

# 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.

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Date January 15, 1914.

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

BEFORE THE  
RESERVE BANK ORGANIZATION COMMITTEE.

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IN THE MATTER :

of :

THE DIVISION OF THE UNITED STATES :  
FEDERAL RESERVE DISTRICTS AND THE :  
LOCATION OF FEDERAL RESERVE CITIES :  
THEREIN. :

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Washington, D. C.,

January 15th, 1914

**Before:**

THE SECRETARY OF THE TREASURY.

**THE SECRETARY OF AGRICULTURE.**

**Appearances:**

I. E. Stagg,  
Virginia House of Delegates.

O. C. Hope, President,  
United Commercial Travelers.

C. Harding Walker,  
Member Virginia Senate.

C. B. Garnett, Attorney.

**F. P. McConnell, Banker, President  
Manchester National Bank.**

Benjamin P. Owen, Jr.,  
Secy. Governor of Virginia.

Bishop D. J. O'Connell  
Bishop, Richmond Diocese.

Hon. Wm. Hodges Man,  
Governor of Virginia.

James F. Phillips,  
Physician.

HON. HENRY C. STUART,  
Governor Elect of Virginia.

Rev. Edwin N. Calish,  
Rabbi of Richmond.

Hon. George Ainslie,  
Mayor of City of Richmond.

Geo. A. Holderness, President of  
North Carolina Bankers'  
Association.

C. C. Barksdale, State Bank  
Examiner, Va.

Langhorne Putney, President  
Stephen Putney Shoe Co.

James P. Sawyer, Delegate representing  
Committee N. C. Bankers Association.

Geo. W. McDaniel, Pastor,  
First Baptist Church Richmond.

W. T. Shepherd, Secretary and Treasurer,  
Harwood Bros., Wholesale paints and  
oils.

Charles Hutzler, President Central  
National Bank, Richmond.

Henry S. Hutzler, President Henry S.  
Hutzler & Co., Bankers.

A. W. Patterson, Lawyer,  
Richmond, Va.

J. C. Hunter, Member House  
Delegates, Va.

Hill Montague, Member House  
Delegates, Va.

E. W. Milstead, " "

D. H. Pitts " "

A. T. Lincoln " "

W. A. Rinsart " " (Banker)

O. E. Parrish, President  
Church Hill Bank.

Thomas B. Scott, Manufacturer.

Richard H. Smith, Vice President-  
Cashier, Planters National Bank  
Richmond.

W. H. Adams, President Board of  
Aldermen City of Richmond.

Charles E. Smith, of Smith-Hill  
Co., Brokers.

John Bagby, President  
Fidelity Bank.

W. M. Habiston, President,  
Old Dominion Trust Co.,  
Richmond.

G. W. Keiner, Commissioner of  
Agriculture, Va.

S. H. Bowman, Manager Travel  
Department, Richmond Trust  
& Savings Co.

L. I. Jaffe, Staff Correspondent,  
Times Dispatch.

R. L. Peters, President City  
Council, Richmond.

Warren P. Taylor, Traffic Manager  
Richmond, Fredericksburg and  
Potomac R. R.

Judge Geo. L. Christian, Attorney.

Charles E. Bolling, City  
Engineer, Richmond.

Alvin M. Smith, President Business  
Mens Club; President Smith  
Courtney Co.

Milton Cone, President Spotless  
Company.

Frederick E. Nelting, President  
F. E. Nelting Co., Bankers,  
Richmond.

Norman H. Williams, President,  
First National Bank of Chase  
City, Va.

Geo. J. Seay, Banker,  
Richmond, Va.

James A. Gray, Jr., Wachovia Banking and  
Trust Co., Winston-Salem, N. C.

I. T. Morgan, Director Virginia  
Carolina Chemical Co.,  
Richmond, Va.

- Henry T. Moore, Director  
Church Hill Bank, Richmond.
- John Stewart Bryan, Editor and Publisher  
News Leader, Richmond, and Chairman  
Board Directors Times Dispatch.
- W. C. Sale, Manager Western Union Tele-  
graph Company, Richmond, Va.
- Jno. C. Easley, President R. B.  
Chafin Co.
- R. Latimer Cordon, Asst. Cashier Planters  
National Bank.
- John T. Wilson, President Bank Commerce  
and Trust, Richmond.
- A. M. Cover, of Cover & Smith,  
Real Estate.
- B. H. RANDOLPH, Richmond Post Travelers  
Protective Association.
- W. D. Blanks,  
Senate of Virginia.
- John R. Saunders, Virginia Senate,  
President Bank of Middlesex.
- R. E. Thornton,  
Virginia Senate.
- A. C. Harman,  
Virginia Senate.
- R. C. L. Moncure,  
Virginia Senate.
- E. A. Saunders, President E. A. Saunders Co.,  
Jobbers and Importers.

- H. W. Rountree, Vice President  
American National Bank,  
Richmond.
- C. H. Weber, Division Manager,  
Chesapeake & Potomac Telephone Co.
- N. G. Willis, President, Farmers  
State Bank, Fredericksburg, Va.
- Robert Lecky, Jr.,  
Fire Insurance.
- E. E. Grady,  
Trainmaster, R. F. & P.
- S. T. A. Kent,  
House of Delegates, Va.
- D. P. Moody, Illinois Commercial  
Men's Association, Richmond, Va.
- Herbert W. Jackson, President  
Virginia Trust Co., Richmond.
- J. C. Braswell, President Planters  
Bank, Rocky Mount, N. C.
- E. L. Bemiss, President,  
Richmond Trust & Savings Co.
- M. G. Field, President,  
National Bank of Orange,  
Orange, Va.
- Allen Cucullu, Vice President,  
Lynchburg National Bank.
- George Bryan, Lawyer,  
Richmond, Va.
- C. R. Caldwell, President,  
Farmers and Merchants Bank,  
Staunton, Va.

Henry Easley, President,  
Planters & Merchants Nat'l Bank,  
South Boston, Va.

T. M. Carrington, President Chamber  
of Commerce, Richmond.

R. E. Byrd, Lawyer,  
Richmond, Va.

John B. Purcell, President,  
Richmond Clearing House,  
First National Bank.

O. J. Sands, President,  
American National Bank,  
Richmond, Va.

Joseph Stebbins, President,  
Bank of So. Boston, Va.

J. W. Norwood, President,  
Norwood Nat. Bank,  
Greenville, S. C.

R. C. Vaughn, President,  
Am. Exchange Natl. Bank,  
Greensboro, N. C.

Julian Price, Insurance,  
Greensboro, N. C.

A. L. Brooks, Chamber of  
Commerce, Greensboro, N. C.

F. B. Arendell,  
Raleigh, N. C.

John F. Wily, Vice Pres.,  
The Fidelity Bank,  
Durham, N. C.

J. Elwood, Cox, President,  
Commercial Natl. Bank,  
High Point, N. C.

James P. Sawyer, Chairman Board  
Directors, Battery Park Bank,  
Asheville, N. C.

H. C. McQueen, Pres.,  
Murchison National Bank,  
Wilmington, N. C.

John F. Bruton, President,  
1st National Bank,  
Wilson, N. C.

Joseph G. Brown, President,  
Citizens Natl. Bank,  
Raleigh, N. C.

Dr. H. W. Lilly, President,  
4th National Bank and  
Victory Cotton Mfg. Co.  
Fayetteville, N. C.

A. McDowne, President,  
Bank of Scotland Neck,  
Scotland Neck, N. C.

S. C. Mitchell,  
Richmond, Va.

J. C. Braswell, President,  
Planters Bank of  
Rocky Mount, N. C.

R. G. Rhett, Peoples National  
Bank, Charleston, S. C.

J. P. Matthews,  
Columbia, S. C.

Bright Williamson, President  
Bank of Darlington, President  
S. C. Bankers Association,  
Darlington, S. C.

D. Y. Cooper,  
Henderson, N. C.

John Kerr Branch, Vice President,  
Merchants National Bank,  
Richmond, Va.

John F. Bruton,  
Wilson, N. C.

Joseph G. Brown, Pres. Citizens Natl. Bank,  
Raleigh, N. C.

George A. Holderness, N. C. Bankers'  
Association, Tarboro, N. C.

M. T. Ansel,  
Greenville Board Trade,  
Greenville, S. C.

J. Elwood Cox, High Point N. C.  
N. C. Bankers' Association.

T. M. Carrington,  
Richmond, Va.

A. L. Cox, V. V. Anchor Trust Co.,  
Raleigh, N. C.

W. B. Drake, Jr.,  
Merchants National Bank,  
Raleigh, N. C.

Hon. Thomas S. Martin,  
United States Senator from Virginia.

Hon. Claude A. Swanson, United States  
Senator from Virginia.

HON. CARTER GLASS, Chairman,  
Committee on Banking and Currency,  
U. S. House of Representatives.

The Secretary of the Treasury: Gentlemen, I am very sorry that Uncle Sam has not more commodious quarters in which to receive you, but Uncle Sam is so busy these days that we are using all the available space we can get for actual work. I think I should say to the gentlemen who are present that the immediate questions before the Committee are those relating to the division of the country into not less than eight or more than twelve districts, and the location in each one of those districts of the headquarters for a Reserve Bank.

Under the provisions of the Act, branch banks may be established within other cities, of course, in the district, so that it is not a question of one bank in a district; it is a question merely of the headquarters of the bank.

Now, the limited time at the disposal of the committee makes it absolutely impossible to hear from more than a few representatives of the different cities. I may say in that connection that Baltimore was here yesterday, and they selected five spokesmen to put in their case very logically and promptly. The Committee is anxious to have that course pursued as far as possible. While not

desiring to limit anybody, at the same time we are obliged to ask the gentlemen to confine themselves as largely as possible to answers to the questions we will ask, to elicit the information that we want. It is not oratory we want. We want facts, these facts which relate to economic conditions, the essential facts which we must have in order to determine this question intelligently.

I may say in that connection that the committee is, of course, aware of the commercial advantages of the leading cities of the country. We know that they are all on the map, and we know just where they are. We also know what railroads and transportation facilities they all have. It is not necessary for the gentlemen to take up their own time or that of the Committee in giving us that sort of information.

I speak frankly, because it facilitates and expedites the hearing, if the general lines upon which it is to be conducted are made known in advance.

I may say further that the division of the country into districts is not a local question, it is a national question. These districts, of necessity, have relation to each other. Therefore, in the laying out of any one dis-

trict, consideration must be given to its relationship to other districts, and to the whole question. The Committee, therefore, is obliged to ask that purely local considerations shall not be considered wholly; that those who discuss the advantages of any particular community or any particular district shall discuss them with reference to the problem as a national economic problem of great and vital importance to the business interests of the country, and such purely local considerations must, of necessity, be subordinated. That is the theory upon which the committee is proceeding.

Now I understand that Richmond is here and it looks like it (laughter). I would suggest that if you gentlemen have not selected your spokesmen, those whom you particularly desire to have appear, you might do so, or that you hand in a list of the gentlemen who would like to be heard, and we will hear them as expeditiously as possible.

Mr. Branch: Here is a list, Mr. Secretary.

The Secretary of the Treasury: We will hear Mr. Seay representing the financial interests of Richmond. Will you please be seated, Mr. Seay.

STATEMENT OF MR. GEORGE J. SEAY.

The Secretary of Agriculture: You may give your name.

Mr. Seay: George J. Seay.

The Secretary of Agriculture: What do you represent?

Mr. Seay: The banking interests of Richmond and of the state.

The Secretary of Agriculture: Are you connected with a bank there?

Mr. Seay: With no bank at present.

The Secretary of Agriculture: Will you give your business relations?

Mr. Seay: I have no financial or business connections at the present time. My past experience was in banking matters.

The Secretary of Agriculture; We should be glad to hear what you have to say bearing directly on this problem of the division of the country.

Mr. Seay: Mr. Secretary, I have no speech, no oratory, no civic pride to present to you. We have put together certain facts which we believe to be pertinent, and tied together with only so much language as may be necessary,

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and if you will permit me to give these facts in their logical sequence, and preserve the continuity of thought, and will cut me short on any point, or ask me questions from time to time as I progress, I will be grateful to you.

We have prepared our case along lines upon which we understand you desire information, and we do not aim to present anything irrelevant, but I have something here in the nature of a brief which I should like to present.

The Secretary of the Treasury: You may proceed.

Mr. Seay: On the first part I will say if you do not desire any information on that, I will eliminate it. It is as to the position and facilities of communication with other parts of the territory intended to be served, as well as communication with other Federal Reserve districts likely to be formed in the same circuit, so to speak; and second, the present trend of business and present course of commercial transactions, and present currents of exchange, and the present banking and trade connections and banking customs of our people.

Third, the convenience of location and accessibility in communicating with members with whom we now do business

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and in acting under the Federal Reserve Act as a clearing house for an area of territory embracing one half the national banking capital of the country.

Fourth: The comparative commercial importance in the territory covered, measured by capital, deposits and other banking transactions.

Fifth: The diversity of industries and agriculture, in their effect upon seasonal demands for credit and currency.

Sixth: The necessity of having resources to handle the business of the district.

Seventh: The wishes and views of those engaged in banking and commerce in the district outlined, and their wishes as to the division of the territory.

Those are the different lines I wished to cover.

The Secretary of Agriculture: I think you might omit the first and proceed with the others and file with us anything you have in the way of an exhibit in regard to the first proposition.

Mr. Seay: We would be glad to do that.

The Secretary of Agriculture: You spoke of a district. It would help us if you would define that first.

