury: And for that reason, therefore, you think that the location of the headquarters bank is not of any great importance, so long as it is located in some point in the district so it would be readily accessible from all points?

Mr. McKee: That is my idea.

The Secretary of Agriculture: Your chief argument then is based on the fact that this is the capitol of the nation?

Mr. McKee: This is the capitol of the nation.

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

#### STATEMENT OF COMMISSIONER O. P. NEWMAN

The Secretary of the Treasury: Commissioner Newman, will you be good enough to give us your views on the problem confronting us?

Commissioner Newman: I merely wish to say, gentlemen, that the Board of Commissioners of the District have been in conference with the Clearing House Association repre-

sented here this morning, and have gone over with the Committee of the Clearing House substantially the same ground which has been covered by Mr. McKee; and I am directed by the Board of Commissioners to say that we wish to endorse his statements and arguments in behalf of Washington, and bespeak of you a consideration of the case as presented by the Clearing House Association. I cannot go into details as Mr. McKee has done, naturally, but we wish to give it our hearty and most enthusiastic endorsement.

The Secretary of Agriculture: You are not familiar, Commissioner Newman, of your own knowledge, and you have not intimate touch with the course of transactions, and the banking connections?

Commissioner Newman: Only in a very general way.

The Secretary of Agriculture: You simply want to endorse the statement made by Mr. McKee.

Commissioner Newman: Yes.

#### STATEMENT OF WILLIAM H. SINGLETON

The Secretary of the Treasury: You may state your name and business connections.

Mr. Singleton: William H. Singleton. I am a member of the bar. I wish to state that the gentlemen with whom I

an associated in appearing before you, do not wish to press any geographical or industrial or financial reasons for the location of a Federal Reserve Bank in Washington.

We represent our three largest civic organizations, the Washington Board of Trade, Chamber of Commerce and the Retail Merchants Association, comprising about 2,000 members, of the representative men of Washington. In other words, we appear here to represent the average citizen, and the reasons which we wish to press upon you are those which might just as well be made by a citizen of Arizona, Maine, Florida, or Oregon, as of the City of Washington.

Now with that prelude, I will read those reasons; they are short; and then if it be desirable, I will elaborate on them:

Reasons submitted on behalf of The Board of Trade, The Chamber of Commerce and The Retail Merchants Association for the designation under the Federal Reserve Act, of Washington as a Federal Reserve City with a Federal Reserve Bank.

First: This is a unitary jurisdiction with one source of legislation, where there should be no conflict of authority.

Second: Here there is a right of appeal or writ of error to the Supreme Court of the United States, not only in cases which in the States may be so taken up, but in other cases notably those which relate to the "validity of any authority" or "scope of any power" of any official or the "construction of any law of the United States."

Third: While the "Federal Reserve Act" does not specifically provide, yet its terms would require that the office of the Federal Reserve Board should be here; and the Federal Advisory Council must meet here "at least four times each year".

Fourth: Sequential to the first three reasons, there would be here, under the personal observation of the Federal Reserve Board and the Federal Advisory Council, a Federal Reserve Bank, in the administration of the affairs of which there would be only Congressional legislation interpreted by the Supreme Court of the United States to be considered, so that any question could be speedily determined free from conflict of jurisdiction, or in other words, a model bank would be established.

Fifth: For the above four reasons there would be best subserved one of the specified objects of the Act, as enumerated in the title "to establish a more efficient super-

vision of banking in the United States."

William H. Singleton, Chairman.

Board of Trade:

William H. Singleton

John B. Lerner

William H. Saunders.

Chamber of Commerce:

John Joy Edson.

D. J. Callahan

D. J. Kaufman

Retail Merchants:

Ross P. Andrews

M. A. Leese.

I do not know that it needs very much elaboration of those points, gentlemen. It seems to me that they must commend themselves to you. They are unquestionably sound in themselves, and they apply only to Washington.

Now in order to illustrate the force of those reasons, I wish to say in the first place it might be said: "Why would not they apply just as well to the Federal Reserve Board sitting in Washington, whether there be a Federal Reserve Bank here or not; in other words, could not the question of the power of the Federal Reserve Board be taken to the

Supreme Court of the United States, the Federal Reserve Board sitting here, without having a Federal Reserve Bank here?"

My answer to that would be this, that I opine that in order to get the action of the Federal Reserve Board or any of its agents before the Court, it would have to come through some activity of that Board as shown in a Federal Reserve Bank.

The Secretary of the Treasury: Do you think that follows, of necessity?

Mr. Singleton: Yes. I do not see how any aggrieved party could get the Board directly before the court. It would have to go through the bank.

The Secretary of Agriculture: The Board is charged with a number of duties.

Mr. Singleton: Yes.

The Secretary of Agriculture: And they exercise them in the nation.

Mr. Singleton: Yes.

The Secretary of Agriculture: And it could be brought before the Supreme Court by anybody.

Mr. Singleton: That is exactly my point. They could only

be brought before the Court either by certiorari or by certificate from a lower court. You could not get them there as a matter of right outside the District of Columbia. My point is right there, that in the District of Columbia either the bank or the Federal Government or the Board or any aggrieved citizen, however humble, could get the question decided by the Supreme Court of the United States. Now you may say --

The Secretary of the Treasury: Do you not think that issue could be raised with respect to a branch located here, just as well as if you had the headquarters of the bank here?

Mr. Singleton: A branch?

The Secretary of the Treasury: Yes.

Mr. Singleton: I am not so sure about that, whether a branch could raise the issue.

The Secretary of the Treasury: But I say, could not the issue be raised between a branch and the Federal Reserve Board just as readily as with the headquarters bank?

Mr. Singleton: Would not that depend entirely upon what was the power of that branch bank?

The Secretary of the Treasury: The branch is the agency of

the headquarters bank, and naturally, is operating through

it, and its officers, of course, are subject to the same writs.

Mr. Singleton: But we do not ordinarily sue an agent. We have to sue the principal.

The Secretary of the Treasury: But you can sue the principal through the agent. The laws of many different states now require foreign corporations to have an agent within the jurisdiction of the state for that purpose, so that the courts of that state may have jurisdiction over the foreign corporations.

Mr. Singleton: Yes.

The Secretary of the Treasury: I do not see why we could not get jurisdiction here in like manner, if you had a branch. I do not think there is any question about that. It is an interesting legal point, and I was trying to develop it. I should not think that you would fail to get jurisdiction because of a branch here rather than the headquarters of the bank.

Mr. Singleton: My point was that if any question might arise in any of the Reserve Banks outside of the District of Columbia, that if it were desirable to get a speedy opinion of the Supreme Court on that question, the same question could be raised here if we had a Federal

Reserve Bank here to take it up.

The Secretary of the Treasury: I think you could with a branch here.

Mr. Singleton: Perhaps so. Now I would like to speak on that point about which you asked Mr. McKee, and that is this, the advantage of the Federal Bank being in Washington, where the Federal Reserve Board is, which is one of the points raised by us, with the Federal Reserve Board and the Federal Advisory Council located here, if you had a Federal Reserve Bank here, when the Board and the Council are in consultation, they have, so to speak, an object lesson here right under them, where they can get information as to exactly how this system is working.

Now when we turn to the Act itself, one of the most important powers of this Federal Reserve Board is found in the second paragraph of Section 13. It is put under the head of the powers of the Federal Reserve Bank, but it gives to that Board the right to determine or define the character of the paper which shall be eligible to discount within the meaning of the Act, and then the Act goes on to specify and provide, however, that such notes, drafts, and bills of exchange secured by staple agricultural

products or other goods, wares or merchandise, shall be eligible for discount.

Now, that is one of the most important powers this Federal Reserve Board is going to have, because that is going to be the principal business of these Federal Reserve Banks, and it is going to come right up as to just what is meant by "within the meaning of this Act", and what is meant by "staple agricultural products", and whether that word "staple" is supposed to be repeated after the words "goods, wares or merchandise." In other words, it looks as though there might come up early in the history of the action under this Act, an important question that ought to go to the Supreme Court of the United States. And the idea that we have is that if we have a Federal Reserve Bank here, that question or any others of a similar character could be carried right up there.

The Secretary of the Treasury: Suppose that Board made a ruling upon that question; it would not be a ruling with respect to any specific bank, but would be of general application.

Mr. Singleton: That is right.

The Secretary of the Treasury: It could be challenged in this jurisdiction as well as anywhere else.

Mr. Singleton: How could it, if we did not have a Reserve Bank here?

The Secretary of the Treasury: I think it could be by another bank probably. I have not examined the legal phases of it very much, but it is a question in which a member bank is concerned, of course.

Mr. Singleton: Yes, that is the point.

The Secretary of the Treasury: And any National Bank in Washington ought to be able to raise that question.

Mr. Singleton: But whom could they sue? They could not sue the Board?

The Secretary of the Treasury: Why could they not sue the Board?

Mr. Singleton: Because the Board has not aggrieved them.

The Secretary of the Treasury: They could challenge their interpretation.

Mr. Singleton: But their legal grievance would not be against the Board but against the Reserve Bank which refused the discount.

The Secretary of the Treasury: You can get service on a Reserve Bank even in Baltimore, if you are a citizen in Washington.

Mr. Singleton: Not in the Federal courts.

The Secretary of the Treasury: If it has a branch here, unquestionably you can.

Mr. Singleton: That is the question you raised just now --

The Secretary of the Treasury: Assuming the question were of the importance that you attach to it, I do not think it is necessary to have the headquarters Federal Reserve Bank here in order to get the jurisdiction; however, that is a legal question.

Mr. Singleton: Yes, that is a question --

The Secretary of the Treasury: I do not claim to be much of a lawyer, so I do not want you to attach any importance to my opinion.

Mr. Singleton: You know more about the Federal Reserve Act than I could, for one moment, pretend to know about it. I am well aware of that.

The Secretary of the Treasury: We thank you, Mr. Singleton. Is Mr. Church, of Falls Church, Virginia, here? His name has been given to us.

Mr. Church: Yes.

#### STATEMENT OF M. E. CHURCH.

The Secretary of the Treasury: Will you give us your name and business, Mr. Church?

Mr. Church: M. E. Church, of Falls Church, Va.

The Secretary of Agriculture: Give your business connection, Mr. Church?

Mr. Church: Real estate.

The Secretary of Agriculture: Do you know the purposes of this Act, Mr. Church?

Mr. Church: I do.

The Secretary of Agriculture: And the problem confronting the committee?

Mr. Church: Yes.

The Secretary of Agriculture: Could you tell us what you have in mind?

Mr. Church: I am one of these unfortunate men who happen to be a director in three banks, two state and one national, small banks in the country, in Northern Virginia, where I have lived nearly all my life and am familiar with the conditions there. I do not speak for our banks, because neither of those banks have taken action on the question; but personally I feel that all of Northern Virginia, would be better served by one reserve bank located in Washington. Washington is our point of banking and commerce, and I think that it would be greatly to our advantage to have one

Reserve Bank located in Washington. I think that all the arguments presented here are in favor of our locality, and we should certainly endorse every argument that has been presented in favor of Washington.

The Secretary of the Treasury: Where do you keep your reserves, Mr. Church?

Mr. Church: Principally in Washington.

The Secretary of the Treasury: Would you not be equally well served by Washington, for instance?

Mr. Church: I presume so.

The Secretary of the Treasury: Or even if there were no branch here, supposing that you had a headquarters branch in Baltimore, you would get the same facilities, would you not?

Mr. Church: Baltimore would not be as familiar with our securities.

The Secretary of the Treasury: Philadelphia would be less so?

Mr. Church: Less so, yes, sir.

The Secretary of Agriculture: Do you think Washington would be as familiar with Pennsylvania securities?

Mr. Church: As Baltimore?

The Secretary of Agriculture: Or Philadelphia.

Mr. Church: Not as familiar as Philadelphia, no, sir.

The Secretary of Agriculture: Where would most of the securities arise in this district which has been defined here?

Mr. Church: You mean where would most of the business come from?

The Secretary of Agriculture: Come from, in this district.

The Secretary of the Treasury: Where would the bulk of the negotiable paper under the bill be created?

Mr. Church: Of course, taking in Philadelphia, Eastern Pennsylvania would take a large bulk of it, undoubtedly, because that is the commercial center.

The Secretary of the Treasury: What proportion, do you think?

Mr. Church: I could not answer that.

The Secretary of the Treasury: Where do your state banks keep their reserves, Mr. Church?

Mr. Church: Largely in New York and Philadelphia.

The Secretary of the Treasury: Largely in New York?

Mr. Church: Yes.

The Secretary of the Treasury: What is the requirement of

Virginia as to reserve, what is the state law about reserves in Virginia?

Mr. Church: Our state law on reserves is 5 per cent, I think; it is very small, and I think it is 5 per cent.

The Secretary of the Treasury: Do you keep the bulk of your reserves in New York or in Washington?

Mr. Church: We?

The Secretary of the Treasury: Yes.

Mr. Church: In Washington.

The Secretary of the Treasury: For the State Banks as well as the National?

Mr. Church: Yes.

The Secretary of the Treasury: We thank you, Mr. Church.

#### STATEMENT OF MR. JOHN B. LARNER.

Mr. Lerner: Mr. Secretary, I do not know that I have anything to say. I certainly have nothing prepared.

The Secretary of the Treasury: Will you kindly let us get your full name and occupation.

Mr. Lerner: John B. Lerner. I am a member of the bar.

The Secretary of the Treasury: And you are a director also of the Washington Loan and Trust Company, I believe?

Mr. Larner: Yes, I am. My interest in Washington is perhaps a selfish one. I was born and raised here and my father and grandfather before me, and I naturally feel a great interest in this particular locality.

I have been a little optimistic about this matter. I have assumed that one of the Reserve Banks would be located here, and that assumption grows out of the fact that it is the capital of the nation. It is a city that is increasing in population and in wealth all the time; it is a city in which the law was passed creating these banks, which is now only one month old or less than a month old; and I assume that the major portion of the operations of these banks would be conducted in the city of the birth of the Act. I thought of course here where the Secretary of the Treasury and all other persons of the government really interested in the success of the bank itself would be located, that they would surely locate here one of these Reserve Banks. There is no question in the world that all the facilities that you would want for such an institution would be here. All the protection that you would want for banking facilities would be supplied. And I have felt that there ought to be no doubt in the minds of

this Committee about locating a bank here.

The Secretary of Agriculture: The Act provides that the districts shall be apportioned with due regard to the convenience and customary course of business. Does the customary course of business in the district which has been outlined suggest Washington?

Mr. Larner: It does, for the reason that Washington is the National gateway to the South, and takes in --

The Secretary of Agriculture: Has business customarily come here to a greater extent than to some other city in this proposed district?

Mr. Larner: No, it has not.

The Secretary of Agriculture: The mere fact of being a gateway, unless it is used in business ways, does not suggest much.

Mr. Larner: It would seem to me that through Washington that nearly all the freight coming from the south passes, and nearly all the trend of the business from the south to the north, is through the city of Washington, and I believe that long since there would have been more business of the character which you have suggested, had it not been for the discrimination against the City of Washington sometimes

in freight rates and things of that kind. Certainly we have the business facilities here. We have large and substantial banks here with large capital and surplus, and able and competent to handle any amount of business which can be placed in their hands, second to none of these cities surrounding us. They may not have as much money, but we have able financiers and men who have been trained in the business, and who have been trained in it for years, and who are capable of handling a bank of this kind, and capable of handling all the business which may be sent into the city.

The Secretary of Agriculture: Have you thought of this district?

Mr. Larner: I have to a certain extent. I only saw the lines which were made out a few days ago. I do not see how you can locate a Federal Reserve Bank in Boston, New York, Philadelphia and Baltimore; one of those cities must be left out. I do not think you would want one in Philadelphia and one in Baltimore too. You would hardly want one in Philadelphia, because it is so close to New York City.

The Secretary of Agriculture: Have you any other reason, aside from your patriotic interest in Washington, that would

lead you to think that Washington ought to have the preference over Baltimore or Philadelphia or Richmond or some other place?

Mr. Larner: That is my prime reason, which I have already expressed. I believe in the City of Washington --

The Secretary of Agriculture: You realize that we cannot deal with it on any local or personal or purely local patriotic basis.

Mr. Larner: Well, I would not think that would be altogether excluded.