The Secretary of the Treasury: Is this the map of the district as you propose it?

Mr. Seay: Yes. I will go to the rear of our presentation. Shall I call the name of the states in the district?

The Secretary of Agriculture: Yes.

Mr. Seay: Virginia, North Carolina, South Carolina, Georgia, Florida, the southern half of West Virginia, the eastern half of Kentucky and the eastern half of Tennessee. The facts which I shall present --

The Secretary of the Treasury: You mean the eastern half of East Tennessee?

Mr. Seay: Yes, the eastern half of East Tennessee, to be more accurate.

The Secretary of Agriculture: Where do you propose to locate the bank?

Mr. Seay: Of course at Richmond, sir. We hope and believe you will agree with me when we get through.

The Secretary of Agriculture: I just wanted to get it on the record at this time.

Mr. Seay: And in that connection, the marked advantage of Richmond's situation, practically and effectively on the seaboard, midway of the coast, which we will develop, within an hour and a half of the greatest harbor on the Atlantic seaboard, the greatest naval base, destined to be on the continent, and according to the testimony

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of Rear Admiral Stanford, who has just made a report on that harbor, the most frequent mobilizations of the fleet occur at that point; and in view of the central location and the use of Hampden Roads as a base of operation, there is a greater possibility of repairs to naval ships being required there than at any harbor on the coast.

Into Richmond come directly the great trunk lines of the country, three from the south, and two from the west, and into Norfolk, its sister city, another from the west and another from the south. These avenues of communication place Richmond within 18 hours of all the important cities within our district, and of course, in much quicker communication with a large majority of the states south of her, with the exception of part of the extreme south of Florida.

A telegram to Richmond received before 2 P. M., would enable currency shipments to reach all points on the next day, and in most cases before banking hours.

Richmond is within easier and quicker reach of all the eastern centres of trade and finance than any southern cities, and is therefore in an exceptional position to act for the north in banking relations with the south,

and for the south in dealing with the north, and no other city on the Atlantic Coast occupies this advantageous position.

There is one point I will touch upon as to the railroads, Mr. Secretary. The numerous lines to the south of us are not only a guarantee of promptness and efficiency, but an insurance against disaster. We think, sir, that with the other side of the Potomac River, to which there is only one connection, a disaster easily imaginable might at times tie up the communication with the south and might easily result in confusion, and sometimes even in disaster.

The second point: It is a fact, certainly applicable to the Atlantic Coast States, that the trend of business, the course of commercial transactions and the currents of exchange are northward, or in other words, from the outside towards the centres of finance and manufacture. Therefore, Virginia occupying the position at the head of the Southern States, places Richmond in direct line with that trend, on the principal lines of transportation and travel. The railway lines in the south come into Virginia as into a funnel, Richmond being at the apex, the line of

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railway being the tube leading to Washington and points north. She is a natural converging point.

As to the accessibility to numbers in the district, to serve the needs of the district to best advantage, as we see it, the location of a Federal Reserve Bank should not only be reasonably accessible to the whole district, but if practicable, in the line of trade and the course of exchange, to best fulfill these purposes in economy of time and otherwise, particularly in relation with other districts, should not be in the center of any district, but rather on the northern limit. Quickness of communication is better assured by being on the line of greatest frequency of travel, and all railroad schedules have been arranged with regard to the northward trend and with particular reference to the financial and business centres in line with that trend. In acting as a clearing house, not only for members, but especially for the reserve banks, a point midway along the line of quickest and most frequent communication, offers the ideal location, and Providence has placed Richmond in that position.

The States bordering on the Atlantic Coast have more than one half the national banking capital of the

country. The New England States have \$158,000,000, the Eastern States \$674 000,000 and the Southern States \$84,000,000, or a total of \$924,000,000 or 52% of the entire banking capital of the United States.

Among these fifteen states Virginia ranks sixth in banking capital. Excluding Connecticut, and taking into account that Virginia has \$40,000,000 more deposits than Connecticut, Virginia ranks fifth in banking importance of all the states on the Atlantic Coast.

As we understand the spirit and the purpose of the Federal Reserve Act, it is to concentrate the reserves of the country now held in some 366 cities into a certain eight to twelve reservoirs, but at the same time to avoid too great concentration in any one district or part, and to distribute them in certain defined geographical districts, apportioned with due regard to the convenience and customary course of business in those districts, so that, so to speak, the entire country may be brought into financial equipoise. We therefore assume that the Atlantic Coast States, having the banking capital essential to the organization and maintenance of the system, are entitled to and perhaps must have several Reserve Banks,

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not too closely related territorially, which would perhaps be subversive of the essential principle of the bill, and certainly not to the greatest economic advantage.

The Federal Reserve Bank located at Richmond will have the most decided advantage over any point in these Atlantic Coast States in clearing between the north and the south, and no other location can offer such practical advantages in economy of time, which, according to the accepted adage, is synonymous with money.

One day's interest on the annual volume of exchange between the northern and the southern banks would mean a handsome profit to the Government.

The Secretary of the Treasury: That is not an important element now, in view of the fact that there is to be parring of exchange between these different banks. That argument would not apply, would it?

Mr. Seay: I am going to bring that in a little later, if you will indulge me, Mr. Secretary.

The Secretary of the Treasury: Certainly.

Mr. Seay: This one advantage alone is of such overwhelming importance that it justifies our statement that Providence has pre-determined the matter of this location --

The Secretary of the Treasury: We ought to quit, then.

Mr. Seay: I think, Mr. Secretary, that you ought to see the handwriting on the wall.

The Secretary of the Treasury: Well, we are leaving it to you to show it to us.

Mr. Seay: And we are trying to show it to you.

The Secretary of the Treasury: If you will prove it, we will take notice.

Mr. Seay: We are trying our best to show it to you, and by the facts which will warm up as we proceed, if you will allow me.

As to the comparative commercial importance of Richmond and of Virginia, as to the districts measured by capital, deposits and other banking transactions, these facts are all familiar to you, sir, and are available at any time, but in their hearing we think that they may not be as wholly significant as we can and would make them appear, so if you will indulge me I will give this in some measure.

Of the fifteen Atlantic Coast States, Virginia, as we have stated, ranks fifth in banking importance. There are only three other states on this side of the Mississippi River which exceed Virginia in National Banking

capital, namely, Illinois, Indiana and Ohio. And among the 26 states on this side of the Mississippi River. Virginia therefore ranks 8th in importance in the national banking system. She stands financially as well as geographically at the head of all the Southern States east of the Mississippi River.

The deposits in all classes of banks in these states compare as follows:

Virginia, at the head,	\$175,000,000
North Carolina,	106,000,000
South Carolina,	75,000,000
Georgia,	152,000,000
Florida,	76,000,000
Alabama,	96,000,000
Mississippi,	76,000,000
Louisiana,	147,000,000
Tennessee	156,000,000

Virginia is \$20,000,000 ahead of any southern state east of the Mississippi.

The deposits of Richmond are two fifths of the deposits of the entire state, and her national banking capital is three fifths of that of the state.

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Richmond is not a Reserve city under the National Banking Law, and Virginia has no Reserve City. Her bank deposits have not been built up by any artificial influence. Richmond is a natural Reserve city. The law governing state banks requires no specified amount of liabilities to be kept either in vault or in other banks.

The business of Richmond has flowed to her from other Virginia points and from Southern and Western states as the result of natural causes governed by the trend of business, the numerous and unexcelled means of communication, as well as by the attraction of capital.

The industrial and commercial development and needs of this section have developed these banking relations.

The customary trend of business, free from all extraneous compelling influences, have developed these relations, and the established custom of keeping checking accounts has simply grown up as a natural result of every day business transactions.

It is to be considered that the Federal Reserve Act will, with its new principles of credit and reserve, clearing and pay of exchange, alter in a great measure the banking customs and practices which have grown up under the

old law. The trend and flow of exchanges will be altered to the extent that they have become artificial, influenced by the location of Reserve centres, the requirements of keeping reserve accounts and the custom of sustaining balances in order to command credits. Under free banking relations the service Richmond will have to perform will be a far greater one.

To further illustrate the natural flow of business to Virginia and Richmond, the national banks of Virginia on October 31st, 1913, had deposits from other national banks of \$7,500,000 and from state banks, \$10,000,000, a total of \$17,500,000, which compares with corresponding totals for Georgia of \$9,700,000 North Carolina \$8,200,000 and South Carolina \$6,200,000.

These deposits were exceeded by no other Southern States except Texas, which is an empire in itself, and which state has no less than six Reserve centres.

Illustrating the rapid concentration of banking capital in Richmond, in 1890 her banking resources were only \$14,000,000, in 1903, \$32,000,000 and in 1913, \$74,000,000. She is a good lending point. She has two very large life insurance companies which draw their capital from the south. They lend not only to individuals, but

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they lend upon real estate all through the southern country naturally tributary to our Richmond.

The bank clearings of Richmond in 1900, were \$175,000,000, and in 1913 \$424,000,000. But they are greater than that, considering a certain point which I shall come to later. Richmond bank clearings are among the first 30 cities in the United States, and compared with other southern cities as follows: We are looking upon Washington in this sense as a southern city, just for comparison, but not in any other sense --

The Secretary of the Treasury: By courtesy.

Mr. Seay: By courtesy. Washington \$387,000,000 diplomatic exchanges, Richmond \$424,000,000 and Atlanta \$693,000,000.

In the case of Richmond these clearings are for the city alone, while in the case of Atlanta they cover the state with its 117 national and nearly 600 state banks.

In 1908 when Atlanta clearings covered the city alone, they were \$68,000,000 below Richmond; and further than that, in addition to her local clearings, Richmond handled \$400,000,000 in checks and drafts on the southern states named, making her clearings on the same principle practically \$800,000,000.

Richmond banking relations with the states south of her show the great intimacy of trade relations with these states, and the statement below -- I am coming to a very interesting point -- sets forth in the most illuminating manner the custom and trend of business as developed by the present system of bank reserves and checking accounts.

The number of national and state banks in Virginia which keep accounts with Richmond, the number of banks in Virginia, is 352, and the number of accounts with Richmond banks is 528, several banks keeping more than one account.

The number of banks in North Carolina, 382, and the number of accounts kept in Richmond is 397.

The number of banks in South Carolina is 301, and they keep 182 accounts with Richmond.

In West Virginia there are 269 banks and they keep 82 accounts with Richmond.

Georgia has 697 banks, and they keep 85 accounts with Richmond.

Florida has 189 banks, and they keep 18 accounts with Richmond.

As to the money carried by these other banks in the Reserve city of Richmond --

do these Richmond banks pay interest on these balances of other banks?

Mr. Seay: In some cases, sir, according to the handling of their account.

The Secretary of the Treasury: What is the general practice?

Mr. Seay: The general practice in the preponderating number of cases, is that they pay interest, but in cases where they lend largely, they frequently do not pay interest.

The Secretary of the Treasury: What is the prevailing rate?

Mr. Seay: The prevailing rate, I believe, is 2 and 3 per cent, sometimes 3 and sometimes 2.

Mr. Sands: Three per cent where the accommodations are not asked on fixed balances; perhaps 3 per cent is paid to a greater extent than either of the other rates.

Mr. Seay: The same rates as Baltimore, I think, sir, so far as I have been acquainted with it by inquiry and conversation. For instance, as merely illustrative, the number of national and state banks, the maximum deposits carried by other banks outside of the state in Richmond, are as follows: The Virginia banks --

The Secretary of the Treasury: May I ask another question

just here, for the record. What is the practice in Richmond about collecting checks for correspondents?

Mr. Seay: I think the general practice is par collections, generally.

The Secretary of the Treasury: And 3 per cent on inactive accounts, or I mean on accounts where no accommodation is asked?

Mr. Sands: The cost for collection is charged to the bank invariably, in every instance where 3 per cent is paid. We do not collect free for banks when we pay 3 per cent.

The Secretary of the Treasury: Do you collect free for banks when you pay 2 per cent?

Mr. Sands: Sometimes that is a consideration for carrying the balance at 2 per cent, in consideration of par collections or practically par.

The Secretary of the Treasury: If you consider that the collection of checks is equivalent to 1 per cent, then it practically means that you pay a rate of 3 per cent on balances.

Mr. Sands: It is fair to say that.

Mr. Seay: The maximum deposits carried by other banks in Richmond,--Virginia banks carry Five and a half million,

North Carolina banks carry Four and a half million, and South Carolina banks carry one million, and West Virginia banks carry one million eight hundred thousand, and the Georgia banks carry four hundred and forty thousand, and the Florida banks carry One hundred and forty thousand.

The maximum loans by Richmond banks to other banks, are as follows: To other Virginia banks, \$1,500,000.; to North Carolina, \$2,250,000. I am speaking in round numbers, although I have the exact figures here.

To South Carolina Banks \$2,400,000, and West Virginia \$100,000, to Georgia \$670,000 and Florida \$80,000.

Now the maximum deposits to the credit of individuals, firms and corporations, outside of Virginia, in Richmond, are as follows:

Deposits from North Carolina from firms and corporations, \$3,250,000 and from South Carolina \$1,400,000.

The Secretary of the Treasury: You say in Virginia banks. You mean Richmond?

Mr. Seay: I mean Richmond banks exclusively. The maximum loans with individuals, firms and corporations by Richmond banks were, to North Carolina firms and corporations \$5,250,000, and to South Carolina firms and corpora-

tions \$3,129,000.

The maximum deposits of banks and individuals in Richmond banks were, North Carolina \$7,700,000 and South Carolina \$2,300,000.

The maximum loans to all banks and individuals by Richmond banks are to North Carolina banks \$7,500,000, and to South Carolina banks \$5,500,000. So that banks, corporations and individuals outside of Richmond carry on deposit in Richmond banks \$18,000,000. I might say that she shipped \$14,000,000 of currency to southern banks in 1913.

Now it will be observed that throughout Virginia and in North Carolina, the number of banking accounts with Richmond exceed the number of banks in those states, and in South Carolina and West Virginia the number of accounts in proportion to the number of banks is very large.

Richmond's loans to other southern states and to individuals and corporations in these states, aggregate nearly \$14,000,000, a sum not far short of the aggregate loans and rediscounts of national banks in any six southern states, excluding Texas. Richmond lends practically all this capital to banks and individuals on the outside, she does not use it herself; she is a clearing house of credit.

On the volume of corporate capital, upon the income of which Virginia pays to the government a tax, she ranks easily first among all the southern states, including the great empire of Texas. In Virginia it is \$942,000,000, Texas \$873,000,000, Georgia \$485,000,000. The amount that Virginia pays to the support of the Government in internal revenue taxes, among all the southern states, is exceeded only by that of the great state of North Carolina.

Virginia is \$8,300,000

North Carolina, \$8,900,000

Georgia, \$541,000.

Alabama, \$338,000.

Louisiana, \$5,000,000

Tennessee, \$2,300,000

Now these comparisons are given, not to show the commercial importance of the State of Virginia, and of the City of Richmond, but to set forth the volume of business transactions out of which grow banking transactions and customs of trade, and trend of commerce and exchanges, and exchange of credit. In this connection, the jobbing trade of Richmond is a practical illustration. It is \$80,000,000, and the value of her manufactures, \$100,000,000.

A very remarkable statement I am about to make, which was made by a railroad man, who says that the merchandise traffic from Richmond, Va., over the Southern Railway to the South, exceeds that shipped from Boston, New York, Philadelphia and Boston combined.

The Secretary of the Treasury: You mean originating at Richmond?

Mr. Seay: Yes, that is right, that is the statement made.

The Secretary of the Treasury: Well, you are not under oath.

Mr. Seay: I am submitting in this case, Mr. Secretary, the testimony of one on the outside, to protect myself, but I have the written statement.

The Secretary of the Treasury: I wanted to make you feel perfectly at ease.

Mr. Seay: But I have the written statement, and we are prepared to believe it is a fact, and he might have put larger figures in and we might have to leave them.

As to diversity of industry and agriculture in the district which Richmond could serve better than any other location, it cannot perhaps be better illustrated than by giving the annual value of products of factories, farms,

forests and mines, which are the principal divisions of labor. The business of the Southern states as represented by industry in these divisions, is as follows: -- I am not going to read all the figures, but the facts --

The Secretary of the Treasury: It is hard work to carry them in our heads, and I think it would be well to pass over that, because this will be filed in the record.

Mr. Seay: Thank you for relieving me of that burden. I just want to say that there is a diversity of industry, and this shows what that industry is, and I would be glad to file that without reading it.

The next is information as to the prominence of Richmond in handling and financing particular crops, such as tobacco and relating to particular industries, which will be given by others who will submit the evidence. I will say that Richmond is the principal tobacco market in the United States, and five governments have the headquarters of their buyers at Richmond. The revenue collected by the government from the territory tributary to Richmond makes a most remarkable and almost as incredible a statement as I have just read to you about the railroads, but it is, nevertheless, the fact.

being situated at the northern limit of the district, possesses an incontestable advantage as a Federal Reserve Bank location. The climatic differences of the Southern states in their effect upon crop development come in orderly rotation up to Virginia, as does the seasonal demand for money. The demands upon the Federal Reserve Bank of Richmond would be uniform and continuous. The peak of the load would doubtless come in the fall, but it occurs in the fall everywhere else, and the object and aim and purpose of these regional banks, is to meet that demand.

Further, as illustrating the diversity of conditions in the district --

The Secretary of the Treasury: I think we might just pass over that. We are familiar with that you know, and it is in the record, anyway.

Mr. Seay: I can give you one concrete instance of the central reserve position of Richmond. One of the largest corporations in this country has selected her as one of the two points on the Atlantic seaboard for the distribution of her products. The headquarters of the corporation is at St. Louis, the other point is New York City. I want to emphasize it in this connection, that Richmond

is a reserve center on products.

As to the confines and capital resources of the district of which Richmond appears to be the logical and most advantageous location for a Federal Reserve Bank, the rules laid down by the Organization Committee for their guidance have the power of genius in facility and forcefulness of expression, and are so just and wise, that all men must acquiesce in and approve them.

Under the language of the law, and the spirit and purpose of the Act, we believe that the natural territory for a district, considering geographical convenience, natural boundaries, ease and quickness of communication and transportation, as great diversity of industry and agriculture as may be found anywhere, natural trend of business and exchanges, the banking customs and trade relations of a majority portion of the territory, the desires of a majority portion of the people, it being out of reason to expect to completely satisfy all interests -- all these considerations, we believe, prompt the suggestion of all or portions of the following states for a district to be served by a regional bank located at Richmond, and, Mr. Secretary, we have given you those states.

These states have adequate national bank resources

to contribute the necessary capital and reserves for a regional bank. They also have a strong system of state banks, which would add largely to resources, should these banks elect to enter the system, which possibly may not be counted upon in time for the organization of the Federal Reserve banks.

The National banking capital in the proposed districts, according to the Comptroller's figures of October 21st, 1913 --

The Secretary of the Treasury: We have these.

Mr. Seay: For the whole district they are \$100,000,000. The capital would be correspondingly \$6,000,000.

The total capital and surplus of the state banks in the states named, including one half of West Virginia and not counting Kentucky and Tennessee, is \$68,000,000.

The Secretary of the Treasury: May I ask just here if the state banks in Virginia have the power to subscribe for stock in these banks?

Mr. Seay: I so understand, yes, sir, if they elect by their boards of directors to do so.

The Secretary of the Treasury: Yes, but I mean have they the power under the State law to make such subscriptions?

Mr. Seay: Yes, I understand so.

The Secretary of the Treasury: How is that, Mr. Smith?

Mr. Smith: The legislature is now in session, and if there is any trouble about that, it will be arranged without any difficulty.

Mr. Seay: The net deposits requiring reserves in those states are, in Virginia, \$100,000,000. In North Carolina --

Mr. Smith: The Governor is here, and he will back me up in what I say.

The Secretary of the Treasury: I observed that the Governors are here, and we are glad to see them.

Mr. Seay: The net deposits in Virginia requiring reserves, are \$100,000,000; North Carolina, \$36,000,000. South Carolina, \$23,000,000. Georgia \$50,000,000. Florida \$33,000,000. West Virginia say one half, \$29,000,000, making a total net deposits of \$271,000,000, not taking into the account the portion of Tennessee and Kentucky included in the district.

The Secretary of the Treasury: What would you figure that the deposits of the Reserve Bank would be?

Mr. Seay: I am coming to that. Classifying these as country banks, the amount of reserve required, to be kept in the Reserve Bank, under the full operation of the Act,

tions from State banks might swell this say \$2,000,000, and government deposits divided among the maximum number of banks probably reach \$7,000,000 in this district, and we are assuming and basing certain calculations upon that. One half of the capital would be \$3,000,000, making the total probable resources \$25,000,000, which would serve as the basis for the expansion of credit to possibly \$75,000,000, in the usual way of building up credit with reserves.

Now with a possible basis for the expansion of credit, of \$75,000,000, the total amount of loans and rediscounts of all the southern states, excluding Texas, was on October 21, 1913, about \$40,000,000, and of the states we have named \$25,000,000. The resources of the Federal Reserve Bank of Richmond would therefore be entirely adequate to serve its district. And, Mr. Secretary, we think that with logic and reason, the District of Columbia might with its reservoir of capital be well added, and that it would perform a more useful service in this field than in any other.

We would not attempt to too closely define the district, but rather aim to demonstrate and prove that Richmond is the present natural reserve and clearing point in trade

and finance, for by far the greater portion of the entire district we have named.

As to the wishes and views of the people in the district, the people of Virginia and the people of Richmond in particular, are more stirred up than they have been on any question within our knowledge in many years -- and it is not their patriotism or civic pride. It is the knowledge that their commerce is concerned. The Governor of the State, the Governor-elect, the legislature now sitting, every trade organization in Richmond, every professional body, the educational and scientific bodies, and judges of courts of law, the laity and the clergy, all feel vitally concerned. As commerce has played the greatest part in civilizing and Christianizing the world, so nations will fight to maintain it, and our people are fighting to maintain their present affiliations, trade connections and banking practices.

Finally, that the people in the three states -- in North Carolina, as I know and am acquainted with their feeling, as I have just been through the State of North Carolina, and came into intimate contact with them, are bound together by a unanimous sentiment or desire to have

these three states kept together in any district which you may determine upon. They feel that their business interests--

The Secretary of Agriculture: How do you determine that is their desire?

Mr. Seay: I will show you by personal testimony at the present meeting, I think.

The Secretary of Agriculture: Not quite all the population is here.

Mr. Seay: Well, in this country we do business by representation; it is a representative government.

The Secretary of Agriculture: We had documents presented here yesterday purporting to show that the bankers and the large number of the business men preferred Baltimore.

Mr. Seay: Of what cities and states?

The Secretary of Agriculture: Of this same section.

The Secretary of the Treasury: And in the morning we had similar testimony in favor of Washington.

Mr. Seay: I have no doubt. You take counter testimony, do you not, however?

The Secretary of Agriculture: Certainly, we want information.

Mr. Seay: We propose to exhibit a very fair volume of

counter testimony today. I have been through the State of

North Carolina, and have seen the principal commercial bodies, and a large number of their representatives, and have come in contact with the executive committees of their bankers' associations, and they are in communication with their own banks all through the states. I have been into South Carolina, and I think I am expressing the views of these people when I say that these three states are unanimous practically in their desire to be held together, representing about \$50,000,000 of capital and about \$150,000,000 of deposits in any district which may be established.

The Secretary of Agriculture: Have you analyzed your returns?

Mr. Seay: These returns?

The Secretary of Agriculture: Yes.

The Secretary of the Treasury: Are those the returns?

Mr. Seay: These returns I am familiar with to a great extent.

The Secretary of the Treasury: I suggest that they be filed as an exhibit to your testimony.

Mr. Seay: They will be filed as an exhibit.

The Secretary of Agriculture: Are they from bankers?

Mr. Seay: They are from bankers and trade organizations

and Chambers of Commerce, and there are as many from Chambers of Commerce as from bankers.

The Secretary of Agriculture: Have you analyzed those reports, have you given the number of Chambers of Commerce and Bankers and so forth?

Mr. Seay: I have not in my report.

The Secretary of Agriculture: It would save us a great deal of time if you would have that done for us.

Mr. Seay: We will undertake to do that, sir.

The Secretary of the Treasury: You can file that with the secretary of the Committee here.

Mr. Branch: I would like to correct that statement of Mr. Seay's where he said \$150,000,000 of deposits. The deposits in those three states is more than that. It is \$175,000,000 in Virginia alone.

Mr. Seay: Not National Bank deposits.

The Secretary of Agriculture: Are you prepared to state positively that the customary course of trade in this section tends toward Richmond rather than towards Baltimore?

Mr. Seay: I believe the facts I have given justify that statement fully.

The Secretary of Agriculture: Have you made any comparison

yourself so as to know whether your facts bear out your statement?

Mr. Seay: I have only been influenced by the personal statements which have been made to me by the people with whom I come in contact. I have not compared Baltimore's loans to these southern states and Baltimore's deposits; but the facts I give you as to the volume of Richmond's loans are facts. How they compare with Baltimore's, I am unable to say to you, but I do know that the states of North and South Carolina, so far as I have come in contact with them, have most unhesitatingly and most emphatically said to me that their affiliations were more close with Richmond than they were with either Washington or Baltimore. Now these gentlemen representing the various bodies of both states are here to speak for themselves, and they can give you information which is infinitely more definite and more emphatic than I can give you.

The Secretary of Agriculture: Is this your map?

Mr. Seay: That is a map prepared by the Business Associations of Richmond, yes, sir.

The Secretary of Agriculture: You have indicated other possible centres for regional banks. What are these black

marks?

Mr. Seay: There were two or three of us who talked on that point. We do not believe that we are wise enough to determine these locations without testimony, and we would not undertake absolutely to determine them without testimony. We have our ideas as to the location of Reserve cities on the Atlantic Coast, about which I have given information as to capital and so forth, representing about \$940,000,000, half the banking capital of the country. We have our personal opinion as to what locations would well serve those states.

The Secretary of Agriculture: What are they?

Mr. Seay: My own personal opinion and that of others with whom I have come in contact, would be that Boston would be an admirable location for a reserve bank; that New York would be an admirable location, with perhaps Pittsburgh. That is three, and we would go south to Richmond for the fourth, and may be go still further south to New Orleans or to St. Louis.

The Secretary of Agriculture: What would you do with Philadelphia and Baltimore?

Mr. Seay: I would put them in the district north of

The Secretary of Agriculture: New York?

Mr. Seay: I should say personally New York, sir.

The Secretary of Agriculture: Have you figured what sort of a bank that would make in New York?

Mr. Seay: I am not prepared to give you the figures, but I know it would make quite a large bank, sir. Mind you, I am not including the whole state, but I am allowing you to divide it according to the evidence that may be submitted to you.