The Secretary of Agriculture: You see, we will meet several thousand patriots in the course of this hearing in the various patriotic communities.

Mr. Larner: Yes, but you will meet very few patriots who have nothing to say about their form of Government. This is the only way we can talk about our local matters in this way. We have no vote and no other right; we are simply a part of the government itself.

The Secretary of the Treasury: After all, though, the economic considerations must be prevailing in matters of this kind.

Mr. Larner: I think so, of course.

The Secretary of the Treasury: And pure sentiment cannot be allowed to control it.

Mr. Larner: Not altogether.

The Secretary of the Treasury: Because if it did, we would not be able to locate enough banks in the country.

Mr. Larner: I understand that, of course.

The Secretary of the Treasury: The very purposes of the bill would be defeated if we dealt with it on any other plan. Of course it is a very large and inter-related problem, and what is done with respect to this district, for instance, has a bearing on every other district, especially in this part of the country; I mean the boundaries of this district affect every other district which is to be created here. The result is that the Committee is bound to adhere very closely to the economic features of the problem, and they have to be largely determinative, and the Act so provides.

Mr. Larner: That is true.

The Secretary of the Treasury: So that while we very thoroughly understand and sympathize with the local pride which prompts every city, that it would like to be the headquarters of one of these banks, at the same time that local

interest must yield to the common good. The system itself as a whole, is of primary consideration, and we must of course establish that upon the soundest possible basis.

Mr. Lerner: In stating what I do in regard to my sentiments for the City of Washington, I do not abandon altogether the arguments made by the gentlemen who have preceded me. Mr. Singleton has given some very serious and good reasons, and Mr. McKee has gone into the economic side of the question.

The Secretary of the Treasury: I understand you endorse all those views?

Mr. Lerner: I endorse all those views, of course, and am simply adding to that the feeling we have here about the City of Washington, and I want that to have some influence, if possible, on the subject.

The Secretary of the Treasury: Does any other gentleman desire to be heard? That seems to complete the list of representatives submitted to the Committee. If any one else desires to be heard, we will be glad to hear them.

#### STATEMENT OF MR. A. C. CLAPHAM.

The Secretary of the Treasury: Mr. Clapham, do you de-

sire to present your views?

Mr. Clapham: Just a word.

The Secretary of the Treasury: Please state your full name and business connection.

Mr. Clapham: A. C. Clapham, President of the Commercial National Bank. The question that you asked Mr. McKee relative to the different accounts that the banks in Washington had through this territory, I desire to refer to. He replied that they had very few in their bank. The banks that have those accounts principally, are the Metropolitan, Riggs, The American, the District National and The Commercial.

The Secretary of the Treasury: You mean reserve accounts?

Mr. Clapham: Reserve accounts. We have connections with the territory, especially through Virginia and West Virginia, North Carolina and Maryland. The members of several of those banks are present. We have quite a number, especially I suppose in Virginia, we have direct connection daily with at least 70 per cent of the banking points; and a great many through North Carolina. I have had, since this question came up, a great many letters from North Carolina and Virginia stating that they hoped that Washington would

be designated as one of the Federal Reserve Banks. We have in reserves from other banks in this territory, principally through Virginia and North Carolina, about a million and a half of deposits.

The Secretary of the Treasury: In your own bank?

Mr. Clapham: In our own bank. Mr. Galliher of the American National Bank is here and could tell about that for his banks.

The Secretary of the Treasury: We have all those statistics from the Comptroller's report, of course.

Mr. Clapham: One reason we think Washington would be well located for a bank and for one of the head banks, better than in a territory where they were surrounded by agricultural territory, a Board could be appointed here which would be thoroughly acquainted with the different industries throughout the territory that was outlined by Mr. McKee, and a greater portion of the paper that would want to be discounted would come from the Southern territory, because they are larger borrowers than they are through the northern part of the territory. Take Pennsylvania and New Jersey, as a rule they have money that they loan in other territories, and buy paper, rather than bor-

row it, but the greatest borrowers would be through Virginia and North Carolina. And all the letters that we have had from the banks in that territory especially have stated that for that reason Washington was more accessible, and they preferred it to any other place, on account of its facilities.

The Secretary of the Treasury: And those people are proceeding upon the assumption that they could not get an equally good facility at Baltimore or Philadelphia. How would not they be just as well served if there was a branch here in Washington, as if we had a headquarters bank here?

Mr. Clapham: I do not believe that you ever got the same service and facilities with a branch that you do with a headquarters. I do not think that the people feel often that they get it. They feel better satisfied if they are dealing with a head than with an agent.

The Secretary of the Treasury: But suppose you want a thousand dollars, and you get it from an agent instead of from the head, do you not think it would go just as far, and you would be as well satisfied with it?

Mr. Clapham: It would go just as far.

The Secretary of the Treasury: It gets back to those economic considerations we have been discussing. Your

argument is purely one of sentiment.

Mr. Clapham: As far as that part is concerned, yes.

The Secretary of the Treasury: So I say, it is the actual facility itself which is the thing to be considered, and I therefore want to get your view as to whether or not this immediate contiguous territory of Virginia and West Virginia and North Carolina, would not be equally well served if you had a branch in Washington and the headquarters some other place in the district, assuming this district were created.

Mr. Clapham: I presume it would.

The Secretary of the Treasury: Of course the Reserve Bank itself is supposed to be able to assert its entire power in a branch, if required.

Mr. Clapham: Certainly.

The Secretary of the Treasury: So you would get through the branch practically the same facility?

The Secretary of Agriculture: Do you agree that this territory ought to be defined as suggested, in case a bank were located here?

Mr. Clapham: Yes.

The Secretary of Agriculture: To what extent would it

be disturbing the customary course of business if Virginia, West Virginia, Pennsylvania and Maryland were attached to Washington? Does that come here now?

Mr. Clapham: Very little of Pennsylvania. That naturally goes to Philadelphia. In defining that territory it was with the idea of putting in territory that would have good mail facilities and would reach the Reserve Bank, anything mailed this evening would reach there some time tomorrow, and with the assumption that to have one in Philadelphia and one in New York would be too close together, and they would be on the extreme end of one territory. If you put it in Philadelphia you would have to extend this territory away down here, and mail sent this evening would not reach there in time the next day, and very likely would not get in until the following day.

The Secretary of the Treasury: You do not seem to think that Baltimore is on the map, in that statement?

Mr. Clapham: Yes, sir, Baltimore -- yes, I realize Baltimore is, but I -- Baltimore has more commercial business than Washington, but I have studied the situation, and I think that a Board in Washington could serve the interests in Baltimore as well if not better than they could if they were there, because a Board selected from Baltimore, they have almost entirely one line -- one class of business, and very frequently a Board in a place like Washington, who are acquainted with diversified lines of business will act more intelligently than were they acquainted or surrounded by only one class of business.

The Secretary of the Treasury: But, if the bank was in Baltimore, the Board would not be a Baltimore Board, solely?

Mr. Clapham: Largely.

The Secretary of the Treasury: Oh, no. The directors are chosen by the banks of the district, and they do not have Baltimore people -- would not be naturally under the Act -- would not be a local Board. It would be a district Board, men representative of the district from various parts of the district, of course. For instance, in such

circumstances, Washington would undoubtedly have representation upon that Board. I only state that so you may know what the Act means.

The Secretary of Agriculture: You speak of Baltimore as having mainly just one place of business.

Mr. Clapham: I don't mean just one class, but it is principally a wholesale city -- largely that and manufacturing.

The Secretary of Agriculture: Do you happen to know which has the larger business with these southern states that you speak of, Washington or Richmond?

Mr. Clapham: Washington or Richmond? Do you mean as far as bank deposits are concerned?

The Secretary of Agriculture: Yes.

The Secretary of the Treasury: And bank business generally is concerned.

Mr. Clapham: Well, I do not think that I could answer that. Richmond, of course, has never been a reserve city and accounts that are kept there are simply men leave them for convenience. Bank accounts in Richmond are usually accumulated from state banks, and there are a great many in North Carolina and Virginia.

The Secretary of the Treasury: Now, the hearing will be adjourned.

Mr. Saunders: Mr. Secretary, may I say a word?

The Secretary of the Treasury: Yes.

STATEMENT OF WILLIAM HL SAUNDERS.

Mr. Saunders: I am a member of the Committee, Mr. Secretary, the Committee of the Washington Board of Trade.

The Secretary of Agriculture: We will be very glad to hear your views on this proposition.

Mr. Saunders: Mr. Secretary, I feel that we should not look upon this question, especially the bank in this regional section, solely from an economic standpoint or standpoint of expediency. The Capitol City is the official home of the Congress of the United States, the President of the United States, the Cabinet, the Congress, the Ambassadors and Ministers of Foreign Governments accredited to the United States. They all have their official home here. It is the Capitol of the Nation, and if there is, in my opinion, one city in the United States where the question of sentiment could consistently be regarded, it is the Capitol of the United States. It appears to me, Mr.

Secretary, without discouraging in the least the value of the establishment of this regional bank in either of the cities, or any of the three cities that have been mentioned here this morning, that the Capitol of the Nation, a city that is expanding as rapidly as Washington is, and with an expanding country south of it, that would be a feeder to these banks, and as Mr. Clapham has truly said where most of the business naturally will come from, on account of the easier methods of handling securities in the section north of this city, it seems to me that if there is one city anywhere that could be regarded from a sentimental standpoint, without having the section in which this regional bank is to be established suffer in any regard, (and it seems to me that the facilities of this city are such that a regional bank could be established here and the business handled all right) it seems to me that if there is one place where sentiment could be regarded and where we should establish in the great Capitol of the greatest Nation on the earth a regional bank, I feel that this is the city for that purpose.

The Secretary of Agriculture: Suppose the present course of trade ran counter to that sentiment, and suppose that

the bankers generally through this section preferred to do business through some other centre, then to what extent would you let that sentiment negative your consideration?

Mr. Saunders: Well, sir, I would weigh the two in the balance, and if they were practically even, I should give the advantage to Washington City. I will go further than that, sir, and say that if such a condition were not overpowering absolutely as against Washington, I would feel like giving the decision in favor of Washington City. It is the Capitol, and it would appear to me, sir -- gentlemen, to be belittling the Capitol of this great Nation if we passed it by and made it a branch location for the regional bank of this section.

The Secretary of Agriculture: Of course, you understand that the Federal Reserve Board is to be here?

The Secretary of the Treasury: The supreme authority.

The Secretary of Agriculture: The supreme authority.

Mr. Saunders: I understand that, sir.

The Secretary of Agriculture: Now, some might say that it is doubling up a bit to put two here. Some cities might think that Washington has a good deal of the Government.

Mr. Saunders: I think that is a charge, sir, that could

not be very well sustained from a commercial standpoint, and from a sentimental standpoint, naturally, the City of Washington would be the official location for the Board, and I feel that those two questions should not be entered together. They probably would be advanced, but they should not be considered.

The Secretary of the Treasury: Thank you.

#### STATEMENT OF JOHN POOLE

Mr. Poole: I am President of the Federal National Bank. Mr. Secretary, I did not expect to appear before you, except just as one of the hearers, but a number of questions have been put to the gentlemen who preceded me, which I presume are important, otherwise they would not have been put. It does not occur to me that they have all been clearly answered and I do not know that I am competent to give you the exact information that you want, but Mr. Clapham was asked if he knew in a comparative way whether Washington served the south better than Richmond did, or whether Richmond served the south better than Washington. In respect to that, I should say that the aggregate bank deposits with Richmond Banks is far greater than that with Washington banks, but

Richmond probably serves the state more than it does the territory south of Virginia, whereas, Washington serves Virginia, North and South Carolina, and George and Florida, and even many Tennessee banks, some Kentucky banks and undoubtedly to a very much greater extent than Richmond does. The question was put, I think to Mr. Clapham somewhat in this way: "Can you imagine to what extent the natural trend of business would be affected, if West Virginia had to operate with a Federal Reserve Bank in Washington?" I think it is very clear to all of us that with the maximum number of twelve Federal Reserve Banks in the whole United States, that at least a number of branch banks will have to be established, in order to keep from affecting the natural trend of business. In other words, that if Washington were made the Federal Reserve City for a district comprising West Virginia, and West Virginia on account of the failure of the Federal Reserve Board to establish branch banks, one of which might be more convenient to the most of the West Virginia points than the main bank at Washington would, naturally it would disturb the usual course of business with those West Virginia banks; but we assume that if Washington is to be the Federal Reserve city for this district in

which West Virginia is included, that a branch bank would be established at some convenient point in West Virginia, just the same as we would assume that Washington would have a branch bank if we were not fortunate enough to get the Federal Reserve Bank here. So that business could be very much more conveniently handled through the branch bank at Washington than it would be if we had to deal with the head bank at Baltimore, Philadelphia or Richmond, wherever it might be located.

The Secretary of the Treasury: The chief dislocation would come in Pennsylvania, would it not -- eastern Pennsylvania?

Mr. Poole: Well, eastern Pennsylvania --

The Secretary of the Treasury: Which has practically little intercourse, I presume, of the character contemplated by this bill, with Washington.

Mr. Poole: Very little, very little.

The Secretary of the Treasury: And Maryland very much the same way, is it not?

Mr. Poole: Oh, yes, that is very true of Maryland as well.

The Secretary of the Treasury: South Jersey?

Mr. Poole: Really the business that naturally comes here

now is southeast, south and southwest.

The Secretary of the Treasury: Precisely. Now, in laying out this district, what have you had in your mind as the total number of Reserve Banks in the country?

Mr. Poole: Well, I should say to best serve the interests, twelve.

The Secretary of the Treasury: You do not regard the strength of the banks then as such --

Mr. Poole: I do. I still think that you can get the strength that you want.

The Secretary of the Treasury: With twelve banks?

Mr. Poole: Yes, sir.

The Secretary of the Treasury: Have you studied the problem -- I presume you have from what you say, and that you have in mind some tentative arrangement of the country into districts.

Mr. Poole: I have in my own mind. I have not submitted that to the committee of which I was a member, the Clearing House Committee. I had in my own mind a division of ten.

The Secretary of the Treasury: Where would you put them, starting in at the northeast?

Mr. Poole: I took the New England States, and placed the bank in Boston, and with New York and possibly the northern

part of New Jersey, into New York City.

The Secretary of the Treasury: You mean the State of New York, of course?

Mr. Poole: The State of New York, and the northern part of New Jersey in New York City, assuming that Philadelphia, at least, and possibly Baltimore, on account of there being three large cities so close to one another, that that territory would have to go south, unless, possibly, Philadelphia came into the New York territory; but my second district would have been New York State and probably the Northern part of New Jersey, with the third district as heretofore outlined; the fourth district covering South Carolina, Georgia, Florida, Alabama, Tennessee and Kentucky. Now, I may have to refer to --

The Secretary of the Treasury: There is a map in front of you there.

Mr. Poole: -- my paper in my pocket, in order to get the rest of it.

The Secretary of the Treasury: Where would you put the bank for that last district described?

Mr. Poole: At Atlanta.

The Secretary of the Treasury: You would have Kentucky

transactions -- now take Louisville, for instance, would you have that go to Atlanta?

Mr. Poole: No, I should think that Louisville would naturally have a very important branch bank.

The Secretary of the Treasury: Yes, but I mean to say that exchanges would have to be southward, to Atlanta?

Mr. Poole: Yes.

The Secretary of the Treasury: You would have Louisville come to Atlanta?

Mr. Poole: I did not take the cities. I took them more with respect to state boundaries. Of course, you might take Kentucky and divide that state.

The Secretary of the Treasury: Would you not do a good deal of violence to the normal course of business and exchanges by that arrangement?

Mr. Poole: I do not know that you would, through the establishment of a proper number of branch banks.

The Secretary of the Treasury: Yes, but as it stands today, Louisville does very little business, I imagine, with Atlanta, does it not? Atlanta is not even a reserve city.

Mr. Poole: That is very true. Well, you know it is

more than likely, I think, that a good bit of violence will be done anyhow.

The Secretary of the Treasury: Let us try to do the minimum amount.

Mr. Poole: When we have to cover this whole territory with a maximum of twelve banks, there must of necessity --

The Secretary of the Treasury: You have a minimum of eight and a maximum of twelve.

Mr. Poole: I say with a maximum of twelve.