The Secretary of Agriculture: Do you think it better to have Baltimore in the northern district than the southern?

Mr. Seay: I would say so. I think that they are too close together to have separate headquarters for banking institutions.

The Secretary of Agriculture: What are Richmond's relations to business to the North? Is Richmond a borrowing or lending city?

Mr. Seay: Lending city, emphatically. We at times borrow money, but she borrows to lend, I might say. In other words, her borrowings at no time, in the case of any individual bank, as far as I am acquainted with, do ever exceed the loans they are making to outside insti-

tutions. Richmond is a borrower to a very small extent. Of course, periodically when the strain upon her is great, but as I have stated, she is principally lending, and it is merely to recoup herself in some measure, because she has lent so largely to the district south of her. That is the reason she has sometimes to borrow, to a small extent, but it is not large. You know, Mr. Secretary, the demands upon Richmond are for crop moving purposes. They are currency demands and the fact that Richmond shipped \$14,000,000 to the southern states in 1913 is hardly any indication of what those demands are.

The Secretary of the Treasury: Do you think it would disturb or dislocate the normal exchanges throughout this southern territory, if a reserve bank was located in Washington, for this same district, for instance?

Mr. Seay: I am not prepared to say that it would dislocate them.

The Secretary of the Treasury: Or disrupt them, or disturb them?

Mr. Seay: I believe it would disturb them.

The Secretary of the Treasury: In what way?

Mr. Seay: Washington is no business centre. There is

no occasion for either merchants, farmers or manufacturers to go to Washington on business purposes.

The Secretary of the Treasury: They do not deal with the Reserve Bank, however.

Mr. Seay: They deal with the branch banks, you mean?

The Secretary of the Treasury: They deal with the local banks.

Mr. Seay: That may be the extent to which the local bank may affect the situation -- the branch bank may affect the situation. I am unable to say, but I think I may say that I could not possibly see any reason for a branch to be located, where the head ought to be, and we believe the head ought to be where we have designated it, for the reason that we have given.

The Secretary of the Treasury: Of course, you understand that the function of these banks is not to deal with individuals.

Mr. Seay: Perfectly.

The Secretary of the Treasury: They are not banks of deposit and discount.

Mr. Seay: Perfectly.

The Secretary of the Treasury: They are banks which are

supposed to do a re-discounting business for member banks.

Mr. Seay: Perfectly.

The Secretary of the Treasury: I suppose that a bank in Richmond, a member bank in Richmond, for instance, could be just as well served from Washington, or from a branch at Richmond as a practical question, I mean.

Mr. Seay: That might be.

The Secretary of the Treasury: As it could be from Richmond itself.

Mr. Seay: That might be, as far as it concerns the City of Richmond alone. As far as it concerns the territory which Richmond serves, I would not be prepared to make any such answer.

The Secretary of the Treasury: Assume you had branches throughout the district, one in the very large cities throughout the territory, you would get the intimate contact with the branches, which would be a saving of time and permit an expeditious transaction of business.

Mr. Seay: Mr. Secretary, I think you would find it is impossible to convince the people of the three states of Virginia, North Carolina and South Carolina.

The Secretary of the Treasury: That is not the point,

however. The point is as to whether or not you could get the accommodations, or whether the facilities as outlined will perform the purpose for which this Act was designed. That is what the Committee is to deal with. Now, the question, of course, is two-fold as to whether or not -- as to what the limits of these districts are to be; and then secondly, where is the best place to put the headquarters bank, with reference to the normal courses of business and exchange, and with reference also to the extension of the best possible facilities throughout the district. Now, branches are necessarily to be established, as a matter of fact. The Act is mandatory in that respect. Branches must be established, so that the question as to whether or not it should be Richmond or Washington or Baltimore, assuming that Maryland, for instance, were thrown into this territory, is one which the Committee will have to -- or Atlanta, or any other place, is one which the Committee has to consider with reference to those fixed conditions.

Mr. Seay: We, Mr. Secretary, only submit the facts, and in its final analysis you, of course, will have to determine whether from the facts we submit, Washington should or could serve as a possible location of this bank, or whether

all of the facts point to the location in Richmond.

The Secretary of the Treasury: Now, the Committee is seeking light. We ask these questions, because you gentlemen who come here to inform us, are supposed to be able to give us the facts. Now, as a banker in Richmond, having a knowledge of banking transactions and banking exchanges, we ask you as an expert, whether or not Richmond would be injured, for instance, or the ordinary courses of business would be disturbed, or there would be any serious dislocation if a Federal Reserve Bank were to be established at Washington, instead of Richmond, or Baltimore, instead of Richmond, as a practical question.

Mr. Seay: Pardon me, Mr. Secretary. There is this to consider: Whether you divide the district, whether you divide the States of North Carolina, South Carolina and Virginia in that district. That is one of the important facts.

The Secretary of the Treasury: I am assuming that you would have this territory. You have lined it here. You say Maryland is thrown in, just to have Baltimore considered in this connection. In other words, would not the business of that district really be just about as well served from

Baltimore, or Washington, or Richmond, as the headquarters bank?

Mr. Seay: You cannot expect me to feel so.

The Secretary of the Treasury: But I am asking for facts, your honest opinion without reference to the local situation.

Mr. Seay: My most profound and honest opinion, and I do not see how anybody can say more on that except to give an opinion, follows the facts I have submitted to prove it to you.

The Secretary of the Treasury: You said in reply to a question to Mr. Secretary Houston, that you did not compare either Washington or Baltimore. You made no comparison of the advantages of those, so I assume ~~that~~ I just want to see how far, without having made any individual comparison, your general knowledge of the situation would enable you to state whether or not a headquarters bank in either of those places would serve the purpose equally well.

The Secretary of Agriculture: If you do not know what the present banking connections in this territory are, with Baltimore, for instance, how can you say that Richmond would better serve the district?

Mr. Seay: I know what they are with us, sir, and Baltimore

has given you their testimony.

The Secretary of Agriculture: I am asking you how can you form an opinion, in the absence of all the facts?

Mr. Seay: One reason is indicated right now by the statement that I gave you, from a railroad man, for instance. That is one very pertinent fact bearing upon the whole business. Now, does Baltimore do this business now?

The Secretary of the Treasury: That, is the question. We thought that in speaking of the relative advantages of Richmond over any other city, you might be prepared to tell us something about that.

Mr. Seay: I did give you the testimony of an outside expert on that question, showing the amount of goods, showing the relations -- comparative relations.

The Secretary of the Treasury: You did not disclose his name. Of course, we are not able to value his opinion and his opinion merely would not be very conclusive.

Mr. Seay: Personally, I am not at liberty to give you the name. The name I do know. He himself states that that statement will be substantiated by the traffic manager of the railroad.

The Secretary of the Treasury: May I ask again if the

district you have laid down here, with Richmond as a centre, has been laid out with reference to the normal course of business and exchange with other sections of the country with which it must, of necessity, have intimate relations, or have you gentlemen simply taken a map and laid off territory which you gentlemen would think would be a good thing to have?

Mr. Seay: We have laid off a territory, in the main, particularly covering Virginia, North Carolina, South Carolina, portions of East Tennessee, portions of Kentucky, portions of West Virginia, whose entire trade affiliations are with Richmond.

The Secretary of the Treasury: Are they?

Mr. Seay: We think so.

The Secretary of Agriculture: You say you do not know about the relations of Baltimore?

Mr. Seay: There are many of them here who are prepared to give you the testimony on that point. One man cannot know the whole. Therefore, we are buttressing our proof with the testimony of those who are here prepared to speak.

The Secretary of Agriculture: You say you do not know of your own knowledge what the trade relations are.

Mr. Seay: No, I do not know of my own knowledge. We have presented the facts as to what they are with Richmond.

The Secretary of the Treasury: I might say, gentlemen, that I think it is proper to say here that the questions of the Committee do not indicate any bent whatever or any line of thought. We are only asking questions to bring out the points.

Mr. Seay: I understand that.

The Secretary of the Treasury: And for the purpose of getting as full information as possible. Thank you, Mr. Seay.

The Secretary of Agriculture: We will be glad to hear from Mr. Reed next. Mr. Reed, will you kindly give your name and your business connections.

#### STATEMENT OF WILLIAM T. REED.

Mr. Reed: My name is William T. Reed, tobacco manufacturer of Richmond, Va., president of Larus & Brother Company.

The Secretary of Agriculture: Mr. Reed, you are familiar with this Act and its purpose?

Mr. Reed: I know something about it, sir. My mission

here, sir, is to give you some figures relative to the tobacco industry and its relation to the banking and commerce of Richmond.

The Secretary of Agriculture: And it bears directly on this question of the division of the territory?

Mr. Reed: I think so, sir. The tobacco crop of South Carolina in the year 1913 -- these figures are approximately correct and have been carefully gone over by two or three experts -- was 37,500,000 pounds and its total value was \$5,250,000. For North Carolina, 170,000,000 pounds, total value \$32,300,000. Virginia Brights, 106,000,000 pounds, total value \$18,020,000. The Virginia Darks, 60,000,000 pounds, total value \$4,500,000, making a total of tobacco produced in North Carolina, South Carolina and Virginia of 373,500,000 pounds, valued at \$60,070,000. The railroads report that from September 1st, 1912, to September 1st, 1913, they actually hauled to Richmond 144,347,000 pounds of leaf tobacco. Add to this that portion of the crop which was hauled to Richmond in wagons, as ascertained from our warehouses here, 6,441,000 pounds, we have a total of 115,788,000 pounds, or 40 per cent of the total crop

raised in North and South Carolina and Virginia as coming directly to Richmond for rehandling and manufacturing.

This does not take in the immense volume of tobacco that is bought by the large companies and handlers of leaf tobacco here, which is redried in their branches in North and South Carolina, Virginia and Kentucky, and which is shipped direct from these points to the Seaboard towns for exportation, and which is financed through our Richmond banks.

Of the above mentioned 150,788,000 pounds of tobacco, quite an amount of this comes from Kentucky and West Virginia, but with the limited time in getting those figures, I have been unable to get approximately the amount. I thought it was right to put that in there, to show that the whole 150,000,000 pounds did not come from North and South Carolina, because we get considerable tobacco from

Kentucky and West Virginia. The Clearing House banks of Richmond report that they supplied the tobacco trade of Richmond in exchange to the various tobacco markets, and paid out in Richmond in 1913 the enormous sum of \$53,356,000, or 88 per cent of the total value of the crop in North and South Carolina and Virginia. Some of this

money was used for Kentucky and West Virginia. I think the above figures demonstrate in stronger terms than I could express, what the banking interest of Richmond is to the tobacco trade of Virginia, North and South Carolina, and incidentally to Kentucky and West Virginia. The Imperial Tobacco Company of Great Britain and Ireland, immediately after their organization, sent a committee to the United States, who considered New York, Baltimore, Richmond and one or two points in the west, before deciding on the point at which it would be most advantageous for them to locate headquarters. They located here, and Richmond is the centre of all of their operations. They buy tobacco in every tobacco producing state, and it is all financed through our Richmond banks, and I attach hereto a letter from their managing director, which explains their reason for locating in Richmond. With your permission, after finishing this I would like to read that letter.

The Export Tobacco Company and the British-American Tobacco Company, recently formed from the dissolution of the American Tobacco Company and probably the largest handlers of leaf tobacco in the United States, have built enormous plants in Richmond, and have headquarters here. The

Gallaher Company, Limited, of Ireland, the largest foreign independent manufacturer, buying tobacco in Virginia, North Carolina and Kentucky, has headquarters and a plant located in Richmond.

The Austrian Government has its chief buyer located in Richmond.

The Italian Government chief buyer is located at Farmville, Va., but handles his business through our Richmond banks.

The Spanish Government does its principal business through one of our Richmond rehandlers of leaf, who is located and has large factories and warehouses in Richmond.

The American Tobacco Company, while having their main office in New York, have block after block of buildings in Richmond. It is practically their headquarters for the handling of leaf, and they also have large manufacturing plants here. The Liggett & Myers Tobacco Company of St. Louis, have located here the largest cigarette manufacturing plant in the United States, and have recently made Richmond one of their three distributing points in the United States.

Richmond manufactures more cigarettes than any city in

the United States, and also is a large manufacturer of

chewing and smoking tobacco, and has one of the largest cigar factories in the United States.

All of these companies consider Richmond to be the most accessible point from which to operate, being practically within 12 to 18 hours of all the purchasing tobacco markets, and all of them practically finance the handling of the tobacco crops, through our Richmond banks. In addition to this we have numerous rehandlers of leaf tobacco, who have large plants here, buying tobacco in all sections and handling it here in Richmond.

The total collections of Internal Revenue from tobacco, in its various forms for the year 1912, was \$76,789,424.75, and of this total \$15,731,799.76 was collected from the fourth and fifth districts of North Carolina and the second and sixth districts of Virginia, or say 20 per cent of the total collections within a radius of eight hours from Richmond -- the total Internal Revenue collections on tobacco, cigars and cigarettes in the United States.

The large manufacturing tobacco interest in Richmond enables the banks to have an every day, year in and year out, business with the tobacco trade, and while the business is naturally larger when the crop begins to move, this neces-

varily covers a longer period than is usual in moving any other crop.

The South Carolina crop commences to move in the latter part of July, followed by the Eastern Carolina crop and the Old Belt of Virginia and Carolina, and last, the dark crop in Virginia, covering a period of practically seven months, while the business of manufacturing continues the year around.