The Secretary of the Treasury: I say you do not have to have twelve.

Mr. Poole: No, but that is the most.

The Secretary of Agriculture: He is suggesting ten.

Mr. Poole: That is the most. If you take the greatest number which we are permitted to have, and attempt to divide this United States into a district of twelve, we will do some violence.

The Secretary of the Treasury: Now, I am just making the point, however, that that being not compulsory, we do not have to consider, that, so that in dealing with the problem within the powers of the Committee to do the minimum of violence, we would say, where would you put Louisville, for

instance?

Mr. Poole: You would do the minimum of violence with the maximum number of banks, would you not?

The Secretary of the Treasury: That is the question we ask you.

Mr. Poole: I would say it would revert that way. I would have Louisville in that fourth district.

The Secretary of the Treasury: Where else would you put them?

Mr. Poole: Mr. Secretary, I of course have not given as much consideration to other sections as I have to the section in which Washington will of course, be located.

The Secretary of Agriculture: What would you do with western Pennsylvania?

Mr. Poole: Well, western Pennsylvania, that is hard to tell. I have it here in the Chicago district.

The Secretary of the Treasury: I assume from that you would have Ohio and Indiana both in Chicago?

Mr. Poole: Ohio, Indiana, western Pennsylvania, Michigan, possibly Illinois -- well, of course, Illinois, Wisconsin and Minnesota.

The Secretary of the Treasury: How large a bank would

that create?

Mr. Poole: Create a bank of \$357,000,000. That is the capital of the banks in that territory, \$357,000,000.

The Secretary of the Treasury: You mean a surplus or capital?

Mr. Poole: Capital and surplus, and if they fully subscribe, all went into the system, there would be a bank there with about \$22,000,000 of capital.

The Secretary of Agriculture: Six per cent?

Mr. Poole: Six per cent, yes, sir. That is not taking into consideration the state institutions.

The Secretary of the Treasury: How much would you leave for the rest of the country then west of the Mississippi? I mean the remainder, west of the Mississippi?

Mr. Poole: On a basis of ten, that would leave five more districts, twelve, seven more.

The Secretary of the Treasury: Where would you put the five? You are proceeding on the ten assumption now.

Mr. Poole: On the ten, yes, sir.

The Secretary of the Treasury: Where would you put the other five?

Mr. Poole: St. Louis.

The Secretary of the Treasury: What territory would you embrace there?

Mr. Poole: Iowa, Missouri, Kansas and Nebraska.

The Secretary of the Treasury: What kind of a bank would you give?

Mr. Poole: \$8,000,000 of capital in the national banks alone. Of course, if I were working this out and you gentlemen were working it out, naturally you would disregard state lines and get a better distribution of territory. This is exceedingly rough.

The Secretary of Agriculture: What other cities?

Mr. Poole: New Orleans, Denver.

The Secretary of the Treasury: What would you include now in the New Orleans territory?

Mr. Poole: Mississippi, Louisiana, Arkansas, Oklahoma, Texas, except probably the northwestern part of Texas.

The Secretary of the Treasury: How much would you get there in the way of capitalization for a Reserve Bank?

Mr. Poole: That runs about \$10,000,000.

The Secretary of the Treasury: Does not the normal course of commercial exchanges and business -- I mean banking exchanges and business in that territory go between St.

Louis and Kansas City, and Texas, Oklahoma and Arkansas, rather than New Orleans?

Mr. Poole: Yes.

The Secretary of the Treasury: That would involve very seriously the re-location of the normal course there, would it not, to attempt to send it to New Orleans?

Mr. Poole: Which would have to be taken care of, I should say, through the medium of a number of branch banks.

The Secretary of the Treasury: Now, where else would you go?

Mr. Poole: To Denver.

The Secretary of the Treasury: What would you attach to Denver?

Mr. Poole: I ran out of my schedule down about there. I have a lot of figures that are not compiled on this sheet, but as to the cities, Denver, then Seattle or Portland and San Francisco.

The Secretary of the Treasury: Seattle or Portland. Did you figure what power those banks would have?

Mr. Poole: Well, San Francisco would be quite an important bank.

The Secretary of the Treasury: What would you take in

in the way of territory for San Francisco?

Mr. Poole: Well, that would take in, say Nevada and California, with Utah, Arizona, New Mexico and Colorado and Wyoming into Denver. Montana, Idaho, Oregon and Washington into either Seattle or Portland.

The Secretary of the Treasury: Well, in those last two districts you would get a very small banking power, would you not? Could you get the minimum capitalization required by the Act?

Mr. Poole: I think you could get the minimum out of the national bank capital.

The Secretary of the Treasury: Have you figured that?

Mr. Poole: I have, but I find they are not here. I figured all of these before I put them down.

The Secretary of Agriculture: Would you object to completing that and let us have it?

Mr. Poole: I will be very glad to do it.

The Secretary of the Treasury: We will mark it as an exhibit to your testimony. Make a note of the fact, Mr. Stenographer, that will be done. Thank you, Mr. Poole.

Does anyone else desire to be heard?

(No response.)

The Secretary of the Treasury: We will take an adjournment to 2:30 o'clock.

Whereupon, at 11:45 o'clock A. M. a recess was taken until 2:30 o'clock P. M.

The Secretary of the Treasury: Gentlemen, I believe that you are to tell us about the advantages of Baltimore as the headquarters for one of the Reserve Banks. I may say in this connection that the problem which the Committee is considering now is the division of the country into not more than twelve and not less than eight districts, and the location of a headquarters in each district for a Reserve Bank. You understand, of course, that the law provides that there may be branch banks as well as in these districts. We desire to address ourselves to those particular questions, and in doing that we find that it is much more convenient in the available time at the disposal of the Committee to elicit the information we require by questions; and we should like you to confine yourselves as much as possible, to the immediate problems before us.

As you of course understand, this is a very large economic problem; it is one which has to be dealt with in a national and not a local sense; and while we want to give the claims of every city due consideration, at the same time it is not a purely local question, by any manner of means.

Now, we understand of course, very thoroughly, Baltimore's commercial advantages, its geographic posi-

tion, and we are quite familiar with that particularly, and also its transportation facilities. But we do want to be informed about the normal courses of exchange and business, and the territory which Baltimore serves, more particularly in the matter of banking facilities and trade and industry and commerce.

We have submitted to us here a list of gentlemen who desire to be heard on this subject, the first of whom is Mr. Newcomer. We should be very glad to have you take the chair, Mr. Newcomer, and if you will be good enough to be seated, we will hear from you.

#### STATEMENT OF MR. WALDO NEWCOMER.

Mr. Newcomer: I am president of the National Exchange Bank of Baltimore. Mr. Secretary, we have to come to point out to you why, in our opinion, Baltimore is the logical and proper place to locate one of these regional Reserve Banks. We have brought a small delegation with us. It would have been just as easy to have brought 100 or 150 with us, but we have gone on the assumption that you gentlemen do not want anything of that description

but that what you wish is a statement, as concise as possible, and the reasons why we think that Baltimore is the proper place for the location of a bank to take care of a certain reasonably well defined district of the country.

It may not be quite so evident as the fact that Baltimore wants it, to say that the region with which we are dealing, and which we consider necessarily tributary to Baltimore, also wishes Baltimore selected. We could have convinced you of that possibly by having a lot of letters and telegrams sent to you, but we did not think you wanted that, and we thought we were relieving you of the task of considering all those. We have had a large number of letters sent to us, and within as brief a time as one week ago today we sent out letters asking the different banks and merchants in the south whether they cared to express a preference to Baltimore or not. We have with us, actually filed with our secretary, some 1050 letters, which are entirely irrespective of a very large number received by various banks which have not been sent to the Secretary of the association, and which I personally know amount to four or five hundred more, and they are coming in at the rate of about 100 to 150 a day still. I just want

to mention the fact, which I think is interesting, that of the 1052 letters filed with the secretary of the association, 752 expressed a decided preference for Baltimore as their first choice, and 280 more said that they have committed themselves to some town in their locality presumably for patriotic reasons, and if they could not get it there, they would like to see it at Baltimore.

The Secretary of the Treasury: What was the question you submitted to these banks?

Mr. Newcomer: We submitted the question about as I stated it. Of course the letters went out, some from each of the banks, and they were independent letters, and I have not seen them all.

The Secretary of the Treasury: Have you a copy of the letter, so you can file it?

Mr. Newcomer: I can send you one from home. I do not know whether the secretary has a copy with him or not. If not, we can easily send you one by tomorrow's mail.

The Secretary of the Treasury: I do not grasp yet the significance of these replies, because I do not know exactly what was asked in the letters. Did you describe any given district in which Baltimore was to be the center?

Mr. Newcomer: No.

The Secretary of the Treasury: Was that the basis of the letter?

Mr. Newcomer: Our question was substantially this: Baltimore is an applicant for one of those regional Reserve Banks. Would you kindly state whether in your section of the territory Baltimore would be your first choice or not, and if not your first choice, would you say whether it would be your second. It was only in that way, as getting a line on what they thought of us. I wanted to find out myself whether the merchants and the banks as well, say through North and South Carolina and Georgia and Virginia and West Virginia, felt that they wanted Baltimore or whether they were going to say No, that they thought Atlanta or Charleston or Columbia was a better place. And I thought these letters were remarkably unanimous, such a large number making it absolutely their first choice, and all the rest saying we were their second choice. There were possibly twenty or thirty which expressed a preference for some other city, but they were so small in number that I did not consider them of much importance.

The Secretary of Agriculture: To whom did you send these

letters?

Mr. Newcomer: They were sent by various banks, one to each of their correspondents, and by a number of merchants to their customers who deal with them, or who deal in Baltimore.

The argument will come out a little better in a paper which I will read to you in a moment. We have reduced the whole of our argument and presentation of the case to this very brief typewritten statement, and I would like very much to read it to you, with your permission, and at the close you will find several points in it that are referred to and not developed at all. There are some statistics which will also be filed with it as exhibits. On the two or three points that I specifically mentioned, some of these gentlemen here who are particularly well posted in that direction, would be glad to speak for a few moments, if you would care to hear them. That is not going outside of the lines you have indicated. We have had to fix the lines that we supposed would be followed, without full knowledge.

This is addressed to the Committee:

REGIONAL RESERVE BANK AT BALTIMORE.

To the Committee on Organization  
of Regional Reserve Banks.

Gentlemen:

In the selection of sites for Regional Reserve Banks, we assume that you will be largely governed by the following considerations:

First: That these banks be so located as to facilitate, rather than to disturb unnecessarily the normal established custom and trend of existing commercial banking activities.

Second: That they be located in cities which are, so far as possible, both in fact and in popular and historic conception, the natural geographical and commercial capitals of each regional area.

Third: That they be so placed as most satisfactorily to give each chosen region the most effective relief from the objectionable conditions of the old order and most satisfactorily serve the largest number under the new order.

We do not burden you, therefore, with any account of Baltimore's history or greatness, present or future. We believe that the logic of the situation and the necessities

of the case, if this new law is to have the best results, make Baltimore a natural and desirable selection, regardless of Baltimore's ambition in the matter.

We are convinced that Baltimore is the natural location of one of these great banks, by reason of her geographical, commercial and financial importance in the large territory where the greater part of her trade lies, and for which territory she has, for many years, been the recognized commercial capitol. This position is due largely to the well known economic law, that trade, like the wind and other natural phenomena, invariably follows the line of least resistance. Unless diverted by arbitrary, artificial means, the financial trend of trade must follow these same lines. This is as inevitable as the law of gravity. This line of least resistance has, therefore, concentrated in and through Baltimore, a very large part of the regular commercial, banking and credit activity of the great southeast. As this large section by long usage is accustomed to regard Baltimore as its financial centre -- and commerce and banking are adjusted to this condition -- it would be an economic mistake to disturb it. We submit that; if a vote could be taken of all the commercial and banking in-

stitutions throughout this area, their choice, aside from the natural pride of other cities ambitious to have a bank, would be Baltimore.

The Secretary of the Treasury: Pardon me for interrupting you again, but I think the force of your argument would be greater if we knew just which district you contemplate. Have you a map on which you have described the district you think Baltimore should be made the center of?

Mr. Newcomer: I can mention it by states, in this way --

The Secretary of the Treasury: Yes.

Mr. Newcomer: Of course this is very rough, as too much depends on some other cities, of course. When you come to work this out you may not follow state lines, as the law gives you the privilege of doing, and the only way we can outline it is to mention the states with the understanding that you may find it better to cut out certain counties or divisions of certain of these states.

The Secretary of the Treasury: We just want to know generally.

Mr. Newcomer: Yes. This is to a certain extent my own personal opinion, and not representative of the City of Baltimore. I would say it would cover Maryland, Dela-

ware, the District of Columbia, possibly some of the lower counties of Pennsylvania, Virginia, West Virginia with the possible exception again of some of the western part of West Virginia, North Carolina, South Carolina, Georgia, Florida, and possibly a part of Alabama. Is that distinct enough to show you the idea?

The Secretary of the Treasury: That is distinct enough for the purpose. By the way, have you made any figures of the amount of deposits and so forth?

Mr. Newcomer: Yes, the secretary has it all as part of the exhibits.

The Secretary of the Treasury: As part of your exhibits?

Mr. Newcomer: Yes. The question of the way these people would vote is measurably indicated by the hundreds of letters from business houses and banks, which are to be filed with your Committee.

In respect to her location and transportation facilities, Baltimore is unique among the Eastern and Southern cities in the country. Freight rates are prime factors in the purchase and sale of commodities, and in shaping the normal flow of trade. Therefore, any commercial or manufacturing centre enjoying the advantages of freight rates

lower than those established for competitors in common markets, is naturally, by force of this fact alone, better able to supply the requirements of a given section along the natural lines of least resistance. These lower rates are granted Baltimore, not arbitrarily, but by virtue of her position at the apex of that favoring curve of the Atlantic Coast which reduces to a material extent, the distance to and from other Eastern ports.

The fact that Baltimore is the natural, normal commercial center of this area, is shown by the accompanying comparison of first class freight rates from Boston, New York, Philadelphia and Baltimore, to the principal points in the West, South and Southwest. The accompanying drawing (Part of Exhibit A) further visualizes Baltimore's transportation facilities, and inevitable growth as a shipping center, especially with respect to its future connection with the Panama Canal. By reason of Baltimore's sharply competing rail and water routes and combinations of the same, large movements of iron ore are from Cuba and Spain, fertilizer materials from the south and abroad, fruit from the Southern States and the tropics, enter the Port

of Baltimore for distribution to the great Middle West. From this latter region, a large volume of corn, wheat, oats, and manufactures is routed through Baltimore for export. Also large volumes of coal from Western Maryland and West Virginia, Baltimore now exports more coal than any of the seaboard cities to the north of her, and all this business is largely financed through Baltimore.

Moreover, inasmuch as a regional reserve bank is expected to deal in foreign exchange, we consider it vastly important that such a bank should be located at the port in which this exchange originates, and through which it comes.

We have some figures also in exhibits, showing the amount of foreign exchange handled through Baltimore in a year, and it has been astonishing to us.

The Secretary of the Treasury: Would you like to elaborate that argument at this point, or do it later?

Mr. Newcomer: I would prefer Mr. Ingall to go into that as he has the figures and the details, and I have not gone into it.

As to the Southern Region, with which Baltimore so largely trades, a concrete example of her rapid and easy

transportation facilities may be cited in the case of a firm whose home office and factory is located in Atlanta. This firm studied the transportation situation for more than a year before locating a north eastern branch in Baltimore. This Baltimore branch of a Georgia house regularly ships its products to Savannah. The all rail and rail and water territory of its Baltimore Branch extends Southward close to the South Carolina line. Baltimore is thus the natural center of the lines of least resistance in the matter of advantage in transportation and commercial distribution.

Baltimore's natural trade territory includes the Southern tier of counties in Pennsylvania, the States of Delaware, Maryland, Virginia, West Virginia, North and South Carolina, Georgia, Florida, Alabama and the District of Columbia. From this territory, excepting only Florida, Southern Georgia and Southern Alabama, the mails, for the most part, reach Baltimore in time for attention on the day following their despatch. Within this area, the activities of its people are widely diversified among agricultural, mining, manufacturing, lumber, and aquatic industries, which is a consideration of the first importance

in the constant, even movement of money and credit. The value of agricultural products, such as cotton, corn and live stock in the south, is growing enormously, and its financial needs cover a period of more than nine months, owing to the great trucking interests along the Atlantic Seaboard from Baltimore to Key West. Moreover, the industrial and commercial development in this large territory has just commenced. Accompanying this brief are summarized statistics of Baltimore's trade, domestic and foreign.

Just as Baltimore, because of the great economic law that trade moves along the natural lines of least resistance, is the commercial capital of this area, so also, her financial influence should and will dominate, unless disturbed artificially or arbitrarily. It is well to remember that, while banking statistics indicate that at a given time the banking institutions included in the area mentioned, report only certain balances in Baltimore, the figures in no wise reflect the possibilities or desires of the depositing banks, but rather their necessities under the present system, which is wholly artificial and unfair. Only a fraction of the business from interior banks seeking Baltimore for liquidation is actually drawn upon by check of the depositing banks, but

is transferred by the Baltimore banks to the reserve agents in New York, or interior banks. In this was about three million (\$3,000,000) dollars daily is transferred from Baltimore to New York. Under the new law these funds, once reaching Baltimore, their natural destination, will remain there subject to direct check, which will be par the country over. From these funds, in the place of their natural lodgment, a regional reserve bank will be able to meet the demands of its district membership. In other words: Now that the barriers to the free and independent movement of money and credit along the natural lines of commerce have been removed and conditions artificially created can no longer hamper communities highly favored as to locality and commercial relations, Baltimore banking statistics will begin more truly to reflect the volume of its monetary and credit transactions.

When we say that Baltimore has suffered as a financial center on account of the present system of banking, we mean that the whole territory naturally tributary to Baltimore has likewise suffered - as a matter of fact to a greater extent than Baltimore - for while Baltimore has lost some of this business, the whole territory has been

restricted in growth, development and material welfare.

It is well known that the underlying securities of a large number of steam railroads, corporations and public utilities, now financed in New York, were originally financed in Baltimore. The present banking system, in attracting reserves to New York, has centered at that point at the expense of the rest of the Country the financial resources of other sections. This has been particularly true of the south.

Today there are a great many industrial concerns throughout this southern territory, whose securities are just as safe as any similar securities handled in New York, but upon which New York banks will not grant credits, so that for fifteen or twenty years, the reserves of this section have been drawn to New York and the local needs have not been taken care of, by reason of the artificial and arbitrary banking conditions.

Neither do the Clearing House transactions indicate the volume of business done by Baltimore throughout her trade territory, and for this reason: A merchant in Baltimore will receive checks for goods bought and the bank in Baltimore will send them to its correspondent in say,

Charlotte, N. C. In remitting, the Charlotte Bank will send to a Baltimore Bank its check on New York. These funds do not go through the Clearing House at all. The total of this is large.

As showing the banking resources of this regional area, we call your attention to the attached tables, marked A, B and C, which speak for themselves.

The annexed table, Marked "D", we believe, fairly illuminates the established custom and trend of business in this general section, developed by the present system of bank reserves and checking accounts. It also indicates what Baltimore's influence will be along the lines of least resistance when she is unhampered by the present system, which makes the reserve cities merely financial way stations to New York.

On the accompanying map you will find areas outlined, showing the number of hours required for express and mail matter to reach Baltimore from the various points. These separate areas follow the state lines, but as the boundaries of regional reserve districts are not necessarily co-terminous with the state lines, any district having Baltimore as its financial center might well include Delaware,

and the Southern counties of Pennsylvania, to which Baltimore is immediately adjacent and with which it does a large and increasing volume of business.

In conclusion, we respectfully submit that Baltimore is not asking for a regional bank as a matter of city ambition. This new law, upon which the future of the country so greatly depends, calls for hearty co-operation. Baltimore will give this, whatever your decision. But, if the law is to succeed, it should recognize normal commercial developments along the lines of least resistance, and these certainly point to Baltimore. Moreover, it is of great importance that these banks should promptly secure public confidence. A regional bank in a banking locality thoroughly familiar with the trade and credit needs and conditions of its people, will not only make for quick public confidence, but will greatly aid in the administration of the bank. The intimate, important and long established relations existing between banks and the people of communities they serve, should be kept in mind in your selection of sites. Moreover, it is not entirely fanciful to say that the selection of a community with an old and well established reputation for careful and conservative banking, will help to

beget public confidence in the new system. Our geographical location, our existing and growing commercial needs and relations, our large foreign trade, our knowledge of the needs and the condition of the people in the territory, our standing as a banking city, our present financial status and our ability to serve a growing section, all justify us in believing that you will select Baltimore as the site of one of these Regional Reserve Banks.

Mr. Newcomer: Mr. Secretary, that is the whole of our written statement, sir, with the exhibits that go in with it. Now, we realize that it is perfectly simple for a person to say that the proper place for the establishment of a bank is in a given locality, and to select a place near the centre of that locality. It is, of course, nearer than any place on the edge can possibly be to some of the outlying districts, but it seems to us that a place so situated is not necessarily central, when you consider the facilities of reaching back and forth and communicating with it. Therefore in this paper we have laid some stress on the accessibility of Baltimore, from all parts of this country, and if you would hear Mr. Gibbs for a moment on that question --

The Secretary of the Treasury: I should like to ask you a few questions now. I should like to know better what division of the country, that is how many regional banks you had in your mind when you selected this territory for Baltimore. You had to have some assumption in making that division.

Mr. Newcomer: Speaking entirely personally, sir, I want at the thing with a preconceived notion that eight was

best; that the smaller you kept it the better, and I have undertaken to divide the country and I have drawn lines over maps, and I have finally come to the conclusion that eight is practically an impracticable scheme, particularly in view of the fact that it seems to me it is going to be necessary to locate a number of these banks east of the Mississippi River. According to the list, as I sketched it out, it is almost necessary to have probably four or five of them east of the Mississippi River.

The Secretary of the Treasury: Now, what cities did you select, and what number do you consider to be the most desirable, from your study?

Mr. Newcomer: I should say, sir, that I think -- it seems to me it will be necessary to have one in Boston and one in New York.

The Secretary of the Treasury: As you go along, state what territory you would have contiguous to these cities.

Mr. Newcomer: The difficulty of attempting to do that, sir, is that when I get much away from our own place, I am so unfamiliar with the conditions that I am afraid I will put in states that perhaps have little banking power or have too much of one kind of industry. I have not the

knowledge of all the different parts of the country. You get that from the information laid before you.

The Secretary of the Treasury: At the same time, you have made certain assumptions and we would like to know what those are.

Mr. Newcomer: I will try to do so, but when I get west, I am entirely at sea. I know nothing about it, except that there is an immense territory you will have to divide up. I should say Boston can certainly take care of practically the entire New England district. You might possibly include part of the northern part of New York State. New York certainly can take care of New York and Pennsylvania, the greater part of it, and I am a little vague as to where I would put Ohio, whether to tie it up with New York or Chicago. I think probably Chicago, speaking without going into it. Baltimore I have already outlined.

The Secretary of the Treasury: To get back to New York for a minute, you say you are putting the whole of Pennsylvania with New York?

Mr. Newcomer: Practically so, yes, sir.

The Secretary of the Treasury: In that case what would you do with New Jersey?

Mr. Newcomer: New Jersey in New York also.

The Secretary of the Treasury: The whole of New Jersey?

Mr. Newcomer: Yes, sir.

The Secretary of the Treasury: How much importance do you attach to the argument that there should be a preponderant bank at New York, embracing 40 to 50 per cent of the available banking capital and resources, in order to command respect both at home and abroad.

Mr. Newcomer: It seems to me that a bank in New York, taking care of New York, Pennsylvania and New Jersey, would have sufficient banking powers in there to make it almost a dominating bank. I do not mean necessarily -- it does not seem to me practicable to make that one New York bank so dominating as to compare with the big banks of foreign countries, if you are going to have banks of something like equal rank throughout the country.

The Secretary of the Treasury: Which do you favor, preponderating banks?

Mr. Newcomer: No, sir, I would not like to see too small a bank. Therefore, I do think -- I am speaking perfectly frankly -- I have felt a long time it would be a mistake if Philadelphia had a bank, not from any jealousy of Phila-

delphia, but I think it is a bad thing to make New York dependent entirely on itself. It seems to me in this eastern country that a considerable part ought to be thrown to New York and it ought to make that bank of considerable importance, but I do not think it is sufficiently important to throw Boston into it and take in the whole of New England. Boston is distinctly a New England city.

The Secretary of the Treasury: Your idea is to have three on the Atlantic seaboard?

Mr. Newcomer: Yes, sir.

The Secretary of the Treasury: Boston, New York and Baltimore.

Mr. Newcomer: Yes, sir.

The Secretary of the Treasury: Now, proceeding westward, what would you do?

Mr. Newcomer: I would suggest one in Chicago, which I assume would take care of Illinois, Indiana, part if not all of Ohio, Michigan and Wisconsin. Now, Kentucky and Tennessee have so far been left out of both divisions. They would seem to me to be southern states that should naturally feed more to the south, and I would rather be inclined to throw those to New Orleans, if one was placed there.

The Secretary of the Treasury: What else would you put into New Orleans?

Mr. Newcomer: New Orleans? Louisiana, Mississippi, the southern part of Alabama, possibly, and Arkansas. I am going strictly now sir, on the lines of the map, and not with any knowledge of local conditions out there whatever. Therefore, I may be very wild.

The Secretary of the Treasury: Would you not do a good deal of violence to the ordinary course of trade and commerce, to put Louisville into the New Orleans district?

Mr. Newcomer: That is a point, I say, I am not well enough posted on as to how the trade runs in New Orleans.

The Secretary of the Treasury: Now, what else? You have got New Orleans.

Mr. Newcomer: That is four -- five.

The Secretary of the Treasury: Five.

Mr. Newcomer: Five, yes. I think there will have to be one -- I thought of suggesting one for St. Louis, taking in a considerable part of that middle western district, Missouri, Iowa and Nebraska, and Kansas possibly, and then here is where I begin to get vague, with no knowledge of the banking capital in a given district. I am not sure whether

you can go ahead and yoke up some of those northern states with that, and whether there should be one in St. Paul or Minneapolis. I rather thought there probably should be, taking care of the Dakotas and Minnesota, and surely there should be one in San Francisco, taking the greater part of that western territory -- the western coast, and I think -- it seems to me there should also be one either in Denver or some place south of there, a little farther to the south, taking in some of the Texas district. Denver is the only city I have been able to think of, offhand, as a good place in that part of the country. That would use up -- I have not kept count exactly. I think that about uses up eight banks, and personally it looks very much to me that you were going to reach one thing. San Francisco might have entirely too much territory to cover to be able to reach it in a reasonable time, and from my point of view you might have to put in Tacoma, Seattle or some place up there.

The Secretary of the Treasury: Is that such a serious question when you have branches in larger cities of the district?

Mr. Newcomer: I do not know just how those branches are supposed to operate, but I take it that a city commanding a

large amount of trade -- take Baltimore's case, although there may be a branch in Richmond, Columbia or South Carolina or any place else, the most of those checks coming into Baltimore we would not want to put them in a regional bank. If there was a regional bank in Columbia, they would not have anything to do with our checks, and yet 70 to 80 per cent of the checks of that region flow into Baltimore and the regional bank would be of no assistance in handling the greater amount, every day.

The Secretary of the Treasury: What do you pay on bank balances in Baltimore, the rate of interest on your reserves of other banks?

Mr. Newcomer: Two per cent is the usual rate.

The Secretary of the Treasury: Do any of the banks pay more than that?

Mr. Newcomer: Yes, sir, several have paid three per cent, and we have in our own bank, have given as high as two and a half. I do not think we have any three and two and one-half only in some special cases.

The Secretary of the Treasury: How about check collections. Do you do that free of charge or not?

Mr. Newcomer: No, sir, we cannot get it done free of

charge to us and very few of our customers keep a balance that would at all justify our doing it. As you have probably heard, the Clearing House law in Baltimore, referred to a number of times, compelled the banks to charge interest on all of the accounts which were not in the bank at the time the law was passed in 1897. That leaves it optional with us as to accounts that were there prior.

The Secretary of the Treasury: That was a rule of the Clearing House?

Mr. Newcomer: That was a rule of the Clearing House, and we have several accounts in our bank which were there prior to the passage of that law.

The Secretary of the Treasury: You do not call a Clearing House rule a law over there, do you?

Mr. Newcomer: I have looked at it with so much respect for so many years, I have almost come to think of it as such. We had a number of large accounts that were there prior to that time. On analyzing the thing, we found that we could not do it. One of the largest accounts of our bank turned out to be costing us \$3,000 a year and we had to cut it out.

The Secretary of the Treasury: The purpose of the inquiry is simply to ascertain to what extent you are abnormally

attracting balance to Baltimore.

Mr. Newcomer: I do not think we are doing it. If that is what you are driving at, the rule would not apply to an out of town concern. That is to say, the cost for doing it over again. We have to analyze the account, and if it does not pay, we have to charge exchange all the same. Of course, that grows out of the fact that the man that does that, collects charges of us for it. It is charging what we have to pay.

The Secretary of the Treasury: Take the case of Albany in New York, where a great many New England banks and many other banks throughout the country carry balances as part of their resources. It was testified to before the Committee that Albany cleared two billions of checks last year, I believe. Now, upon the face of it, it would appear that Baltimore was a very important reserve centre, whereas the New England bankers all admit that they carry reserves in Albany, solely because they had this free facility afforded. Now, to that extent it is an artificial situation and the Committee is desirous of ascertaining to what extent these clearances and all of these balances do not reflect the normal course of trade.

**Secretary of Agriculture:** The situation developed with reference to Philadelphia.

**Mr. Newcomer:** Where they have attracted them by giving free exchange.

**The Secretary of the Treasury:** And to Pittsburgh. Where you pay three per cent. interest, you are likely to attract accounts that might otherwise go somewhere else.

**Mr. Newcomer:** There is exceedingly little of that in Baltimore. I only know personally of two banks that do it.

**The Secretary of the Treasury:** Do you recollect -- you may perhaps know how much reserves of country banks you carry at Baltimore. What does it amount to in the aggregate?

**Mr. Newcomer:** I think they are possibly among the statistics there, sir. I have not it in my mind. I think it is probably something among our papers, and no doubt Mr. Ingle is posted on that part.

**The Secretary of Agriculture:** There may be some artificial condition arising from that fact, the payment of interest.

**Mr. Newcomer:** \$25,000,000, Mr. Ingall says.

**The Secretary of Agriculture:** You made the point, however, that the condition at present was abnormal because of the pressure existing in other directions, the attraction

of reserves to New York?

Mr. Newcomer: Yes.

The Secretary of Agriculture: Does that much more than offset any effect of this interest rate?

Mr. Newcomer: I think it would, sir, unless I am mistaken in my understanding of what you are referring to. I do not think there is anything -- much of anything attracted to Baltimore by the high interest rate. As I say, I only know of two banks paying over the two per cent. which is just what we got on our own reserves in New York, and is about as low a price as is allowed anywhere.

The Secretary of Agriculture: How many banks did you suggest -- how many regional reserve banks?

Mr. Newcomer: The memorandum I had here, sir, covers ten, with the addition at the end that there might possibly require one in Texas also -- eleven.

The Secretary of Agriculture: You are not apprehensive that with ten or eleven banks, each would be too small to come within the provisions of the Act?

Mr. Newcomer: I do not think so, sir. Whatever you lose in the size of your bank, you gain by restricting the territory the bank serves, naturally. The larger number you

have, of course it will cover a smaller territory, and it would not require as much capital. Does that answer what you mean?

The Secretary of Agriculture: Yes. To what extent would you look at the whole system in time of stress, or to any one of these regional banks? Is it your conception that in times when there will be most need of the resources, that you will look to the aggregate?

Mr. Newcomer: Well, it was my idea that it would follow somewhat the same trend that the United States follows to-day with its sub-treasury. If there was a sufficiently serious situation in New York to justify the government in feeling that they ought to do something to relieve it, the money would be transferred to that particular sub-treasury, and I assume that all of these banks, being controlled by the Federal Reserve Board, located in Washington, would protest them when they received certain orders to transfer certain funds to the harder pressed ones.