With your permission, I will read this letter from the Imperial Tobacco Company, stating why they located in Richmond. I wrote to several of these people and asked them to give me their reasons for locating in Richmond. It will just take a minute more of your time.

"THE IMPERIAL TOBACCO CO., LIMITED.

Richmond, Va., U.S.A., Jan. 13, 1914.

To the

Chamber of Commerce,

RICHMOND, VA.

Gentlemen:

In answer to your inquiry as to why my Company,  
The Imperial Tobacco Company (of Great Britain & Ireland)  
Limited, selected Richmond as a base for directing its

tobacco business in the United States, you are aware that the Company's business in the United States is solely that of purchasing raw material. We buy tobacco on all the markets, or, at least, all of the principal markets in Virginia, North Carolina and South Carolina, and in Kentucky and Tennessee. We also buy some tobacco in Baltimore which is grown in Ohio, and also some cigar leaf grown in Wisconsin, Pennsylvania and Connecticut.

Richmond is the most centrally located city, having large banking and railroad facilities, in the tobacco sections in which we operate. It is the most convenient point from which to issue orders for buying tobacco to the various markets, and also for the issuance of instructions to our various factories scattered throughout the tobacco districts. Being located in Richmond, we can, with the least loss of time from our office, visit all of the leading tobacco markets. The train service leading out of Richmond is such that I can leave my office in the evening and visit any tobacco market in Virginia, North or South Carolina, Baltimore, Lexington or Louisville, the following day. The Virginia, North and South Carolina markets can be thus visited in a day, and by returning to Richmond by night

train, I can accomplish my purpose without the loss of more than one day from my office. I consider this to be a very great advantage, and it was one of the reasons which influenced my Company to locate in Richmond.

However, the great and prime factor in determining us to locate in Richmond was the ample and convenient banking facilities. While we do not borrow from the local banks, our foreign bills of exchange are drawn through these banks, and our system of distributing money from Richmond banks to the local markets where we buy tobacco is so facilitated by the Richmond bank connections that our business is prosecuted with the utmost safety and dispatch and with the least expense.

You are aware that the volume of our Company's business each year is quite large, necessitating a large amount of capital to care for same, all of which passes through the Richmond banks, including that portion of our business which is done in Kentucky and Tennessee, which is very considerable in itself.

The mail service from Richmond to the main tobacco markets on which we operate is most satisfactory; the principal markets being reached by one of the several trunk

railway lines running into and out of Richmond.

The freight rates into Richmond from the various tobacco markets are also very favorable, and when once the tobacco is warehoused in Richmond, the rates to the Atlantic seaports are much lower than from any of the inland tobacco markets.

The foregoing answers your questions as to why we selected Richmond as the base for our operations, and I may add that we have never had reason to regret this selection.

Yours faithfully,

THE IMPERIAL TOBACCO COMPANY,

(of Great Britain and Ireland) Limited,

Per (Signed) E. S. Carlton,

Resident Director."

I have just one other telegram that I have received today. I saw on the street in Richmond the Vice-President of the American Tobacco Company yesterday, and asked him to give us the reasons for locating in Richmond, and he sends this telegram to the President of the Chamber of Commerce. I am Vice-President of the Chamber.

"The American Tobacco Company has for many years been handling in Richmond large quantities of leaf tobacco

brought there from Virginia, North Carolina, South Carolina, Kentucky and other states. Richmond has excellent railroad facilities and rates which with its geographical position and other advantages make it a natural tobacco centre. The above business has been done in addition to our large business in Richmond in the manufacture of tobacco in practically all branches. We believe Richmond to be the natural point at which to establish a regional Reserve Bank.

The American Tobacco Co.,

P. S. Hill, President."

The Secretary of the Treasury: Thank you.

STATEMENT OF T. M. CARRINGTON.

The Secretary of the Treasury: Will you give your name and business, please?

Mr. Carrington: T. M. Carrington, representing the Richmond Chamber of Commerce.

The Secretary of the Treasury: Mr. Carrington, have you got a brief prepared there?

Mr. Carrington: Yes, sir, just a page and a quarter.

The Secretary of the Treasury: Will you kindly read it?

Mr. Carrington: Certainly, sir. My effort will be, gentlemen, to show you why Richmond has grown. It has been because the trade in this territory that we here suggested be annexed, has recognized our economical and adequate means of giving them business, and that is the main point, the reason that Richmond has indreased in population from 85,000 to 127,000.

Richmond's increase of population from 85,000 to 150,000, in twelve years. Its manufacturing increase is 71 per cent in ten years; annual sales amounting to \$101,209,493. Its wholesale trade increasing 79 per cent, amounting to \$78,297,750. Increase brought about by its trade with the proposed territory. Situated on James River, with 18 to 32 feet of water, giving it freight rates based on water borne traffic, and the same rates as if situated on the Atlantic Coast. The mail to proposed territory can reach 70 per cent of the population within 12 hours and 20 per cent of it within 16 hours.

Her capacity for conservative management is shown by not having but one small bank failure in 35 years, and no commercial failures sufficiently large to affect general business. The agricultural territory within the propped

territory has increased 100 per cent in the value of its farm products, without any increase in the number of acres tilled in the last ten years.

The fact outside of its banking affiliations that the banks of Richmond have many of the largest, as well as numerous small accounts of the corporations and business interests in the territory proposed to be served by this Federal Reserve Bank. All of which is most respectfully submitted to prove most conclusively that the trend of trade in the territory proposed has been absolutely bent towards Richmond, and that any severance of these connections will be very disastrous to the many large interests in which Richmond and this territory are so intimately associated.

The manufacturing and wholesale houses in Richmond have an army of 2232 traveling men, who, for the most part, travel in this proposed district, showing most conclusively to what extent there is a mutuality of dependence and business there is between this section of the country and the City of Richmond.

I wish to put in the record that the States of Virginia, West Virginia, North Carolina, South Carolina, Georgia and Florida now produce \$2,490,171,000 worth in value of farm

products, an increase of 128 per cent. The value of the farm lands and buildings is \$2,176,150,060, an increase of an average of 100 per cent.

The Secretary of the Treasury: In what period?

Mr. Carrington: In a period of 12 years. That was gotten from a manufacturer's record.

The Secretary of the Treasury: You have other statistics bearing on it there, have you, Mr. Carrington?

Mr. Carrington: Yes, sir.

The Secretary of the Treasury: You may file that as an exhibit -- the whole thing as an exhibit.

Mr. Carrington: Yes, sir; also including the different statistics of our own city, which Mr. Seay has so well covered. There are 2232 traveling men in Richmond. I sustained that yesterday by having every house that has traveling men, got hold of and found out how many traveling men they have, but I do not think we got them all, but they travel 2232 men and I think that the most part of them travel in this territory where we wish to have the Federal Reserve Bank situated.

The Secretary of Agriculture: If you will just file that.

Mr. Carrington: The only thing that I would like to add is this: That of course, the tremendous increase in the farming values is a very important factor. In fact, it is a real important factor. The farmer is the man that makes the money and we in Richmond and other points, large producers of agricultural implements and sellers of seeds and fertilizers particularly and that important element, we think that the amount of fertilizers that are manufactured in Richmond and other points -- Norfolk and so forth, are sufficiently great, in the economical manufacture of them and the economical advantage of shipping to those farmers on the cheapest freight rates -- that that has a great interest to the farming section of the country which we wish to serve.

The Secretary of Agriculture: Just put those letters in the record. If you like, you can attach them as exhibits.

The Secretary of the Treasury: Now we will hear from Dr. Mitchell.

#### STATEMENT OF S. C. MITCHELL.

Mr. Mitchell: As I understand, gentlemen, the Committee's desire is to cover the financial trend of the country. Now,

I think we have had statistics setting forth the main facts in regard to the particular district that we are concerned in this afternoon, and, therefore, I shall have to ask you just to rely upon those general statements for which you seem to be reaching, putting in these exhibits. Now, in the first place, you would want a geographic unit, and then based upon that an economic unit in establishing one of these banks. I believe that you have one of the most clearly marked geographic and economic units, from the Potomac southward, east of the mountains, the unit that is marked out on the map. Now, of course, the history, the railroads, the business conforms to that geographic unit that these gentlemen have set before you. Now, my object this afternoon is to treat simply one phase of it, and I am not thinking of Richmond nor of Richmond's benefit from this particular matter, but I am thinking of the district, for I belong to the lower south, which a bank placed in Richmond would serve, and I am concerned primarily with the rural question, the farmer and agricultural interests, and I have no hesitancy in saying from my intimate acquaintance with the two Carolinas and the lower south, that a bank situated in Richmond would be best able

to serve the average man, the farmer in that range of country.

The Secretary of Agriculture: Just how, Doctor.

Mr. Mitchell: Well, in the first place, as has been indicated -- you mean now with reference --

The Secretary of Agriculture: It does not deal directly with him.

Mr. Mitchell: No, it deals with the banks that do deal with the farmer, and one of the main objects of this bill is, as I understand it, to aid the rural credits.

The Secretary of Agriculture: I just wanted to bring out your view.

Mr. Mitchell: There are bankers right here.

The Secretary of Agriculture: Why a bank located there would serve the farmers better than one located somewhere else.

Mr. Mitchell: I will be very happy to answer it. I think if it is located north of the Potomac River it will not be in quick sympathy with their own people. If you meant anything by that phrase, and I am sure you did "due regard to the convenience and customary course of business", unquestionably the South Atlantic States would get towards

Richmond.

The Secretary of Agriculture: Have you been getting there? That is what we are trying to get at. Do you happen to know whether they have been getting there, or to Baltimore, for instance?

Mr. Mitchell: I should like to turn around and ask you gentlemen some questions, if I may. Being a teacher, it is a little hard not to ask questions. I hope sincerely you will have experts show the rate of increase in the business, not merely of Richmond, but of the section which Richmond feeds. For instance, I think that can be brought out right quickly here, and I will ask Mr. Saunders to do it. In 1890 -- you have those figures right here. I think you will find that that rate of increase is greater than certain cities that you have mentioned as possible centres for this bank, as against Richmond.

Mr. Saunders: The jobbing trade?

Mr. Mitchell: No, I want your banking, if you please, in 1890.

Mr. Saunders: In 1890 the assets were \$13,597,000. In 1913, \$74,369,000 in Richmond alone. Deposits increased from \$8,000,000 to \$49,000,000.

The Secretary of the Treasury: How was it in Baltimore? Do you happen to have the same figures for Baltimore?

Mr. Mitchell: No, but you have those figures.

The Secretary of the Treasury: I know we have.

Mr. Mitchell: I will take it for granted that your expert will compare these figures and elicit the full information.

The Secretary of Agriculture: But here is the point, Doctor. You have studied economics. How can you form an opinion on this question of whether Richmond or one of these other cities is the best place? Do you know whether the course of trade is dominantly to Richmond or Baltimore?

Mr. Mitchell: I should be very happy to submit to you gentlemen the question of whether or not the rate of increase in the banking facilities of Richmond, has not been greater than that of Baltimore.

The Secretary of Agriculture: That would be one aspect of it.

Mr. Mitchell: Yes. Now, as regards agriculture, if I may just touch upon that one point -- just one point. I have these figures, but I do not think I ought to take your time to read them. It will be thus seen that these four states

produced last year of the principal crops an aggregate value amounting to \$448,000,000. The dairy products last year in the four states amounted to \$13,000,000. Fish and oysters, \$27,000,000. Minerals produced \$154,000,000. Now, if you will take the figures for 1890 and I have some of those figures, not all of them, and again for 1900, you will see the enormous development that has taken place there. Of course, you are not dealing with futures.

The Secretary of Agriculture: Those figures would be included, if we took Maryland in.

Mr. Mitchell: The development does not correspond, for the reason I was just hinting at there. You cannot base wholly the location of this bank merely upon facts that can be submitted to you in statistics, as all of us know the waste of war we are just recovering from, and you have to base these upon the rate of growth in this other territory which we are figuring upon, and the rate of growth since 1895 has been nothing less than phenomenal. Now, if I may just add one other figure. The total agricultural values for Virginia in 1900 were \$323,000,000. In 1913, \$750,000,000, an increase of \$427,000,000 between 1900 and 1913. Now, that is the point I am getting at. We are

at the beginning of our career. I do not say that other cities are at the end, but we are at the beginning, and that must command itself to you gentlemen as more familiar than I am with many of these facts. Now, I believe that you would do violence to the normal trend of trade, if you go for the location of this bank beyond the Potomac River.

The Secretary of the Treasury: Why do you say that, Doctor? Now, this Reserve Bank located, as I said before, either at Baltimore--assuming that you get a more perfect economic unit by putting Maryland into this territory, the Federal Reserve Bank will be located either at Baltimore, Washington or Richmond, say. Now, why would it not serve the territory -- the banks within this territory equally well at either one of those places?

Mr. Mitchell: You would want that answer based upon experience, would you not?

The Secretary of the Treasury: In order to determine the value of your argument with reference to Richmond, we would like to know how far you have made any comparison.

Mr. Mitchell: Might I ask now a gentleman who knows the figures here?

The Secretary of Agriculture: You have expressed an

opinion, Doctor. You do not know the facts.

Mr. Mitchell: I have listened to these statements from these gentlemen and here is the man who has made the statement himself. Mr. Cox, will you reply to that, if you please. Just state why it is you prefer Richmond.