The Secretary of Agriculture: I was asking that practically in view of the representations made by the Committee of one of the other cities, that it was essential to have a great bank in New York, in order to enable the situation

in time of great stress to be met, as well as to inspire respect abroad. Under such conditions you would deal with this rather to the whole system, under the direction of the Federal Reserve Board.

Mr. Newcomer: Yes, sir; I say that with great deference to the New York bankers.

The Secretary of Agriculture: You would want each of these to be strong enough to serve its purpose in normal times, and in cooperation with the others to meet any great strain.

Mr. Newcomer: Yes, it has seemed to me the whole idea of this new system was to take away the plan of the locality being the thing on which you depend. That is just what we are troubles with to-day.

The Secretary of Agriculture: Mr. Newcomer, I do not recall what the capital would be of the New York bank, if one were established there, if you included in New York, New Jersey and Pennsylvania,

Mr. Newcomer: Pretty big bank.

The Secretary of Agriculture: Did you figure that out?

Mr. Newcomer: No, sir, I did not.

The Secretary of Agriculture: Had you thought of the possibility of including part of eastern Pennsylvania and

southern New Jersey, in the bank to be established south of New York?

Mr. Newcomer: Well, that is suggested in this article that possibly some of the counties of Pennsylvania might come in with Baltimore, but I do not -- certainly my idea would not be, and I do not think it was the idea of anyone else in the Committee that that would include any such important place as Philadelphia or anything like that. It was more some of the underlying counties there which have certain dealings with Baltimore, but in our general figures we left that out, considering it was so immaterial. In other words, New York in our theory would get the whole banking power of Pennsylvania.

The Secretary of Agriculture: Assuming no Reserve Bank were to be established in Philadelphia, and one were to be in New York and Baltimore, why should Philadelphia go to New York instead of Baltimore?

Mr. Newcomer: It is so much more distinctly a northern city, that it seems to me its trend of trade is more towards New York than Baltimore, just as I look on the trade of Georgia as more likely to come towards Baltimore, than towards New Orleans.

The Secretary of Agriculture: You spoke of including Florida in this district. What is the time from the Florida centres to Baltimore?

Mr. Newcomer: The Florida centres -- of course, the main banking power of Florida and in fact the main mercantile power is all in the northern part of Florida. You can practically disregard almost everything south of Jacksonville, or certainly south of Tampa. I mean all of this lower part is just Everglades and there is nothing in that at all, and I think checks from there would not reach Baltimore within 24 hours. That was the point I wanted Mr. Gibbs to discuss. He has the whole situation, the freight rate and hours, and has locked them up.

The Secretary of Agriculture: And he will comment on those tables, showing the present banking connections of Baltimore with this territory?

Mr. Newcomer: The idea we had, sir, of outlining this, was to have Mr. Gibbs simply speak of the hours and times and facilities, and have Mr. Ingle talk more on the national banking question. He is a banker and Mr. Gibbs is not. I will just say in introducing Mr. Gibbs, gentlemen, that he is President of the Board of Trade of Baltimore, which is

an organization consisting of all the commercial organizations there. Also president of the Gibbs Preserving Company, doing a large canning business, and speaks on just that one point.

The Secretary of Agriculture: Did you include West Virginia or not?

The Secretary of the Treasury: Pardon me. Your argument you just read, let me see it just a moment.

The Secretary of Agriculture: Did you include West Virginia?

Mr. Newcomer: Yes, sir, unless it is part -- the western part may go some place else, but I think the greater part of the state could naturally fall to Baltimore. The banking connections are very large, and there is an immense lumber trade from there, and coal.

The Secretary of the Treasury: In your statement you used this language, Mr. Newcomer: "In other words, now that the barriers to the free and independent movement of money and credit along the natural lines of commerce, have been removed and conditions artificially created, and so forth, in credit transactions" -- now, I should be glad if you would elaborate that a bit, because the Committee is very anxious to know

to what extent artificial conditions do now exist, and how far they do affect these communities, and we are very anxious to learn something about the extent to which New York has been favored, through these artificially created conditions, or the reserve.

Mr. Newcomer: Well, of course, under the present law, sir, we are obliged to keep a considerable amount of our reserves in one of the central reserve cities, and New York naturally being nearest gets the bulk of that.

The Secretary of the Treasury: You do not mean you are compelled under the existing law to do it?

Mr. Newcomer: Well, we are permitted in order to get any return for it.

The Secretary of the Treasury: You mean you are permitted to do it?

Mr. Newcomer: Yes, but it is the only way. Of course, the two per cent allowance of interest is what takes it there.

The Secretary of the Treasury: There is no other reason.

Mr. Newcomer: Of course, we have to keep certain balances in New York, to meet current checks and transfers, just as

we have to keep balances in various banks throughout the country for clearances of checks around there, or for the purpose of getting loans when we need them.

The Secretary of the Treasury: Under the new system, would it be necessary to keep even an exchange balance in New York?

Mr. Newcomer: Probably not, when you get that entirely in shape. I look on that, sir, as one of the best things in that bill.

The Secretary of the Treasury: That being true, you would say then the extent to which all bank balances -- balance of all banks are now carried in New York by the inducement of the interest, that that is an artificial situation?

Mr. Newcomer: I do not know how to answer you, except by saying that we have had at times a demand for every dollar that comes into the bank. The borrowing demand on us is tremendous and to take care of it at times we have to appeal to some of these other cities for loans, and we must keep up our relations with them, or we won't get them. Does that cover what you mean, or do I miss the point?

The Secretary of the Treasury: That sounds like some of the compulsion that some bankers say this bill contains.

I should say that that condition itself did create compulsion. You are speaking of the compulsion condition?

Mr. Newcomer: Yes, sir.

The Secretary of the Treasury: And to that extent you do not think it is artificial?

Mr. Newcomer: Under the old Act?

The Secretary of the Treasury: I say under the existing system where you must keep these balances, in order to be able to get loans. As I understand you, you could not get loans if you did not keep these balances there, is that right?

Mr. Newcomer: That is true, and to a certain extent does not that come about through the concentration of the reserves in New York, which gives New York too much of a hold to-day on the situation.

The Secretary of the Treasury: Well now, that is an interesting train of thought, and we would like to get as much information as it is possible.

The Secretary of Agriculture: Did I understand you to say that the two per cent interest was the main thing that led you to keep sums of money in New York?

Mr. Newcomer: I think it becomes the main thing, so far

as the bank is concerned. Of course, there are lots of other moneys tending to New York, in all sorts and shapes and conditions. It is too big a problem for me to attempt to profess to be posted on.

The Secretary of Agriculture: What happens when any stress comes and you need the return of the money there?

Mr. Newcomer: We get it. We have had no trouble, sir. New York has taken care of us at all times.

The Secretary of Agriculture: In 1907?

Mr. Newcomer: 1907.

The Secretary of the Treasury: To what extent, just speaking offhand, Mr. Newcomer, would you say that the credit balances of banks in New York represent money kept there for exchange purposes and money kept there simply because of the two per cent. interest rate?

Mr. Newcomer: I do not think there is very much kept at New York for exchange purposes. Yes, there is too. I cannot answer it, sir.

The Secretary of the Treasury: Have you any idea at all?

Mr. Newcomer: None at all. I could not differentiate in my mind, no, sir.

The Secretary of the Treasury: I notice that people can

calculate to an accurate percentage the amount of gold in the Currency Bill. I thought perhaps we could get some sort of a percentage idea of the amount in exchange in New York.

Mr. Newcomer: It is very possible that Mr. -- that some of the gentlemen here can, but it is one thing to sit down and take a bill you are trying to find out something about and another thing to answer a question you are not prepared on.

The Secretary of the Treasury: I suppose there is somebody here who can answer that question?

Mr. Newcomer: Mr. Ingle is here on technical banking and knows more about it than I can ever hope to.

The Secretary of the Treasury: What do you think about Washington as against Baltimore?

Mr. Newcomer: Mr. Secretary, it is not a popular place, perhaps, to express an opinion. It seems to me to be a mistake to locate a bank in a city which is not the center of commercial trade at all. Take this southern business, it does not come in the ordinary course to Washington. When you come to the foreign exchange question, there is an enormous amount originates in Baltimore. It seems to me it is a little like placing the Custom House in Washington

to take care of Baltimore's imports. It would not be satisfactory to the merchant or the government or anybody else.

The Secretary of the Treasury: If you had a branch in Baltimore.

Mr. Newcomer: I do not say that anything is impracticable. If you want to establish a bank in Washington for some patriotic purpose, I do not doubt the government will arrange to take care of the situation under any arrangement it makes, but I think Baltimore is the natural place for it with a branch in Washington.

The Secretary of the Treasury: But seriously considering it, from the economical standpoint wholly, could not the situation be <sup>as</sup> well taken care of if it had a Reserve Bank in Washington and a branch in Baltimore?

Mr. Newcomer: Well, it is very difficult to say if that theory is correct.

The Secretary of the Treasury: I think I should say to you that in the questions that the Committee ask, they do not indicate the trend of thought.

Mr. Newcomer: Yes, I understand, sir.

The Secretary of the Treasury: We ask a great many questions to elicit information. Now, Washington was here

this morning, arguing her case. We put the same questions then. We like to get the other end of it.

Mr. Newcomer: Well, my answer would be, granting for a moment such a thing is just as satisfactory, you might as well put your Reserve Banks in any place you pleased. You might put them in the centre of your district geographically, but it seems to me it is tying the cart before the horse.

The Secretary of the Treasury: I think that is carrying it too far. You have to have accessibility.

Mr. Newcomer: I grant it is carrying it too far, but I simply say that the argument that Baltimore can be taken care of as well by a branch bank applies the other way too. The natural place for the bank itself is in a commercial city where some of these things originate.

The Secretary of Agriculture: What weight would you attach to the suggestion that since the Federal Reserve Board will have its headquarters here, it would be desirable to have it in intimate touch with the Federal Reserve Bank?

Mr. Newcomer: Well, it would seem to me just the other way, that so long as the Federal Reserve Board was here, it would have its hands on the strings for all the banks, and it was immaterial to it where the banks were located.

The Secretary of the Treasury: In other words, you think it just as well for these banks to keep out of the way of the Federal Reserve Board as much as possible?

Mr. Newcomer: No, I do not say out of the way, but why should it want one bank here beside it, any more than one in San Francisco?

The Secretary of Agriculture: You think it could keep in touch with all of them?

Mr. Newcomer: Yes, surely as well with your bank in Baltimore, as with the one in New Orleans or San Francisco.

The Secretary of Agriculture: It is its duty to know just as much about one as the other.

Mr. Newcomer: Just as much about one as the other, yes.

The Secretary of the Treasury: The suggestion was made here this morning that the Federal Reserve Board could keep more intimately in touch with somebody actually at hand than if that somebody was 40 miles away.

Mr. Newcomer: Then you had better come down to one central Board at Washington.

The Secretary of Agriculture: It would be a defective system at the outset.

Mr. Newcomer: It seems to me so.

The Secretary of the Treasury: You made an argument on the importance of the foreign exchange phase of this problem as affecting Baltimore. I understood you to say you preferred to have somebody else --

Mr. Newcomer: Mr. Ingle will touch on that also. Is it satisfactory to you, Mr. Secretary, to hear it in the way we have outlined there. Would you rather have Mr. Ingle, who has the technical and banking and, before Mr. Gibbs.

The Secretary of Agriculture: The way you have outlined will be satisfactory.

#### STATEMENT OF RUFUS M. GIBBS.

The Secretary of Agriculture: Will you state your name and business?

Mr. Gibbs: Rufus M. Gibbs, President, Board of Trade, Baltimore.

The Secretary of Agriculture: Mr. Gibbs, you have heard the discussion up to this time and know what information we are seeking, and what we have received. We would be very glad to have you speak on any point that you are especially concerned with.

Mr. Gibbs: Well, Mr. Secretary, your Committee suggested

in the first place that they felt they were pretty well posted on the geographical advantages of Baltimore, and its contiguity to this section, which has been suggested here for a regional bank, and such being the case, I do not propose to instruct you further in it, although that was the subject on which I had expected to say something. As Mr. Newcomer said, I am not a banking man, sir. I am a business man, a manufacturer, and, therefore, departing from the subject on which I had expected to speak and in order to speak more along the lines which you have indicated you desire to be informed upon, I want to say how this appeals to me as a business man. I am very much impressed with the clause in Section second, where the provision states that the district shall be apportioned with due regard to the conditions and customary course of business. Now, I think that instantly almost to the mind of anyone occurs the fact, when he comes to consider what shall be regions in which regional banks shall be located. Of course, the fact that there are certain well defined areas -- territories that have been connected up and linked up by traditions and commercial, and even sentimental character for a great many years, and those readily suggest themselves.

New England, New York perhaps -- of course, New York and many of the others. There is this one with which I am very forcibly impressed, and that is this section here, lying south of the Mason and Dixon line and east of the Alleghany Mountains, running down as far as Georgia and taking in at least the northeastern section of Florida. Baltimore has been the centre, I think, of this section for a great many years. It has been the commercial centre, the centre to which the outlying sections have looked for the development of new enterprises, and if this is going to be one of the sections ~~in~~ in which a regional bank is to be located, I cannot see how we can escape selecting Baltimore as the most suitable place for that bank, for the simple reason that by locating it there, there will be less disturbance of the moral trend of business than if it is located at some other point. Mr. Newcomer's paper -- brief points out that we are connectly closely, not only in a business and sentimental way, but we are connect<sup>ed</sup>~~ed~~ closely by the mails, by the railroads, by steamship lines with all this territory. In fact, Mr. Secretary, I do not think that needs elaboration. It can almost be stated beyond dispute that Baltimore is predominatly the leading centre in that

section. If that is to be one of the sections, as I said, I do not see how we can escape looking to Baltimore as being the natural place in which to put a regional bank. I have not anything more to say, except that personally I favor more than eight regional banks. I do not know that I can give you any scientific banking reasons, but if you care to know what my reasons are, I will be glad to state them.

The Secretary of Agriculture: How many would you favor?

Mr. Gibbs: I said more than eight, Mr. Secretary, because it is uncertain in my mind whether I would favor eleven or twelve.

The Secretary of Agriculture: Before you go into that, I want to ask you one or two questions. In this territory that has been described, there are several cities that have grown very rapidly in recent years, cities like Richmond, Charlotte, Atlanta, and so forth. Has Baltimore's trade relations with that section increased relatively?

Mr. Gibbs: If you say has the trade of Baltimore with those sections -- take, for instance, Charlotte-- if you say has the trade of Baltimore with the section outlined by a radius within 50 miles of Charlotte increased in the same percentage to its previous trade with that of Charlotte's previous trade, I should say possibly not, but you must take

into consideration the fact that you cannot expect an already well developed growth to go on increasing at the same rate of increase as some newer growth that is just beginning to develop. Baltimore's trade may have increased, we will say, 20 per cent for an arbitrary figure, Charlotte 40 per cent., but it does not bear in any way upon the fact that Baltimore is still continuing to occupy a pre-dominating position with reference to that territory. Do you get my idea, Mr. Secretary?

The Secretary of Agriculture: Yes. Do you have any statistics to present along that line?

Mr. Gibbs: No, sir, I do not.

The Secretary of the Treasury: Considering the growth of this territory, take the average growth of the territory in trade in the past ten years, suppose it was 20 per cent or 30 per cent, has Baltimore's increase been proportionate? I mean the territory that you are proposing to have Baltimore serve. Have you any figures to show that?

Mr. Gibbs: In answering that question, I can only give you my impression, Mr. Secretary, that the growth of the city and its business being largely, or to a very great extent, connected with that territory, I think the statistics

will show, such as our bank balances, and so forth, that we have apparently gone along certainly in a line that would indicate that we are developing quite as fast as the territory itself. I won't say that you cannot pick out certain individual districts in that territory -- individual cities that may show remarkable growth.

The Secretary of the Treasury: Those figures would be accessible, and I would suggest that you submit some matter of that sort. You can attach it as an exhibit to your testimony.

Mr. Gibbs: There is something that we would have to submit to you later; to put the matter in concrete form, Mr. Secretary, are there any exact and particular figures that you would suggest?

The Secretary of the Treasury: You are suggesting Baltimore as the headquarter for a Reserve Bank for a given district. What we should like to have would be some statistics, showing the increase in the trade and commerce and general industry, taking bank clearances too into consideration in this whole territory.