Mr. J. Elwood Cox: The trend of trade through North Carolina is with Richmond, emphatically so. We have accounts in the bank with which I am connected--have accounts in Richmond, Washington, Baltimore, Philadelphia and New York. Aside from the fact that under the National Banking law, Richmond is not a reserve city -- if it were a reserve city, I mean to say, our balances there would count as a reserve. It would be just as satisfactory as any other. In fact, in remitting, we can nearly always use Richmond quite as well as New York, Baltimore and Philadelphia, and it is a day nearer.

The Secretary of the Treasury: Your bank would equally be well served, for instance, from Washington, or Baltimore, especially in view of the fact that under this Act you are getting a parring exchange.

Mr. J. Elwood Cox: Not quite so well, Mr. Secretary. Richmond is a good deal nearer.

The Secretary of the Treasury: It is a question of a day.

Mr. J. Elwood Cox: Richmond is a good deal nearer, and the matter of acquaintance--I don't mean to say sentiment, but the matter of acquaintance and the fact that our trade is so similar.

The Secretary of the Treasury: Suppose you had a branch at Richmond.

Mr. J. Elwood Cox: That might obviate some of the trouble.

The Secretary of the Treasury: Would it not, as a matter of fact--now merely as a cold business proposition, would it not answer the purpose with equal effect if you had a branch in Richmond?

Mr. J. Elwood Cox: It does not quite do it, sir. We had the experience.

The Secretary of the Treasury: How can you base that, because we have not any such system.

Mr. J. Elwood Cox: We have not the same system, but I mean under our present system.

The Secretary of the Treasury: But they are established under entirely different conditions.

Mr. J. Elwood Cox: Yes, but proximity. Richmond is a

good deal nearer to us than the other city.

Mr. Mitchell: The same reply, Mr. Secretary, would be made by Mr. Norwood of Greenville, S. C., a banker, if you will be good enough to hear him.

The Secretary of Agriculture: They are on the list later.

Mr. Mitchell: Their replies cover immediately the question that you asked, and I simply reiterate in closing that in my opinion, and that is based on a very intimate knowledge with the conditions in the two Carolinas, as well as in the lower south, you would do violence to the natural currents of trade if you carried this business as regards the central bank, beyond the Potomac.

The Secretary of the Treasury: The point we are trying to impress, however, is that it would not be carrying it beyond, because if you had a headquarters bank at Washington, or Baltimore, and branches in these different cities, it would not disturb the course of business a particle.

Mr. Mitchell: Well, you would not conform to that natural division you are trying to strike, the eight or twelve great drainage districts financially of the country. Now, you have got one clearly marked out by nature. You have got one to which history has conformed. You have got one to

which business flows now as in a groove and is it proper to disturb all of those strong social forces, embracing the economic -- is it right to disturb those by taking the business of Richmond, so far as this bank represents it, north of the Potomac River?

The Secretary of the Treasury: That is just the point we are trying to make clear to you. That it would not be a disturbance, because you would still do business at Richmond.

Mr. Mitchell: It would be a branch bank.

The Secretary of the Treasury: But suppose you got the same money and same accommodations through a branch as through headquarters, it would be just as effective. The only point we are trying to direct the inquiry to is the relative advantages of these cities for the headquarters bank. That is all.

Mr. Mitchell: Yes, I understand.

The Secretary of the Treasury: And any light you can give us, for instance, which would show Richmond's superior advantages to other cities in that same territory, for that purpose, is what we would like to get.

Mr. Mitchell: It seems to me the statistics clearly show that, and I thought it was improper to rehearse those, you

see, because I think the answer that you seek grows out of that.

The Secretary of the Treasury: Thank you, Doctor.

STATEMENT OF OLIVER J. SANDS.

The Secretary of the Treasury: State your name and business?

Mr. Sands: Oliver J. Sands, President, American National Bank, Richmond. In regard to the reasons for the location of a branch at Richmond, rather than headquarters -- was that the question you wanted me to answer?

Mr. Mitchell: Yes, I would like to have him say why Richmond ought to have a regional bank and not a branch bank.

The Secretary of the Treasury: The question I asked was this: Assuming an economic union was created here, with the territory you have outlined on this map, and including Maryland, what are Richmond's advantages, that is for service to the entire district, in comparison with those afforded by Baltimore, as the headquarters for this bank? Why would Richmond be better than Baltimore, for instance, as the headquarters.

Mr. Sands: We think Baltimore is four and a half to five hours further from all of these southern points. It is reached over only practically one line of railroad, in through Washington, and it seems a loss of one day's business to the bankers of the south.

The Secretary of the Treasury: Would it with branches, that is the point?

Mr. Sands: The same argument, it seems to me, Mr. Secretary, might be used at one central bank, with branches—that one central bank with branches would answer the whole purpose, but it appeared to us that the spirit of the law is to put these headquarters and reserve banks and organization of the bank at central points, where the administration will naturally centre and emanate from. Those of us in practical business here who have had to deal with branches, know that it is not possible under the ordinary operations of business, to operate branches with the same facility and despatch in handling business, that you can with the head office, because that is the court of last resort. There are the Board of Directors that pass upon the credit, and we think that the credits for this particular section are so distinctive and the conditions

existing in this territory are so unique, as compared with any other section of the United States, that we ought to have a Board of Directors, chosen from this particular territory operating the institution. That a branch bank would only operate and care for the particular location in which it served, and its lines of influence would be more or less limited.

The Secretary of Agriculture: Can you answer for us the question which has been passing on more of these credits, the Baltimore or Richmond banks?

The Secretary of the Treasury: Throughout this territory.

Mr. Sands: I cannot; I cannot. I think -- I do believe from my practical experience that a Board of Directors, chosen from the South Atlantic States south of the Potomac, would be more competent.

The Secretary of the Treasury: You will have such a Board, no matter where the headquarters is. The banks of the entire territory select the representatives.

Mr. Sands: I know, but if a bank is located in Baltimore, we assume that it will take in some territory entirely unacquainted. Certainly, the State of Maryland has very little intimate knowledge.

The Secretary of the Treasury: You know how the Directors are chosen under the Act.

Mr. Sands: Would be by the banks themselves, but geographically, scattered through the territory. Probably Maryland would have one or more Boards. Eastern Pennsylvania, if in the Baltimore district, there would be several Pennsylvanians, one or more on the Board.

The Secretary of the Treasury: Whatever the territory embraced in the district, the object of the Act is that all parts of the territory, the whole machinery is directed to that end, shall be represented in these Boards. If a bank was located at Richmond, why, it would be expected that Florida would vote for Directors just as much as if the bank was located in Baltimore.

Mr. Sands: If that territory is located, as Mr. Mitchell so aptly stated in geographical units, the Directors would all be chosen in that entire territory. We are not here to argue that Baltimore should not have a branch of the Richmond bank, and certainly Washington could be as well or better served by a branch from Richmond, than Richmond could be served from Baltimore, from our view of the practical operation. These are commercial institutions and

the credits will have to be passed on promptly and quickly, and we rather feel that this territory has a distinctive character of business which should be handled by a Board largely composed of men from that section.

The Secretary of the Treasury: Your argument is based on the theory that Richmond alone is capable of judging the credits of this district.

Mr. Sands: No, I do not mean that, sir.

The Secretary of the Treasury: Or that it has such superior knowledge of all the parts of the district that it would be the best place.

Mr. Sands: I mean that the Board of Directors, chosen from Georgia, Florida, North Carolina, South Carolina, and Virginia, from the tobacco and cotton growing and peanut section, would be more competent to pass upon the credits and conditions existing in that territory, than they would be from any other section of the country.

The Secretary of the Treasury: Well, but if all that portion of the territory was represented in the Board and Maryland had some representative too, it would still be as competent to pass upon the credits of the combined districts, would it not?

Mr. Sands: I think after the Maryland representatives on that Board became familiar, no doubt they would.

Mr. Mitchell: If they came down to Richmond, you mean. They would have to come in that atmosphere.

Mr. Sands; They would have to live near the nigger awhile.

The Secretary of the Treasury: Thank you. That is all. Mr. Saunders, of Virginia, representing the General Assembly of Virginia, is here. We will hear Mr. Saunders. If he is not here, we will hear Governor Ansel of South Carolina.

#### STATEMENT OF M. T. ANSEL.

Mr. Ansel: I am not a banker, gentlemen, but I have certain resolutions here which were passed by the Greenville Clearing House Association, and would like to read that to you gentlemen.

"Whereas, through many years of large and mutually profitable dealings, pleasant and satisfactory business relations have become established between the banks and manufacturers of this section and the banks of Richmond, Va., and

Whereas, a number of our banks will, at an early date, make application for membership in the Federal Reserve Association, and

Whereas, we believe that it is to the best interest of the new system and to our section, that a Federal Reserve Bank serving our territory should be located in the city which has done more than any other city in the south toward the development of this section:

Therefore, be it Resolved:

First, that the members of the Greenville Clearing House Association hereby strongly urge the Organization Committee to locate the Federal Reserve Bank which will serve this section, at Richmond, Va.

Second, that we join with the Greenville Chamber of Commerce in sending ex-Governor Martin T. Ansel, and Mr. J.W. Norwood, as our representatives, to voice our wishes at the hearing which will take place on January 15th in Washington, in urging the Reserve Bank Organization Committee to locate one of the Federal Reserve Banks in the City of Richmond.

Third, that copies of these resolutions be mailed to the members of the Reserve Bank Organization Committee,

and to the Congressmen and Senators from this state and from North Carolina."

The second is the resolutions passed by the Greenville Chamber of Commerce, on the 12th of January.

"Whereas, the City of Richmond, Va., is being considered by the United States Government as a proper place for the location of a Federal Reserve Bank; and

Whereas, it is deemed a matter of vital importance to the banking, manufacturing and commercial interests of this state that South Carolina should be placed in a Federal Reserve district, the Federal Reserve Bank of which is located to the north of the state and near the money centres, and

Whereas, the City of Richmond, Va. has always shown herself friendly to South Carolina in the matter of investments, her capitalists being familiar with the conditions existing in this state; now

Be it Resolved by the Chamber of Commerce of Greenville, S.C., that we hereby endorse the City of Richmond as a location for a Federal Reserve Bank, and that we urge upon our Senators and Representatives in Congress that they use every effort to have South Carolina placed in a Federal

Reserve district, the Federal Reserve Bank of which is located in the City of Richmond, Va.

Be it further Resolved that a copy of these resolutions be forwarded to the Organization Committee, and that ex-Governor Martin E. Ansel be appointed to represent this body and express its will to the Organization Committee."

These are duly signed.

The Secretary of the Treasury: Just file those.

Mr. Ansel: As you gentlemen know where Greenville is, on the main line of the Southern Road and within 10 hours of Richmond, Va., the trend of business has been in that direction very largely. So far as banking considerations are concerned, my friend, Mr. Norwood, who is a banker, can give you gentlemen any information along that line, but there is one point I desire to mention, since I have heard the questions you have been asking these gentlemen: Why a bank at Baltimore would not serve this district as well as Richmond. I say in the first place, because Virginia is nearer to the territory of these places to be served; and secondly, in cases of emergency, gentlemen, and it seems to me that one of the purposes of this Act here

is in case of emergency you can get all over the territory in much quicker time, from the point in Richmond than you could from any other point, because it permeates from there in every direction, and it would seem to me, therefore, that when the emergency came--if a man wants bread, he wants it bad; he must have it and he must have it right now. Therefore, by having your regional bank, not the branch -- the branch might get out of bread, having so many to serve; the calls might be so great they cannot all be served. Therefore, you have got to go back to the regional bank. Now, therefore, it seemed to me better that the regional bank should be so established that it can serve all of the territory and do it in the quickest possible time and meet the emergency that has arisen at the particular moment. I thank you.

The Secretary of the Treasury: Thank you, Governor; we will hear the Senator now.

#### STATEMENT OF JOHN R. SAUNDERS.

Mr. Saunders: I hold in my hand, sir, a joint resolution which was passed on yesterday, by the Senate and the House of Delegates of Virginia, and which has been delivered to

me to present at this hearing.

"Whereas, there has been enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, an Act known as Federal Reserve Act; and

Whereas, under the provisions of this measure it is provided that a Committee, designated as the "Reserve Bank Organization Committee", shall select not less than eight nor more than twelve cities to be known as Federal Reserve Cities; and

Whereas, it is further provided that the districts in which said cities are located shall be apportioned with due regard to the convenience and customary course of business; and

Whereas, it is desired that one of the said cities shall be located in Virginia; and

Whereas, the City of Richmond occupies one of the most commanding positions in the financial world of the south, and it is already one of the greatest factors in southern development; and

Whereas, the geographical location, transportation facilities, industrial and commercial developments equip

her in a pre-eminent sense for the proper and convenient discharge of all the duties devolving upon a federal reserve city; now therefore, be it

Resolved by the Senate of Virginia, the House of Delegates concurring, that a Committee composed of eight members, three to be appointed by the President of the Senate, and five to be appointed by the Speaker of the House of Delegates, proceed to Washington and present to the proper authorities, in cooperation with the representatives of Richmond, a copy of these resolutions, and to express in such further manner as they may deem best, the desire of the General Assembly of Virginia for the selection of Richmond as one of the Federal Reserve cities.

Resolved, that His Excellency, William Hodges Mann, Governor of Virginia, be, and he is hereby requested to accompany the Committee and to aid them in their important mission.

Agreed to by the Senate of Virginia, January 14th, 1914.

O. V. Hanger, Clerk.

Agreed to by the House of Delegates of Virginia, January 14th, 1914.

John W. Williams, Clerk."