Mr. Gibbs: Yes.

The Secretary of the Treasury: Now, if that shows an average of 20 per cent, to illustrate the point, then

compare Baltimore's growth in a similar way for the past ten years and get her percentage. If that shows 20 per cent., then she has increased absolutely in the same proportion.

Mr. Biggs: Certainly.

The Secretary of the Treasury: Which would show she is very directly responsive to the development of this territory. On the other hand, if she has fallen behind, it would show she did not to that extent --

Mr. Gibbs: I think we can undertake to supply you with these statistics, Mr. Secretary, and I will be glad to do so.

The Secretary of Agriculture: One other thing I had in mind was this: There will be gentlemen who will say that Richmond, or Atlanta, will serve this territory better than the other centres, and that it is establishing more intimate relations, perhaps, with this other territory -- growing relations than Baltimore. That, of course, bears directly on this matter of the customary course of trade.

Mr. Gibbs: Yes.

The Secretary of Agriculture: And if you could address yourself to that point. Of course, we have got to look at this thing broadly. We are not interested in any particular

city, and we hope the gentlemen who discuss these questions will be free to consider the whole problem with us.

Mr. Gibbs: Yes.

The Secretary of Agriculture: And not hesitate to speak about any other centre. We have a national interest in this.

Mr. Gibbs: I appreciate that fully, Mr. Secretary, and I am sure that most all of us would try to divest ourselves of any feelings of that sort in answering your questions.

My answer as to how you should consider the claim that some city is establishing more intimate connections with a certain territory than connections that already exist between that territory and a given city, would be that I think that we should pay more heed and attention to facts that exist and have existed, rather than to those which someone is promising us will exist.

The Secretary of Agriculture: Well, we should not want to deal in prophecies only.

The Secretary of the Treasury: I might ask Mr. Newcomer who is seated there, this question: You were speaking of the extent to which reserve balances, or rather bank balances are attracted to New York by this interest rate

of two per cent.

Mr. Newcomer: Yes, sir.

The Secretary of the Treasury: I believe from the statement of the Comptroller here that there are a total of 6850 national banks in the United States, that keep their reserve balances in New York City, and there are 573 which keep their balances in Baltimore -- keep balances in Baltimore. If you are each paying the same rate, it would appear that there is a lost of business going to New York for other reasons.

Mr. Newcomer: Of course, Mr. Secretary, New York is a central reserve city and all the reserve cities keep their balances in New York, and you will take in account the duplication that comes in there.

The Secretary of the Treasury: How many reserve cities are there, Mr. Elliott? Only 48 reserve cities, of course, which keep accounts in the central reserve cities, so that would not affect the situation very much. These are direct accounts from all over the country that are kept in the New York Banks.

The Secretary of Agriculture: Who is the next man, Mr. Newcomer?

Mr. Newcomer: Mr. Hurst:

STATEMENT OF WILLIAM B. HURST.

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

Mr. Hurst: William B. Hurst, wholesale dry goods and notions, Baltimore, Md.

The Secretary of the Treasury: And your firm?

Mr. Hurst: John E. Hurst & Company.

The Secretary of the Treasury: Mr. Hurst, you know our problem, to divide the country into districts of not less than eight nor more than twelve. Now, we should be glad to have any suggestion you care to submit.

Mr. Hurst: Mr. Secretary, I do not know but what I am handling this, perhaps, a little differently from the way you want it handled, but at the same time I am handling it from our merchandise point of view.

The Secretary of the Treasury: We would like to have you treat it in your own way.

Mr. Hurst: Representing one of several dry goods houses, whose principal business is in the south, employing 76 salesmen, conservatively speaking, selling \$4,000,000 in

this territory; called upon during the spring of 1913, and to a lesser extent every spring to practically finance many of the firms with whom we do business, by carrying their accounts until fall; besides, in many instances, arranging loans for the larger houses with our local banks, I am intimately acquainted with the general condition in the south, having traveled there for five years. While the old system of factorage was subject to the severest criticism, yet it was in a sense a help to the jobber, who was able to close his accounts in the south, with the exceptions of the factors with whom the merchants that he was selling, did business, the factorage business having fallen by its own weight, and there not being sufficient capital to finance the business, the merchant, who was unable to secure bank accommodations, was compelled to use his merchandise house to carry his account until fall, thus enabling him to pay cash for his groceries, which he was compelled to do, so that it gradually developed that the jobber was also a banker. We do not believe that our friends in the south have ever forgotten this, and aside from a natural local preference for a regional bank in their state, we believe that there will be hardly found a single exception, among the mercantile houses who would not

favor Baltimore being one of the original banking cities. I might say right here, sir, that conservatively speaking, we have received about 150 letters. I think in those 150 letters, from Florida to the lower part of Pennsylvania, all except three expressed a preference in favor of Baltimore. Some of them said they would like to see Richmond, because it was in their state, but at the same time that there trade affiliations were almost entirely with Baltimore, and aside, as I say, from the natural pride, that they would have in their own state, that Baltimore would be their preference. Here is one. I also wish to call attention to something that transpired in the fall of 1907.

The Secretary of the Treasury: That is a familiar date.

Mr. Hurst: Yes, I remember it. This was something that was rather interesting. I was selected with two other gentlemen, a committee to have the government accept certified checks for duty, and I was surprised to find that New York houses, doing business in the west, were shipping goods from that section to Baltimore, paying the duty here. It does not seem to me that Baltimore can be passed over by your committee. It was very much of a surprise to me. I could not possibly give you the names of those houses now,

because they have gotten cold, but I do remember one, on account of the large amount of duty that they had to pay. That was the firm of George Borgfeldt & Company in New York.

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

Mr. Hurst: Cheaper. The freight from Baltimore west was cheaper than to ship them to Baltimore, presumably.

The Secretary of the Treasury: They shipped the goods to Baltimore direct?

Mr. Hurst: Yes.

The Secretary of the Treasury: Brought their importations to the port of Baltimore.

Mr. Hurst: That is it. I do not know that I can say anything more than I have expressed here, except that if there is any questions I can answer along these particular lines, I will be very glad to do it.

The Secretary of the Treasury: Through what states does your business extend?

Mr. Hurst: Well, we sell goods in the southern part of Pennsylvania, Maryland, Delaware, West Virginia, Virginia, North and South Carolina, Georgia, Florida and Alabama.

The Secretary of the Treasury: Has your trade constantly increased with the growth of these territories?

Mr. Hurst: I am very glad you asked that question. While I have to make a confession, at the same time I think it is well to give it to you.

The Secretary of the Treasury: If it is embarrassing --

Mr. Hurst: No, it won't embarrass me at all. I have been hit so often I have got over that.

The Secretary of the Treasury: Just interested in knowing the course of business?

Mr. Hurst: We tried, Mr. Secretary, with all the efforts at our command to try and increase our business ten per cent. a year. We have not done it this year, but we have increased it from five to six per cent, and if the conditions in the south had been more favorable in the past spring, I have no doubt we would have come very near reaching the mark. I won't say we would quite reach it, but still we had that ahead of us.

The Secretary of the Treasury: What is your general practice about credit, what sort of paper do you usually take, I mean what time do you usually allow an account?

I am only speaking generally, but I would be glad to get a little light on those commercial transactions and see what the custom is.

Mr. Hurst: We have what we call a post dating, which we give to facilitate the getting out of merchandise to the trade through this territory, commencing with Florida first and working up. We close our business on the 30th. of November, with a view of getting to work at once in December, with merchandise in, and commence shipping to the farthest points first, because they want their goods first. We post date these bills April 1st. If the bills are discounted in 10 days, they get their cash discount. If the conditions are favorable down there, if they have had good crops and so forth, a large proportion of those are paid. If the conditions are as they were last spring, a very large proportion of those are not paid. We close these accounts.

The Secretary of the Treasury: They are open accounts?

Mr. Hurst: They are open accounts. We close those ac-

counts though, always by the 30th. of June by notes maturing, as a rule, from the 15th. of September to the 15th. of November. Does that answer your question?

The Secretary of the Treasury: Yes; I wanted to see what sort of commercial paper is created by these transactions.

Is that the general practice?

Mr. Hurst: I think so.

The Secretary of the Treasury: You post date as a rule?

Mr. Hurst: Yes.

The Secretary of the Treasury: And if not paid at that time, you take a note?

Mr. Hurst: Well, no, not necessarily. Sometimes, you know, they may pay 30 days after it is due, or 60 days.

The Secretary of the Treasury: But I am speaking as to the general practice.

Mr. Hurst: Yes.

The Secretary of the Treasury: Are these notes accrued as a rule, if the accounts are not paid, or just the note at hand of the maker, and where you utilize these, of course, you endorse them to your own bank or to the banks, if you discount the notes?

Mr. Hurst: Well, up to this time we have not been forced

William B. Hurst:

to do that. But we do put them in the bank for collection.

The Secretary of the Treasury: I was trying to get a line on the amount of commercial paper which is created, with a view to seeing how this bill covers the particular kind of paper you are creating, and whether it is eligible under this bill for discount.

Mr. Hurst: There might be one thing which might be of interest to you. I was asked by a bank officer coming down on the train to-day what amount we usually carry on our books about the first of October in either accounts receivable or bills receivable, or both combined. I told him from memory I thought about \$1,400,000. I have thought of that since, and it is greater than that. I am sure it is between \$1,600,000 and \$1,700,000. That could be very easily verified though, and we could give you the exact figures.

The Secretary of the Treasury: What is the character of this paper, I mean to say, as to maturity, is it usually 30 days, 60 days or 90 days or more?

Mr. Hurst: Mr. Secretary, that paper is made to mature after the cotton crop is made and sold.

The Secretary of the Treasury: I see. There is quite a

varying maturity, of course.

Mr. Hurst: Yes, They do that for their accommodation. In some districts the cotton crop opens up a little quicker than in others.

The Secretary of the Treasury: And they mature there earlier.

Mr. Hurst: Even in South Carolina we make them mature a little earlier in the southern part than in the northern part, because the cotton crop opens up earlier there, on those clay lands, as they call them.

The Secretary of the Treasury: You say you never discount these notes?

Mr. Hurst: We never have had to. Of course it takes a good deal of money to run this business.

The Secretary of the Treasury: I should think so.

Mr. Hurst: It does, and we want all the accommodations we can get sometimes.

The Secretary of the Treasury: We are very much obliged to you.

Mr. Hurst: There is nothing else you want to ask me?

The Secretary of the Treasury: That is all.

## STATEMENT OF MR. WILLIAM INGLE.

The Secretary of the Treasury: You may state your name, and business connection?

Mr. Ingle: William Ingle, Vice President of the Merchants and Merchandise National Bank of Baltimore. I am here as one of a committee of two named by the Baltimore Clearing House Association.

The Secretary of Agriculture: You have heard this discussion and know the kind of information we are seeking. We should be glad to have your assistance.

Mr. Ingle: May I say in the beginning that we possibly think ourselves to be a little unfortunate in being obliged to appear before you so early in the course of the proceedings, in that we have not the advantage of the knowledge that the publication of your later proceedings will give us, so if we omit any material fact, or if we find it desirable to offer further suggestions, I hope we may be permitted to submit them in some such form as may be agreeable to the committee.

The Secretary of Agriculture: We will be glad to receive them.

The Secretary of the Treasury: You can submit a brief

at any time within the next twenty days or within a month, for that matter.

Mr. Ingle: Would you rather I should talk, or will I answer questions?

The Secretary of Agriculture: I was just going to say that we might as well add that we do not propose to settle any part of this matter until we see all of it.

The Secretary of the Treasury: Yes.

The Secretary of Agriculture: So that your brief will receive consideration.

Mr. Ingle. Shall I talk or answer questions?

The Secretary of Agriculture: Yes, proceed and present any significant points that you think ought to be presented.

Mr. Ingle: Possibly I may best introduce the subject by saying that I have outlined on a map of the country each suggested district, for what they may be worth, to be used as a text. I am proceeding on the theory, and any thought I have given it has behind it my own thought that the size of these districts is not at all material; that we are dealing with the subject as a concrete whole, and I should imagine that the foreign bankers who purchase and make exchange on us, probably better understand the strength of

exchange that would be made by any one of these banks in this country, than any of our own bankers in the United States apparently do.

I appreciate that there is a total banking capital of national banks of \$106,000,000. That is the only known factor, or approximately known factor which is in evidence at the moment.

The Secretary of the Treasury: You mean the capital of the Reserve Bank?

Mr. Ingle: Yes, the capital of the Reserve Banks to be so formed will be \$106,000,000, to be divided amongst them.

The Secretary of the Treasury: Yes, the defined capital of the Reserve Banks.

Mr. Ingle: Being 6 per cent of the total national banking capital and surplus of the country.

The Secretary of Agriculture: What do you figure the reserves?

Mr. Ingle: Mr. Secretary, I did not attempt to figure the reserves for the entire country. I did figure them and made some other calculations, more with reference to the district of which we had hoped Baltimore might be the center.

I felt that the other figures were in the Comptroller's office, and you knew them better than we did, and I spared ourselves the trouble of duplicating your information.

The Secretary of Agriculture: I have seen the aggregate of the national banking power established by this system, without including any state banks and trust companies, and including possibly government deposits, as nearly \$600,000,000.

Mr. Ingle: Yes, I have seen that stated, and I have seen it stated so often, that unless they all copied each other, I assume that is approximately correct.

The Secretary of Agriculture: And no foreign state bank has anything like that, has it?

Mr. Ingle: No, I am sure not.

The Secretary of Agriculture: And we about double this sort of business about every fifteen years?

Mr. Ingle: So far, yes, sir.

The Secretary of Agriculture: So we are likely to have a respectable reserve.

Mr. Ingle: I should think so.

The Secretary of Agriculture: And foreign banks are anxious to see that, are they not?

Mr. Ingle: Yes. Possibly it would best serve your time

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if you would let me indicate in a suggestive way what I have outlined here. Please bear this in mind, that in common with Mr. Newcomer, I do not pretend to know anything of the niceties of trade and transportation situation when you get into the extreme west.

I have here outlined the northeasternmost district as Maine, New Hampshire, Vermont, Rhode Island and territorially, say, one half, the eastern half of Massachusetts and Connecticut, which would mean that the eastern half of Massachusetts, one half territorially, would be equivalent practically to 4.5ths of its banking resources. I have assumed that the dividing line of the Connecticut River would throw one half of the banking resources into the Boston district, and the other half west; that is approximate, but near enough for this calculation.

In that territory on a 6 per cent basis, a bank in Boston, where certainly one should be established, it would seem to me, as administering to a more or less, and decidedly more than less, homogeneous population, would amount to \$7,800,000, on a 6 per cent assessment on the capital and surplus. Of course any regional bank established in the northeastern section would always be in a credit neighbor-

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hood; in other words it would always have more money to loan than it would have demands on it for the loans; that is a situation which is fundamentally there and cannot be avoided by any districting you can make.

In the New York district I have rather arbitrarily placed the State of New York, the western halves territorially of Massachusetts and Connecticut, the State of New Jersey, and all that part of Pennsylvania which is northeast of a line drawn from the northern boundary of the State of Delaware, running northwest to the western boundary of Pennsylvania, where it strikes Lake Erie, at or about the City of Erie. Of course it would include the city of Philadelphia. It would, on the other hand, throw the City of Pittsburg either into its own district, or into some district south of that line, which we hope will be Baltimore, if you chose; for the reason that, generally speaking, the movement of traffic over the Baltimore & Ohio, and over the Pennsylvania to Harrisburg and south to Baltimore, is quite important, and in the southern tier of counties of Pennsylvania, almost entirely the City of Baltimore. The lower tier of counties deal very much more largely with Baltimore than they do with their own metropolitan

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city.

Now a bank established in New York in this certain outlined territory, would have a maximum capital, on a 6 per cent figuring, of \$36,800,000; that is on the 6 per cent calculation.

In dealing with Baltimore or any territory outlined south of that line, we would take the states of Delaware, Maryland, and that portion of Pennsylvania which we have put southwest of that arbitrary line, Virginia, West Virginia, the two Carolinas, Georgia, Florida, and I might say arbitrarily, the northern half of the State of Alabama, for reasons which, while apparently arbitrary, I have a reason for.