I believe, Mr. Secretary, that the State of Virginia, so far as I am advised and informed, is the first state which has acted along lines of this kind, and is the first one to pass a resolution by the joint branches of its law making bodies, asking that some city in the state be designated as one of these regional reserve centres.

I was requested to present to you and Mr. Houston this resolution on the part of the two Houses. We trust, sir, that in your wisdom you may see fit to designate Richmond as one of these banking centres. We believe that it is properly located and believe that the business which naturally comes to Richmond, on account of its geographical location, and on account of the fact that she is better equipped, perhaps, than some of the northern states to serve the territory in which this bank will be located -- we think with all those matters, when they are properly taken into consideration, that we shall hear that we have been selected as a reserve centre.

The Secretary of the Treasury: Thank you, Senator.

## STATEMENT OF GEORGE A. HOLDERNESS.

The Secretary of the Treasury: Will you kindly give your name?

Mr. Holderness: George A. Holderness, President, North Carolina Bankers' Association, Mr. Secretary.

The Secretary of the Treasury: You know the problem we have here?

Mr. Holderness: Yes, sir. I wish simply to add a word of personal testimony as to the close business relations between North Carolina and Richmond. At a meeting called of the Executives of the State Bankers' Association, this Committee was selected from the various Congressional districts. Each district has a member. So you see that it is not a committee of any part of North Carolina, but the whole of North Carolina. As I stated, a meeting was called to consider the question of what city would serve North Carolina best as a location for one of the proposed regional reserve banks. There were also invited a number of prominent bankers from the state, to participate in the deliberations of this committee, with the request that they vote on the proposition. This committee voted unanimously to endorse Richmond. It is hardly probable that they would

have made a mistake as to the trend of trade. Personally, I know that all of our cotton, or practically all of it that is shipped from North Carolina, goes to Virginia. I know that a large part of all our tobacco goes to Virginia. We know that practically all of our peanuts go to Virginia, and we know that practically all of the stock, that is cattle <sup>that</sup> and hogs/are shipped from the state, go to Virginia, - go to Richmond, I should say. I know personally that a large part of the farming implements that are shipped into North Carolina, are distributed from Richmond.

The Secretary of the Treasury: How many bankers were represented in this meeting to which you refer?

Mr. Holderness: I think there were about twenty, sir.

The Secretary of the Treasury: Were they scattered throughout the state?

Mr. Holderness: Yes, sir. I just stated this Executive Committee, besides the executive officers, is composed of a banker from each Congressional district, and my recollection, sir, is that the entire city was there. The purpose for which the meeting was called, was stated in the call. I will say further, Mr. Secretary, that I have had a great many letters and telegrams with regard to this,

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G. A. Holderness.

and with two exceptions all of them favor Richmond. One of these gentlemen was urging that we try to get one in Charlotte, in our state. Another was urging we try to be connected with New York. I have had no telegram from any member of the association, asking that we be connected with Baltimore or Washington.

The Secretary of the Treasury: Did you consider this particular district as planned here?

Mr. Holderness: Yes, I did.

The Secretary of the Treasury: At your meeting?

Mr. Holderness: Yes, sir, we did. I will tell you frankly what we feared. I would like to read you the resolution. We wished to be connected north of us, as the entire trend of our trade is toward the north. We feel as if it would be almost a calamity to be connected with the points south of us. This is the resolution that a Committee of Nine, including our President and Secretary, be appointed to attend the hearing in Washington on January 15th, 1914, with respect to the location of one of the Regional Reserve Banks under the new Currency Law. Further, that it is the wish of this association that the regional bank be located in Richmond, Va. If, after cooperation

G. A. Holderness.

with the City of Richmond, it is found impracticable to secure the location of the Federal Reserve Bank in Richmond, that we, as second choice, endorse the claims of some other city north of us. There was no other city urged, practically.

The Secretary of the Treasury: What had you in mind as second choice?

Mr. Holderness: I do not think there was really any second choice. I can tell you my personal second choice. My personal second choice was Baltimore. There was a very strong sentiment, in fact a unanimous sentiment, I might say, in the Committee, that we did not care to be connected with Washington.

The Secretary of the Treasury: Why is that?

Mr. Holderness; I will be frank with you, sir. We wanted to get away from the political atmosphere.

The Secretary of the Treasury: Well, I have just gotten into it. I suppose I need not take offence.

Mr. Holderness: It was not intended in an offensive manner, at all, Mr. Secretary, in regard to the trend of trade.

The Secretary of the Treasury: Have you an idea that

G. W. A. Holderness.

a regional bank here at Washington-- now speaking seriously, would be any more political, for instance, than one at Baltimore or Richmond?

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

The Secretary of the Treasury: We have a good many banks in Washington.

Mr. Holderness: I will tell you really I answered that in that way --- in a way that I should not, but to come down to the real serious reason was this: Our section of the country has never had any dealings with Washington. We do not know the bankers. They do not know us. We know that they have considerable money here, and I venture the assertion that there are very few banks in North Carolina, and we are always borrowers at crop time, that have ever borrowed any money here -- very few. On the other hand, Richmond has served us.

The Secretary of Agriculture: I may have missed something you said while I was reading. Is it your observation that the course of trade is with Richmond rather than with Baltimore?

Mr. Holderness: Absolutely, sir. I can speak -- about 20 years ago I was a traveling salesman from Baltimore.

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G. A. Holderness.

I noticed that therewere a greet many lines of goods that Baltimore at that time sold almost entirely. Now, they have no representative in that line. Heavy groceries, heavy dry goods and demestics. Richmond has almosy shut them out.

The Secretary of the Treasury: And so far as banking exchanges are concerned, you feel that Richmond would be a better point, and that you do more business with Richmond, and that you would be better served with Richmond as the headquarters, than with Baltimore?

Mr. Holderness: We would not lose any time. In other words, a mail that leaves my town at seven o'clock in the evening is in Richmond the next morning. In Baltimore it gets in almost too late to be cleared that day.

The Secretary of the Treasury: What time would it get to Baltimore?

Mr. Holderness: I take it it would be distributed in Baltimore about 12 o'clock, sir, most too late for the clearing.

The Secretary of the Treasury: Thank you. Mr. Cox, of High Point, have you anything to add to what you said, Mr. Cox.

Mr. Cox: No, sir. I don't know that I could add very much.

STATEMENT OF J. WOOD COX.

Mr. Cox: I simply want to emphasize the fact, sir, that the bankers of North Carolina as I see it, very much prefer Richmond, because all of our trade, or practically all of it, is with Richmond. We have accounts with other cities north, but 95 per cent of the banks in North Carolina I think, keep accounts with Richmond. I doubt if 25 per cent keep accounts with Baltimore.

The Secretary of the Treasury: To what extent would you have to keep accounts with other cities -- assuming that Richmond was the Reserve Bank of this district, to what extent, after the establishment of such a bank, would you have to keep balances in other cities, like New York and Philadelphia and Baltimore?

Mr. Cox: Naturally we would have to keep some in New York.

The Secretary of the Treasury: Well, but supposing that this exchange all passes at par. Would it be necessary?

Mr. Cox: Oftentimes you would be called on for New York

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## I. Elwood Cox.

exchange, I think even then.

The Secretary of the Treasury: But you would have to take this exchange at par, just the same as New York. Just like a national bank passes at par anywhere.

Mr. Cox: The main thing then would be the close relations between North Carolina points and Richmond. The business relations, business conditions. I think Richmond is the only city mentioned that would cover -- would be familiar. Most bankers are familiar, I would say, with the three great lines in North Carolina, cotton, peanuts and tobacco.

The Secretary of the Treasury: I was rather curious to know, having such important bearing upon the location of the headquarters bank, as it has upon the gross transactions, after the establishment of this system - curious to know what effect the parring of these exchanges was going to have on the keeping of these accounts in all the various cities.

Mr. Cox: That will remain to be demonstrated, I think, with usall.

The Secretary of the Treasury: If the checks in this district, that is, your exchanges here pass at par in any district in the country, why the necessity for carrying accounts in various cities will naturally disappear. .

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J. Elwood Cox.

Mr. Cox: Of course it will be much less.

The Secretary of the Treasury: And to that extent you would get a restoration of more normal conditions throughout the country?

Mr. Cox: Yes, sir. We feel in North Carolina - I think I speak for the bankers of the entire state -- I do not believe there is ten per cent of the bankers in the state who have accounts north of us, and such a thing as going south of us to borrow money never occurs to any bankers in North Carolina.

The Secretary of the Treasury: That perhaps shows you are intelligent bankers in North Carolina.

Mr. Cox: We naturally want to go towards the money centre.

The Secretary of the Treasury: You seek the places where there is a surplus of money to lend and not the country where they are borrowers.

Mr. Cox: That is right, sir.

The Secretary of the Treasury: Mr. Bruton.

#### STATEMENT OF JOHN F. BRUTON.

Mr. Bruton: I am here at the request of Mr. Holderness,

J. F. Bruton.

the President of the North Carolina Bankers' Association. He appointed a committee. I do not know that you would care to be pestered by a country banker. These other gentlemen are city bankers that have been talking with you, but I cannot help but feel that I voice the interests of the country people in coming before you. Our bankers in the eastern part of the state deal almost exclusively with the producers, the farmers and speaking for Wilson, North Carolina, Rocky Mount, Kinston, Greenville, and two or three other points, we handle quite a large volume of tobacco and have to pay for a great deal of it with money -- currency, and on that account a convenient point from which to get the currency is extremely important to us. If we cannot get currency, it would close up our institutions and destroy our markets. For that reason, our people are intense in their desire to have their regional reserve bank located in Richmond.

The Secretary of the Treasury: Where do you get most of your currency now?

Mr. Bruton: We get it from Richmond and Norfolk. Should we be connected with a point south of us, we would be connected with a dead end and our reserve carried there.

J. F. Bruton.

The Secretary of the Treasury: You do not refer to Atlanta, do you?

Mr. Bruton: I think it best not to call any names. What I meant by that was no reflection, however, on Atlanta. Their rule is to corral whatever comes their way, and they do it very successfully, and should we carry any reserve with Atlanta, it would be absolutely a dead loss to us, because we calculate that we would not get any interest on that balance. I believe that is the recollection.

The Secretary of the Treasury: You won't get that anywhere under this system?

Mr. Bruton: Exactly so, sir, but our balance would be available for currency purposes in the fall of the year.

The Secretary of the Treasury: You mean outside of the reserve?

Mr. Bruton: Yes sir. Another thing, gentlemen, we are intensely anxious for the location of the regional reserve bank that serves us, to be at Richmond, for this reason: We believe that is ideal, and if it is located there, our state bankers will largely go into it, and there will be no discrimination one way or the other against the two systems. Whereas, if the location of the Reserve Bank is

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J. F. Bruton.

not ideal, our state bankers will enjoy the benefits-- will not pay for the freight. We will have to pay for the freight incident to that transaction and the National banks will be discriminated against to that extent.

The Secretary of Agriculture: Is yours a state bank?

Mr. Bruton: National bank.

The Secretary of the Treasury: Does the law of North Carolina permit the state banks to subscribe for stock in this bank?

Mr. Bruton: There is no law prohibiting state banks from owning stocks in other corporations, and the law further provides, permitting them to use items of that character in reducing the values of their stock for taxation purposes, recognizing the investment in that way.

The Secretary of Agriculture: It is your impression that the business in North Carolina, the banking business is related to Richmond more than any other place.

Mr. Bruton: Yes, sir, I feel so, Mr. Secretary, and I feel like we would be a little away from home to take us to Baltimore. We are not looking for any branch banks down our way. We don't believe that a branch bank can serve us, when we are selling tobacco down there. They would

J. F. Bruton.

not have enough to run us more than a week, and the truth is, gentlemen, if you will pardon me for making this statement and I will get out of your way, we had a great panic here in the south and throughout the country in 1907, and something settled that panic, and there has been a careful investigation going on since then as to what settled it. It has been discovered that the cotton crop of the south settled that panic, paid our foreign debts and secured the importation of gold sufficient to restore confidence in this country, and that being the case, our farming people are just a little bit stuck up, and we feel like that we were entitled to the best that is going.

The Secretary of the Treasury: Mr. Brown.

STATEMENT OF JOSEPH G. BROWN.

The Secretary of the Treasury: Will you give us your views?

Mr. Brown: I come really representing the State of North Carolina, rather than Raleigh, Mr. Secretary. I believe that there was an impression that Raleigh wanted to ask the location of a central reserve bank, but we are here not asking anything for ourselves, but for our next door

J. G. Brown.

neighbor, the City of Richmond. There is not any fact that has not already been brought out. The best I can do, I think, is to reaffirm what has already been stated about Richmond, its ideal location, midway between the north and the south and its intimate relations with both sections. The fact that Richmond already knows our people, knows their needs, knows the conditions of our crops, knows the character of our people, so that there need be no delay, not only in the shipment of currency back to us, but in the passing on our paper. You are thoroughly familiar with that, because they have been lending money to North Carolina for a long time. They have millions of dollars invested in North Carolina at this time, and we believe that they would be able to serve our people more advantageously than any other point which could be named.

There is one point that we wish particularly to impress, which has been brought out, and that is that to go south would be destructive to the best interests of North Carolina. It would be a revolution of the trend of trade from North Carolina, and we think would check our growth and hinder the development of the resources with which we have been endowed.

J G Brown.

The Sec etary of the Treasury: Thank you, Mr. Brown.

STATEMENT OF R. G. RHETT.

The Sec etary of the Treasury: Will you kindly give us your name and business?