That makes quite a long list of states, but in that group of states will be found conditions altogether dissimilar to those in evidence north of the Potomac River. In the territory north of the Potomac River, the National Bank is in its greatest development. In other words, there are relatively few state chartered institutions in that territory compared either numerically or from the view of capital, as we have national banks, excepting the big Trust Companies in New York City. Whereas, in this territory

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below the Potomac River, the national banks are relatively few in number, while of the state banks there are just about twice as many if not more. That suggests this thought right here, that with the development of this system, which will mean the accretion to the system, resulting from the conversion of state banks into national banks under the new law, while there will be relatively small accretion from the territory so largely monopolized now by national banks, just as soon as the state chartered institutions in these other sections of the country are made aware of the privileges given them under this act, you will find that their regional bank for their territory will develop very much more rapidly. So that in suggesting Baltimore as the site of one of those regional banks, the city being well to the northeasternmost limit of the territory which we have outlined, it might well be that before a great while, instead of a branch bank at some other center here, the territory might very well develop along perfectly natural lines until it could, with entire propriety, support a regional bank of its own. Whereas, if you put a regional bank in the geographical center of such a territory, with the same development, you would not have the same lati-

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tude in making any further subdivision of that territory without disturbing two factors instead of one.

I have outlined here as the territory attached to Chicago, the States of Minnesota, Wisconsin, Michigan, Ohio, Iowa, and the northern half of Illinois and Indiana. That will give the northern half of Illinois probably 4.5ths of the banking power of the state of Illinois, while the northern half of Indiana will give about three-quarters, having in it the City of Indianapolis and so on, of the banking power of Indiana. That bank would have a capital, at 6 per cent of \$20,500,000.

To St. Louis we have given the southern halves of Illinois and Indiana, and the states of Missouri, Kentucky, Tennessee, and the northern half of Arkansas. The bank there would have a capital of \$9,000,000.

To New Orleans we have placed the southern half of Alabama, Mississippi, Louisiana, the lower half of Arkansas, Texas, the State of Oklahoma, which is more or less arbitrary, I recognizing the fact that the general drift and trend of commerce from Oklahoma is to St. Louis almost directly, and to make it go or dissociate the trade from the credit by diverting the credit to New Orleans, would

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probably not be natural, but I had in mind the necessities of the situation as outlined in the law, the desirability of having these banks as nearly alike as they possibly might be, so for whatever it was worth I have indicated that territory as including Oklahoma, with the lower halves of Arizona and New Mexico, which would give the New Orleans bank a capital of \$7,530,000.

The Secretary of Agriculture: What are the facts, so far as you know, as to the relations of Texas? Are they with New Orleans, or with the banks further north?

Mr. Ingle: Texas deals quite extensively with St. Louis, more largely, I imagine, in the way of exchange, and by reason of the fact that St. Louis is a Central Reserve City, and that Texas, having several reserve city banks in it, those banks, and they are large banks, are obligated to keep their reserves in a central reserve city, which forces them to St. Louis, rather than in any other direction.

Here again, in suggesting New Orleans at the outset, I have in mind that with the gradual development of this territory, in Oklahoma, for instance, and in northern Texas, which is developing very rapidly indeed, the time will soon come when there will be room in that territory to establish

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another regional bank. At such time, with a bank in New Orleans, in operation, it is altogether obvious that such a new bank could be established in Galveston, say, or Houston.

We take it as a general proposition that, everything else being nearly equal, all of these banks, if it were possible, should be established at a deep water port, somewhere or other. We have it in Chicago with respect to the water trade of the Lakes; we have it in Boston, New York, Baltimore, New Orleans and San Francisco. So that there would be under this outline or suggestive map, eight districts, only two of which would not have deep water ports, St. Louis, and one other.

In San Francisco, I have simply included the trans-Rocky Mountain territory, Washington, Oregon, California, Nevada, Utah, Idaho and so on. This bank would have a capital of \$7,700,000.

In connection with the remaining district, I suggest Omaha as preferable to Denver, for the reason that the trade movement is surely more general towards Omaha, than it is towards Denver. And in the Omaha district you would have Montana, the two Dakotas, Wyoming, Nebraska, Colora-

do and the northern half of Arizona and New Mexico. Such a bank there would have a capital of \$4,100,000.

These several figures will aggregate \$106,000,000 which is 6 per cent on the present national bank capital and surplus.

The Secretary of the Treasury: You include Denver, you say in the Omaha district?

Mr. Ingle: Yes.

The Secretary of the Treasury: You are suggesting Omaha as against Denver?

Mr. Ingle: Yes, altogether without prejudice, you understand. I have no particular interest when we get that far away from home.

The Secretary of the Treasury: I see. The map is not before me, and I wanted to see if I get the outline of your plans

Mr. Ingle: Here is a copy of the map.

The Secretary of the Treasury: We will mark this as Exhibit A to Mr. Ingle's testimony.

(The map presented by Mr. Ingle was accordingly marked Exhibit A to Mr. Ingle's testimony).

The Secretary of the Treasury: You may proceed.

Mr. Ingle: Now, personally, I do not feel that the size of any single one of these banks has any important relation to the general proposition itself. I think that in effect, not only in the eyes of the world abroad, but in the eyes of the world at home, when the system shall be better understood, we really have a central bank, which central bank is the Federal Reserve Board in Washington City, which controls all the eight to twelve or more banks, which may be ordered later. And again I suggest that these banks, I should suppose, should be at a deep water port, for the very important reason that it is there that the foreign exchange is made against exports, and is liquidated largely against imports.

The Secretary of the Treasury: Is most of that foreign exchange handled through New York, even though it originates in Baltimore?

Mr. Ingle: I imagine, generally speaking, it goes there because the situation is so made in New York, that it is the headquarters, under these old conditions with which we are all familiar. Now with the establishment --

The Secretary of the Treasury: As to the foreign trade, that is a more normal condition in New York, is it not?

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That is, there is no artificial element in the New York situation, so far as foreign trade is concerned.

Mr. Ingle: Excepting only, sir, that the exchange handled in New York reflects not only the volume of the merchandise shipments from the Port of New York, and this adjacent territory, but it is there collected from the entire United States.

The Secretary of the Treasury: Exactly, but what I mean is, that is due more to the facilities of the port of New York, I mean the facilities of the port itself, as well as the transportation facilities and the great steamship lines that converge upon New York City.

Mr. Ingle: You mean facilities of New York as an exchange center, and not as a transportation center in any wise?

The Secretary of the Treasury: Yes.

Mr. Ingle: Of course, all of our exchange in Baltimore, is made of course in Baltimore against shipments leaving the Baltimore docks. That exchange is bid for by the banking houses in New York or Philadelphia, or possibly in Baltimore, a couple of them; but New York gets practically all. It leaves the country via New York and finds its

way to New York. But when we make the exchange, and under the law the Federal Reserve Banks will be permitted to have their foreign branches, and when independent national banks will be permitted to have their foreign branches, it is altogether likely that that, shall I say abnormal, concentration of this exchange will not be in any one city, but it will just as naturally flow from Baltimore, the moment it is made, to Hamburg or Bremen, or Paris --

The Secretary of the Treasury: The transportation might be via New York, but the actual exchange itself would be cleared, you think, through the point of organization.

Mr. Ingle: My mind, and the important thought I have constantly before me is this, that I take it that the purpose of this bill is to see that the exchange, no matter of what nature, whether domestic or foreign, shall follow the actual course of the merchandise which it represents.

The Secretary of the Treasury: Well, normal courses.

Mr. Ingle: Normal courses. Now, when Baltimore exports so many million bushels of corn and draws against the purchaser of that corn on the other side of the water, first the proceeds of the sale of that corn to Baltimore will

be deposited in Baltimore rather than transferred to anywhere else; and second, when that corn is sold, that the Baltimore bank will, if you choose, be in the market for that exchange, and will dispatch that exchange, if it purchases it, direct to its correspondent on the other side of the water without the intervention of any outside agency. It may go to New York, or go to Norfolk to catch a particular vessel, by mail, but that is the only relation any other outside agency would have to that transaction.

The Secretary of the Treasury: The Committee would like to be informed, Mr. Ingle, on the importance you attach to the location of a Federal Reserve Bank because of any foreign exchange or foreign business that it does of the kind you are just describing. Now to what extent do you think that is an important element in determining the location of such a bank?

Mr. Ingle: I think it is, I will not say vital, but I think it is a very important element.

The Secretary of the Treasury: Would you elaborate on that a bit. Tell us the amount of foreign exchange handled at Baltimore, as against the domestic exchange or clearances there, so we can see how much of a factor it is

in the situation?

Mr. Ingle: The exports from our port during 1912 were \$100,000,000. In 1913, they were \$117,000,000, that is exports from the port of Baltimore. Of course every dollar of that --

The Secretary of the Treasury: That is the value?

Mr. Ingle: The total value of the outgoing commerce of the port. I assume that these are customs figures.

The Secretary of the Treasury: Did you say those are the customary figures?

Mr. Ingle: The figures from the Custom House. Of that volume, approximately \$40,000,000 of that was represented in corn and wheat and oats, in the exports of which cereals our port is superior to any on the Coast, I believe.

The Secretary of the Treasury: Is that business increasing or decreasing, in Baltimore?

Mr. Ingle: It is very hard to make a yes or no answer to that particular question. It depends so much upon crop conditions at home and abroad. One year may be the South American crop will be heavy, and our own crop in the west will be very light, and we will have relative little to export. Of course our export figures will suffer in that

particular season. In other years those conditions will be reversed, and our figures will be very large indeed.

The Secretary of the Treasury: What amount of those exports do you think is handled by the Baltimore bank?

Mr. Ingle: Every dollar of that -- I am speaking particularly now of the grain exports; that grain reaches Baltimore from the Middle West and from the Winnipeg and Canadian territory and every place east and southeast of that; it all comes down, or much of it, from the Canadian country through the Lakes and is either unloaded at Buffalo or Fairport, Ohio, and comes to Baltimore, for the simple reason that Baltimore is 100 miles nearer than any place else on the map to deep water, and we have that advantage of a freight rate --

The Secretary of the Treasury: You have a favorable freight rate ?

Mr. Ingle : Well, we do not call it favorable, but it is a natural advantage which we have. Every bit of that grain will come down and will be elevated, if you choose, at Buffalo, and keep on its way to Baltimore, to which city also comes a draft attached to the bill of lading covering that grain. The man at destination will pay that draft, not out of his own resources, but he pledges that bill

of lading and his documents against advances in his bank, so in that way essentially every dollar's worth of that commerce is financed by the banks in Baltimore, and there are relatively few of them in the general neighborhood of the business down town. When foreign exchange is made against that, and this exporter gets his master's bills, he is in the public exchange market. With a bank in Baltimore he would go across the street, he gets his documents signed at half past 2 o'clock, if you choose, on a given day, and he goes across the street to his own bank, which will accept it, and his own bank in turn will take it at once to the regional bank around the corner, and that document is turned into cash, to all intents and purposes, from the view point of both the exporter and the local bank, the moment it can be made. Whereas, if that piece of exchange has to be sent to Richmond, or Atlanta or Columbia, time is --

The Secretary of the Treasury: Well, a branch could buy it there as easily, could it not?

Mr. Ingle: It depends very largely. I appreciate the wide latitude given the Federal Reserve Bank in the establishment of these branch banks. I think the law says

in effect, and only to this extent, that the Board may establish branch banks --

The Secretary of the Treasury: No, the law says that the Federal Board shall establish branch banks.

Mr. Ingle: Well, shall establish branch banks.

The Secretary of the Treasury: And that the Federal Reserve Board shall make the necessary regulations and rules.

Mr. Ingle: That is what I mean, they give them very wide latitude as to the management. Now whether those branch banks will be simply local offices, with a room in which to take things and use them as a forwarding agent to their headquarters, or whether they are to be branches having the power of initiative, in, say the purchase of bills and in granting loans, and in otherwise acting to all intents and purposes as a regional bank, I do not know.

The Secretary of the Treasury: They are managed by a board of seven directors and under the Act those directors are to have the same qualifications as the directors of the Regional Banks themselves, or the Headquarters Banks.

The Secretary of Agriculture: The only difference that the law establishes, of course the Federal Reserve Board may say this or that, is that in the one case the member banks

select six directors, and in the other case the Central Reserve Board and the Federal Reserve Board name the directors.

The Secretary of the Treasury? They name seven directors.

The Secretary of Agriculture: That is the only essential difference.

Mr. Ingle: As to the number of banks, whether they are actual banks or branches of a lesser number of banks, I might say this, that in response to a letter written I think by Senator Hitchcock, at one time there, I venture to say that in my judgment twelve banks would be better than eight, if it could be so arranged, in dividing the capital under the law, that twelve banks could be fitted in the territory of the country, for this prime reason, that the smaller you make the district, until you reach the point when the banks would be so insignificant as to be not looked upon with any seriousness, shall I say, as individual units, the smaller you make the units, the more potent would be the directing force of those units to pass upon local credits and conditions, although in making the units too small, Mr. Secretary, I suggest this, that you would then have one bank in a comparatively small territory so homogeneous

in every respect as to permit no play between a plentiful supply of funds at one end in one season, and a poor supply at the other end at the same moment.

The Secretary of the Treasury: Such a bank might be a constant borrower.

Mr. Ingle: Yes.

The Secretary of the Treasury: In other words, with a larger number of units, it would have a tendency to devolve upon the Federal Reserve Board a larger amount of actual banking.

Mr. Ingle: You would, in the exercise of their autocratic powers.

The Secretary of the Treasury: They would have to be constantly compelling one bank to discount for another.

Mr. Ingle: Yes.

The Secretary of the Treasury: Unless the banks under the permissive power of the board, did that of their own volition?

Mr. Ingle: Yes.

The Secretary of the Treasury: And the units would be weaker?

Mr. Ingle: Yes.

The Secretary of the Treasury: You would expect to overcome that by more perfect co-ordination through the Federal Reserve Board?

Mr. Ingle: Yes.

The Secretary of the Treasury: The Board has that power, of course, and to what extent we ought to rely upon that power rather than allow the individual bank to resort to that practice only in the case of necessity, is another question. But you omitted to answer one part of the question which I asked you. You gave me the foreign exchange or exports of Baltimore, but you did not give me an idea of the domestic trade there as contrasted with the foreign.

Mr. Ingle: Mr. Secretary, I do not know that I am prepared to make even a very rough guess in response to that question. I do not think we have anything on that, because it is an extremely elusive proposition. We have nothing which will indicate it, in my judgment, taking it offhand--

The Secretary of the Treasury: You have this, you have an idea, and I suppose it is ascertainable, to what extent the business of the banks of Baltimore is purely domestic, and to what extent it is foreign.

Mr. Ingle: That is a very intricate problem to solve, I should imagine, Mr. McAddo.

The Secretary of the Treasury: The volume of your business there, you say you know how much foreign exchange you deal in. You think it is a very important factor in the location of a bank.

Mr. Ingle: Yes, but that is a concrete thing.

The Secretary of the Treasury: But everything except the foreign is domestic, is it not?

Mr. Ingle: I cannot debate that proposition, sir. That is exactly right.

The Secretary of the Treasury: Is that a question for debate? What else is there except foreign and domestic transactions with banks?

Mr. Ingle: You mean clearances?

The Secretary of the Treasury: Yes.

Mr. Ingle: You mean the total bank clearances of Baltimore? There again, that does not reflect the business of the port in any wise, because the clearances are affected by so many things that have no relation whatever to commerce. When speculation is active, our clearances will be three times the volume of the clearances in a time when things are quiet.

The Secretary of the Treasury: I know the question is in-

involved by some complexities and difficulties, but in making the division before us, we try to reach it in this way, to take the average turn-over of a bank in a year, so to speak, the general volume of its business transactions, both domestic and foreign transactions, how much of it would be foreign, and how much of it would be domestic. We would like to get some line on that, if it is possible to do it.

Mr. Ingle: I would be very glad to apply myself to that thought, but with what success, I cannot promise.

The Secretary of the Treasury: Unless we get that, how far can you say with any degree of certainty that this committee ought to give serious consideration to the important factor of foreign exchange as bearing upon the determination of the location of one of these banks.

Mr. Ingle: For the simple reason that we know that this train moves from these interior sections to the port of Baltimore for export, at the port of Baltimore. We also know that in addition to that trade which comes to Baltimore for export and is represented by these foreign bills of exchange, we have at Baltimore manufacturing and distributing industries which deal with this interior terri-

tory.

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The Secretary of the Treasury: But as/ determining the headquarters of the bank itself, I should like really more light upon that point, because if these transactions could be cared for just as well through a branch bank located at Baltimore, for instance, as through the headquarters bank, if that were established there, then it would not become a matter of so much importance, so long as you had a branch. We heard a good deal of this in New York, and in a general way, about the importance of foreign exchange bearing upon the location of these banks, but we did not get any concrete statement, we had no figures, it was just statements, just assertions; and naturally, we would like, as far as possible, to have some concrete figures.

Mr. Ingle : Have you been able to get at any other hearing any figures upon which you thought you could rely, touching that general subject? I ask for my own information, so I might have something to hope for.

The Secretary of the Treasury: Yes, we got some very interesting figures about the volume of foreign exchange in the banks there, but they all answered, on the domestic phases of it, just as you are answering.

Mr. Ingle: It shows that I am not unique, then. You have given me a little more encouragement to make some effort to ascertain it.

The Secretary of the Treasury: They said they would attempt to get some such figures and thought they were available.

Mr. Ingle: I want to suggest this, that the total clearances do not in any wise mean anything at all in such a connection.

The Secretary of the Treasury: We are quite aware of that.

Mr. Ingle: I know you are, sir.

The Secretary of the Treasury: Yes.

Mr. Ingle: But it is a pretty difficult thing, but still that is not for me to take up your time with now, but I can understand you have cut out quite a task for me, or quite a pleasurable task, we will say before you anyhow, but we will endeavor to do it.

The Secretary of Agriculture: I understood you to say that you had some tables showing the present transactions and course of trade with the south, in this section.

Mr. Ingle: Yes; in the states of Maryland, the District of Columbia, Virginia, West Virginia, North Carolina and

South Carolina there exist 1802 banking institutions, reporting a capital, which means everything, I assume, except savings banks, 1802 institutions. Out of a total of 1802, 1513 have accounts in New York, 659 have accounts in Baltimore, 253 have accounts in Philadelphia, 52 have accounts in Washington, 128 have accounts in Pittsburg, 42 in Cincinnati, and 98 in Richmond. Those include National Banks as well as State Banks in that territory.

The Secretary of the Treasury: I was going to say you include both. Now have you figures on the National banks alone?

The Secretary of Agriculture: We have those.

The Secretary of the Treasury: I was wondering if you had considered them.

Mr. Ingle: No, only the reserve agencies.

The Secretary of the Treasury: We have them.

Mr. Ingle: I have here the figures showing how many of those national banks in that territory have designated Baltimore banks as their reserve agents, if that is of any interest to you in this connection.

The Secretary of Agriculture: You will file that?

Mr. Ingle: This will all be part of the exhibit, yes, sir.

The Secretary of the Treasury: Have you any other witnesses besides Mr. Ingle, who desire to be heard?

Mr. Newcomer: No, I do not think so. Mr. Hershey was the only other speaker, and he says it is not important for him to be heard.

The Secretary of the Treasury: I shall have to ask you to excuse me, because I have another very important meeting; but Secretary Houston will hear you until you put in your testimony.

(At this point the Secretary of the Treasury withdrew from the hearing room).

The Secretary of Agriculture: What was that number of National Banks that have designated Baltimore banks as their reserve agents?

Mr. Ingle: Baltimore's reserves are 84 banks in Maryland., 117 in Virginia, 73 in West Virginia, 53 in North Carolina and 31 in South Carolina. Those of course are National Bank figures, entirely.

The Secretary of Agriculture: Yes, we have those. I just wanted to see what it was.

Mr. Ingle: Of course, Mr. Houston, every bank in the country is practically obligated to keep a balance in

New York, essentially so. You asked a question awhile ago, and you inquired why that was, whether it was for exchange, or for other purposes. Of course those balances are kept for different purposes. Some part of them for purposes of exchange, which is compelled under the general trend of business and customs, established under the law as it has existed. The people have a habit, and they have been compelled, shall I say, under the rules of the local clearing houses up north, which say "Send us New York Exchange". That simply means that everything that comes to New York carries more weight than from any other place in the country, and they do it for New York without a murmur, whereas if Baltimore would do it, they would say if you don't take what we send you, you will have to do without.

The Secretary of Agriculture: They never have done anything else.

Mr. Ingle: No. Then again, part of that balance is kept there for the sake of the accommodation it will command when needed, as under the older law New York is a court of last resort, you might say, and when they get to resorting to artificial means of supplying that demand, we have exhausted every resource in our power, until this law goes into effect.

Again, a great share of that money, quite a large volume of it, reaches there for investment in the market, you understand. All of those things have a tendency to make money flow out of the sections where the merchandise which it pays rests, into the section where the funds are transferred for these purposes.

You also asked about the question of interest on balances. I think, as Mr. Newcomer has said, aside from two banks in Baltimore, the rule there is 2 per cent. Any bank paying 3 per cent is looked upon as not being altogether ethical, or I might use a stronger word. 2 per cent is the limit of safety in Baltimore, with the conditions as we find them.

I will say this, that a bank in Baltimore will minister to mixed conditions, just such conditions as it would seem to us make for an ideal banking situation, in that while the northern half of that territory might fairly be called a credit territory, the lower half of it is more or less constantly a debit territory, and in the market for loans most of the time.

There was also a reference made to commercial paper.

By reason of the fact that this old law has forced remittances out of their natural position, I think you will find that under this law a very great deal more of commercial paper will be made than heretofore. In other words, these credits to which Mr. Hurst referred will not so consistently take the form of a book credit, but that the jobbers will more and more ask for a note which they can use as double-name paper to the banks buying it, rather than depending so largely upon single name paper which is now in the market, and I think that would also make for very much better conditions than have obtained for some little time.

Of course you will understand also, Mr. Houston, that in that territory, Baltimore being the largest centre, very much the greater volume of checks would be drawn on Baltimore than any other city in it. Now if those checks were routed to any city in that territory other than Baltimore for collection and liquidation, there would be a delay always of one day at least in the final payment of those checks. In other words, should not the central point of distribution, the central clearing house, if you choose, be at the point upon which the greatest number of these checks happen to be drawn, or are apt to be drawn in a

very large way?

I have made some figures here referring to the Baltimore situation, which I have not made referring to the other seven districts which I have outlined on this map. In the territory as outlined on that map, which I have placed in evidence, the capital and surplus of the National Bank is \$215,000,000, which, upon a six per cent basis would give \$12,900,000 as the capital of a Federal Reserve Bank. The reserve, 15 per cent on \$442,000,000 of deposits, would be \$66,000,000. 8 per cent on the savings deposits would equal \$11,000,000; or there would be \$77,000,000 reserve required. Six-fifteenths of that \$77,000,000, which would be the required deposit in the Federal Reserve bank, would give that Federal Reserve Bank in the Baltimore district, in that territory, a deposit line of \$31,000,000 plus \$9,000,000 of government deposits, which in October last were in the same territory, or \$40,000,000 of deposits, plus \$12,000,000 of capital or \$52,000,000 available to supply the wants of that territory. At that time the bills payable and cashier 's checks only amounted to \$23,000,000, but that was in October, after considerable

liquidation had been had, and I do not include as debts any part of the very large item carried as certificates of deposit, which in several of the states means that it is bills payable, to all intents and purposes.

Mr. Ingle: Now, I do not say --

The Secretary of Agriculture: File that with the Committee.

Mr. Ingle : With this little memorandum I have here?

The Secretary of Agriculture: Yes, if you wish.

Mr. Ingle : Very good, sir. Now, I do not know --

The Secretary of Agriculture: How intimately should you say that Baltimore is in touch, in a business way with South Carolina, Florida and lower Georgia?

Mr. Ingle: I am surprised, sir, at the -- I was going to say almost absolute unanimity with which the banks in Florida made reply to our circular letter which we hastily prepared and dispatched about a week ago. With one consent the banks in - I shan't read you the letters - with one consent the banks in Florida all say Baltimore is their preference. Palmetto, for instance, entitles us to the first claim as a proper location of a regional bank next south of New York. Zolfa, Fla., almost exactly the same thing, although 300 miles apart. Palm Beach, writing what he can do to help get a bank in Baltimore. Punta Gorda, Fla., should have the next regional bank south of New York. This was not a suggestion in our letter that named that.

Our letter simply asked what he thought of one in Baltimore.

The Secretary of Agriculture: Would you file a copy of your circular letter?

Mr. Ingle: I will be glad to do that.

The Secretary of Agriculture: Would you care to leave those replies with the Committee?

Mr. Ingle: I would be glad. I only picked these out of 150, and I blue penciled some in here. One gentleman in West Virginia wrote, evidently in more or less ignorance of the purpose of the law, that he preferred Pittsburgh, for the reason that the Pittsburgh banks all paid three per cent. That is one reason. "The one reason why we prefer Pittsburgh rather than any other city, is on account of the rate of interest that Pittsburgh banks pay on balances. Banks through this section all pay four per cent. on time deposits and naturally they feel the necessity of getting all they can out of their surplus funds." Whether he was in Pittsburgh in 1907 deponent sayeth not. Some of these extracts are quite interesting. I have one here on top of my pile. It was from a city not a very great distance from the City of Washington. In fact, a long range gun nowadays would come pretty near hitting it. He says, "As a matter

of state pride we have already agreed to use what influence we had in favor of Richmond, although we know our interest in preference favors Baltimore. You can certainly count on us in favor of Baltimore as second choice." In other words, a matter of local pride, but some of these extracts are quite interesting. I have one from Rockville, quite close to Washington, suggesting Baltimore as the only place on the map. Sandy Spring -- I want to point out this one thought, sir, there is a great section of West Virginia, very much nearer Baltimore by transportation and every other way than any other part of the state. The entire Shenandoah Valley and with, I was going to say, with one consent, the banks up there all named Baltimore first, second and third. They don't seem to have any other. All the eastern shore of Virginia -- two lower counties of Virginia, for very obvious reasons, and other sections of Virginia, too, sir, as far as that is concerned. I can show 17 letters, if you choose, from as many Virginia banks. I think eight of them express a first choice for Baltimore and nine as a first choice for Richmond, but all express a second choice as Baltimore. Now, I submit that after they get through with the favorite son vote, that you will find

that from our letters we will have practically unanimity in a choice of Baltimore as second place, which means that that is the natural and normal place to which their business now goes and has always gone. Of course, Mr. Houston, years ago when credit was not as easy as it is now, when conditions were altogether different, it was to Baltimore that that entire section of country turned for help. They got it at Baltimore, because I imagine Baltimore best understood the people down below us there. They knew the honesty there of purpose, and they knew that while they were taking a chance, that if it ever developed, their money would all come back. It has come back in a large way, although not without considerable loss as we all know. I can also say this: Baltimore is peculiarly identified with the cotton milling business of the Carolinas specials. It was from Baltimore that many of those mills were originally financed, and when I say financed, they were not promoted. Those mills represent 100 cent dollars and it is in Baltimore now that a great number of those mills make their borrowings. I know one bank has 38 mill accounts in the two Carolinas.

The Secretary of Agriculture: What would you say to the suggestion of Philadelphia as a centre for this section,

down to South Carolina and Florida?

Mr. Ingle: I think that would be an altogether arbitrary arrangement. While I think, sir, that in order not to sharply violate the law -- what shall I say -- we would prefer, everything else being agreeable - we would prefer to deal with Philadelphia through a branch bank, or without the intervention of a branchbank if you choose, than to have to pump our water up hill to Richmond or Columbia, or Mr. Hope, W.Va. You can understand. I think it would be just as arbitrary to tie up that territory south of the Potomac River, with a city like Philadelphia. I do not think our friends up there at all fully appreciate the make-up of the southern minds, certainly not as clearly as we people, who are more nearly related to them by every tie. I cannot impose upon your time, but I should very much like you to see the general trend of this correspondence here, from the Virginias, North and South Carolina, Georgia, Florida, and Alabama. It is most gratifying. This is only a sample, sir, of what we have. Here is one from Dalton, Ga. "Sincerely hope the City of Baltimore will be appointed the seat of one of the regional Reserve Banks."

The Secretary of Agriculture: Now, if you will leave those, I shall be glad to glance over them and I can do it much more quickly.

Mr. Newcomer: Do I understand you want some 1500 letters we have there?

The Secretary of Agriculture: No, just these would give me what I want. You analyzed them, I believe, did you not, Mr. Newcomer.

Mr. Newcomer: Yes, sir. I just gave you a memorandum of how many favored Baltimore and how many were second choice.

The Secretary of Agriculture: Anything else?

Mr. Ingle : Is there any point which I have not touched, gentlemen, that occurs to you as needing any elaboration? Of course, you will appreciate that these letters are only from banks.

The Secretary of Agriculture: Yes.

Mr. Ingle : Our merchants addressed their mercantile friends and their testimony is simply cumulative. That is all, and I want to leave this impression, sir, that while the banks in Baltimore, in their own trade territory loan very heavily south of the Potomac River, primarily, as Mr.

Hurst pointed out, that is only a fraction of the total credit extended that section by our town. I should imagine that it would not be difficult to pick out ten jobbing houses in Baltimore there, which, on or about the 1st of October probably have as much as I think twelve or fifteen million dollars worth of credits down there, awaiting the sale of the cotton crop.

The Secretary of Agriculture: That is usual in this section?

Mr. Ingle: Exactly so, but I mean it is not measured at all by our banking figures.

The Secretary of Agriculture: Yes, I am familiar with that fact.

Mr. Ingle : Some North Carolina letters here, sir, that are very strikingly favorable to our city, and I may add this, that while our very ambitious and energetic friends in Richmond -- long may they live -- went down south personally and got hold of the Executive Committee of the North Carolina State Bankers' Association and had them endorse Richmond as their first choice, notwithstanding that independent letters from North Carolina banks, while some of them say that by reason of this endorsement of their

Committee they feel morally bound by it, at the same time they recommend Baltimore as the logical place for a bank to serve their territory, and I have one letter which said that the motion as first drawn said that if they could not get Richmond, then Baltimore was their second choice, and our friends very wisely thought that it would be unwise to even suggest, by mentioning the name of Baltimore as a competitor, so they omitted the name of Baltimore from their resolution, and went on to say in substance if Richmond should not be chosen, then some other city to the north of us, which being interpreted means Baltimore.

Mr. Newcomer: Mr. Secretary, just before you adjourn, I presume you are through with your questions -- I just want to take the opportunity to thank you and Secretary McAdoo for this hearing you have given us, and for your courtesy and patience, and to say that if there is anything else we can furnish you later, we of course will be glad to cooperate in any way we can. There was one gentleman that I would have liked to have had with us today. He was intending to come with us, but had personal business in New York and was unable to make the trip. He has got a big mail order house that last year done a business of

approximately \$16,000,000. I am informed from his own authority that he carries 75,000 accounts in the south.

That means he could give you a good deal of light on southern conditions.

The Secretary of Agriculture : If you desire, he may submit a brief statement, Mr. Newcomer.

Mr. Newcomer: I will be glad to suggest that to him, with great pleasure.

Mr. Hurst: Mr. Secretary, may I answer one question put here a few minutes ago, as to the character of the letters sent out?

The Secretary of Agriculture: Yes.

Mr. Hurst: I will give you one here: "If you have not already replied to a similar letter, will you please write us immediately on receipt of this, expressing the preference that Baltimore be selected as one of the regional bank cities? An expression from you with any reasons for such wish will be of great assistance to us at this time." That was the character of the letter, sir, that Mr. McAdoo asked for a few months ago. It was not available at that time.

Mr. Gibbs: Mr. Secretary, may I file this map here, showing the hours that it takes for the mail service?

The Secretary of the Treasury: I shall be very glad to have that.

Mr. Gibbs: I have marked it here as Exhibit A, showing mail service between Baltimore and those points.

The Secretary of Agriculture: Gentlemen, is there any other statement that any of you desire to make? If not, we shall begin tomorrow on those other cities at ten o'clock.

Whereupon, at 5:00 o'clock P.M., an adjournment was taken until January 15th, 1914, at 10:00 o'clock A.M.