Mr. Rhett: R. G. Rhett, President, Peoples' National Bank of Charleston.

The Sec etary of the Treasury: Will you kindly give us your views Mr. Rhett, upon the question before us.

Mr. Rhett: Mr. Secretary, on the 16th day of December, the Executive Council of the Bankers' Association of South Carolina, met and passed a resolution that it was to the interest of South Carolina that it should be included in a north and south district, and not in an east and west district. On the first day of January, a summons was issued to the banks of the State of North Carolina to take up this question. The representatives of 150 banks assembled there. After discussing this question, they became very much alarmed over the possibilities of being included in an east and west district. The conception that we have had of this bill is that you were going to specify from eight to twelve reserve banks, the purpose of which is to take care of the

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R E Rhett.

reserves of the member banks and to take care of the needs of those member banks in re-discounting its paper, so as to avoid the necessity of these member banks continuing to re-discount in New York. Now, when we examined the banks of North Carolina, South Carolina, Georgia, Alabama, and Florida, which was the district that was indicated we might go into, we found that the aggregate capital of these banks was \$70,000,000; the aggregate deposits \$170,000,000, and the re-discounting done in September, 1912, according to the report to the Comptroller, was \$26,000,000. Now, the capital stock -- paid in capital stock of that bank would be three percent of \$70,000,000. or \$2,100,000.

The Secretary of the Treasury: Suppose you treat it on the basis of six per cent, paid in.

Mr. Rhett: It would add \$2,000,000 to it. The reserves which would be kept in those banks would be say, six per cent, one-half of the reserves required to be kept, or six per cent of \$170,000,000, which is \$10,200,000; in addition to which you would add our proportion of this district to the United States deposits, figuring them as being about four per cent of the capital of all the national banks in

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R G Rhett.

the country, I would say you might fairly take four per cent of \$150,000,000, or \$6,000,000. Add \$6,000,000 to \$10,000,000, we would have \$16,000,000, plus the capital <sup>add</sup> of the bank, which you might ~~four~~ to as the entire resources of that bank. You can only lend 65 per cent of those deposits. That would make the entire resources of the bank for lending between \$12,000,000 and \$14,000,000. and the banks found last year that they required in September \$26,000,000. That considerably alarmed them, because they did not see where they could go into such a district and supply their needs. We found the state banks borrowing was even heavier than that. The state banks borrowed one and one-half times as much. Their borrowings for that September was \$13,000,000 although the capital of the state banks was only twice as much and the deposits twice as much. These banks became alarmed at a district of that sort being formed. They felt they had to have more capital in the district and, therefore, they must look to a north and south district. Georgia is the heaviest borrower of all the states and South Carolina about the next. Another thing that concerned them was that all of our business went north and south. The result was they

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R G Rhett

appointed a Committee of Seven, of which I am the Chairman, and two of the members of the committee are here, Mr. Williamson, the President of the Bankers Association amongst them, and that committee passed this resolution, which I would like to read to you:

"That the banks of South Carolina favor the formation of a north and south district along the Atlantic Coast, beginning with the southern boundary of Maryland as its northern limits, and extending from thence, southward, That the banks of South Carolina deem it exceedingly detrimental to their interest and the interests of the state for them to be placed in a district running east and west, with a reserve city located to the west of them, such being inconvenient to them and entirely out of the customary course of their business."

As I understand it, you gentlemen are appointed as a Committee to determine these districts and these cities, looking to the conditions and the customary course of business, those being the two points. Now, this district which has been pointed out to you gentlemen -- I had not seen it before, but it seems to me to fairly follow the line which the banks assembled at that meeting wished. We

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R G Rhett

did not expect to go so far to the west as to take in all of Georgia. I do not know how the banks of Georgia feel about that, but we thought that inasmuch as they were a very heavy borrowing state, it would probably be best to run your line a little further east, and take in probably only part of Georgia, probably only part of West Virginia, but, anyhow, that district as pointed out is exactly on the line that the banks of South Carolina would desire. In so far as the location of the city of Richmond is concerned, the banks at that meeting wanted Columbia, as being the capital of their own state. They believed that it was located centrally in all of the district, and when the point of convenience came up, that it was more convenient than other points. There are two features you have to consider, the other being the regular course of trade. I do say this, however, that I believe from 60 to 80 per cent of the banks of South Carolina would prefer Richmond to Baltimore, for instance. I believe from 95 to 100 per cent would prefer Richmond to Washington. That is about it. We believe that this district could be formed in this way and still accord entirely with the formation of eight to twelve districts over the country. It includes a pretty large area and we are entirely in

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R G Rhett

accord with this idea.

The Secretary of the Treasury: To what extent are your exchanges now in New York, as against Richmond.

Mr. Rhett: Our exchanges are very large in New York, and it is not nearly so large at Richmond. Richmond is not a reserve city. Therefore, all our national banks have to keep our deposits and re-discounts with reserve cities.

The Secretary of the Treasury: Do you keep any accounts in Baltimore and Philadelphia?

Mr. Rhett: My bank keeps it in both.

The Secretary of the Treasury: Philadelphia and New York?

Mr. Rhett: Baltimore and Richmond. Richmond is not a reserve centre, but we have to have accounts there. We have to.

The Secretary of the Treasury: Do you think there is going to be necessity for maintaining all these accounts, after those banks have become organized?

Mr. Rhett: I think if you have enough capital and resources in the banks for them to do the business, they can do the business by clearing all of their accounts through this regional bank. As I understand it, your purpose is to have them a clearing house. It seems to us

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the most convenient point for clearing every morning all of these checks, but if the banks believe the resources of this bank is not going to be sufficient to take care of one-third of their needs, I do not think any of the state banks in our state would care to go into it. None of us in the national banking systems could afford to give up our New York accounts, but I believe if you give us a district where we could see that these needs could be supplied and supplied adequately, I believe most of these northern accounts would be gradually given up and be worked into what I understand is your purpose. That is that there is to be eight districts, independent, except for extraordinary occasions.

The Secretary of Agriculture: You think this district could be strong enough.

Mr. Rhett: I think that district is a little too broad to be strong enough. I think if this district came here and only took a half of Georgia in, I think it would be entirely strong enough.

The Secretary of the Treasury: Suppose you put in Maryland?

Mr. Rhett: I think it would be still stronger. I think

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R G Rhett

it would be very inconvenient to the district to have a Reserve Bank located at one corner of it.

The Secretary of Agriculture: Your resolution drew the line indicated, that the line should be turned south of the Potomac.

Mr. Rhett: Yes, but we are not wedded to that. A great many of them thought it ought to go higher. We just filled it out to take some of that district up here. Remember it takes Florida. You have got to consult the convenience of these banks down here.

The Secretary of the Treasury: Of course you have got to rely upon branches to do a great deal of the business. If you had one in Charleston, another in Savannah, in these circumstances you would be very much better served and very much more quickly served than under the existing system.

Mr. Rhett: My belief is that you ought to have a branch at every important point, and that all of the checks for that branch ought to be cleared through there, but certainly the Board would be located there -- the manager located there.

The Secretary of the Treasury: The bill provides for local Boards of seven directors.

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R G Rhett

Mr Rhett: Do you expect them to have the power of re-discount?

The Secretary of the Treasury: I express no opinion on that, but I assume that they have got to exercise such functions, of course, under the general direction of the headquarters bank. The convenience would not be afforded unless something of that sort was done.

Mr. Rhett: I rather imagine they would have certain powers, too. I think the whole system would be better served by having it composed of those who have been largely affiliated together in the kind of business they are doing, and I do not think it is important to divide this cotton district and give some portions of this section of the cotton district--

The Secretary of the Treasury: You were speaking a moment ago about the strength of these banks and the strength of this bank in particular there, with a line drawn south of Maryland. Now, to what extent do you attach value to the power of these banks to draw currency from Federal Reserve Banks, without having to resort to any re-discounting?

Mr. Rhett: I do not expect them to draw on that regional reserve currency, largely, except in the fall of the year.

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R G Rhett

The Secretary of the Treasury: Precisely. That is the emergency you would have to meet. Now, if you cannot get it from other regional banks and you can get it from that source, is not the condition pretty thoroughly met?

Mr. Rhett: It will be met when the currency is needed, but the currency is not needed in July and August, in the cotton section.

The Secretary of the Treasury: What I am referring to is the power to give it to you at any time it is needed, under the bill.

Mr. Rhett: But we cannot put it up -- I cannot get it out of my bank in July and August. It just accumulates.

The Secretary of the Treasury: You do not catch my point. You were speaking of the lack of resources of this bank to take care of the seasonal demand-- the peak demand which occurs in the fall. You referred to the fact that it would have combined resources of \$16,000,000 to \$18,000,000, and that the statistics showed there was approximately \$26,000,000 of re-discounts. Well now, I say how much importance do you attach to the power of this bank to draw currency from the Federal Reserve Board upon the re-discounting of the commercial paper created at this time,

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R G Rhett

without having to resort to loans from the other banks?

Mr. Rhett: I endeavored to figure that out, but I have not enough statistics to figure it. I will be glad to give it to you.

The Secretary of the Treasury: You look at it as an element of very great value.

Mr. Rhett: Very great, when it comes to September, but it does not help us in July and August, because if we get it then we could not do anything with it.

The Secretary of the Treasury: You would not get it then.

Mr. Rhett: We would need to borrow, because that is the time our re-discounts are so heavy. Now, when it comes to September and they gather in the crop, then we can get these regional credits by this regional currency, which will be of a very very material assistance, especially in this agricultural district.

The Secretary of the Treasury: Thank you, Mr. Rhett.

George S. Wallace.

The Secretary of the Treasury: I understand there are three more gentlemen who wish to be heard, and I think we can hear from them before we adjourn, Mr. Wallace, of Huntington, W. Va., is here, and we will hear from him.

STATEMENT OF MR. GEORGE S. WALLACE.

The Secretary of the Treasury: In view of the fact that Wheeling is here, and Richmond has taken up pretty nearly the whole afternoon, and we are bound to give Wheeling a chance to be heard this afternoon, I would just like to ask if you have anything new which you care to put in the record here on this question, or whether you concur in the views which have been expressed already.

Mr. Wallace: I concur in the views which have been expressed already, and I will say frankly that I am not a statistician, and cannot say anything more than this. I am connected with one of the banks in Huntington as its Vice President. Our foreign business, about 60 per cent goes to the west, and about 25 percent of it goes through Richmond. I think that the natural trade route from the southern part of West Virginia, if we are to be put in the district, would go naturally to Richmond. I want to suggest

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George S. Wallace.

this to this committee, West Virginia is traversed, as you know, by three lines of railroad that go east and west. Now the section lying to the north of the Baltimore & Ohio Railroad does its business in a great way in Baltimore. That in the southern part, on the Chesapeake & Ohio and the Norfolk & Western, as I understand it, does not do any business at Baltimore. The bank I am connected with has no correspondent in Baltimore. I am a director in a mining and mill supply house, a portion of the capital of which comes from Richmond.

The Secretary of the Treasury: If you are not attached to Richmond, where would be the next preferential point for your business, would it be Cincinnati, for instance?

Mr. Wallace: Cincinnati would be the next place for us, but as I say, our business naturally goes to Richmond. I believe this can be said, that trade routes and centres are established rather by nature than by man, and the people in the southern part of the state would go that way.

The Secretary of the Treasury: As it stands today, what percentage of the business is with Cincinnati, and what with the east?

Mr. Wallace: About 60 per cent of our banking business goes to Cincinnati, about 25 per cent comes to Richmond,

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George S. Wallace.

and the remainder would go northeast. I can say this, that 20 years ago when I went to West Virginia, the traveling salesman you would meet on the trains would be in the proportion of two or three or four from Baltimore and the north and one from Richmond. Now you will find that that ratio has been changed. You will find more from Richmond and less from the north. I think the volume of business that is being done with Richmond is on the increase all the time in the southern part of the state.

The Secretary of the Treasury: Mr. Cooper, do you desire to add anything?

STATEMENT OF MR. D. Y. COOPER.

The Secretary of the Treasury: Do you concur in the views of the other gentlemen representing your state?

Mr. Cooper: I do, Col. Bruton and Mr. Brown and those gentlemen. I am not a banker, I am a cotton manufacturer.

The Secretary of Agriculture: Have you anything to add.

Mr. Cooper: I have nothing whatever to add, except that I will say this, that the territory embraced in this line here, we as business people in North Carolina approve of

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D Y Cooper.

that most heartily. We think we would get a congenial lot of business men that know our methods of doing business, which is of very great value to business people. We know the bankers in Richmond and we know their requirements, and know them personally, and we are very much opposed to a regional bank being established south of us. We want it north of us, absolutely.

The Secretary of the Treasury: The trend is in that way?

Mr. Cooper: I have been in business a good many years and I do not think I ever had a check on Atlanta or New Orleans in my life, with the millions and millions of dollars I have handled. All our business is north, and if you gentlemen would take that view of it, we would appreciate it, if you establish this bank at Richmond, which we think is the logical point.

STATEMENT OF MR. J. W. MORWOOD.

Mr. Morwood: I do not care to take up your time as you are in a hurry.

The Secretary of the Treasury: We want to hear from Wheeling.

Mr. Morwood: But I will mention one or two little points

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J W Norwood.

briefly.

The Secretary of the Treasury: Certainly.

Mr. Norwood: Our section is especially anxious to be placed in a district with the states north of us, North Carolina and Virginia, particularly, and Maryland, if possible, because if we are placed in a district with South Carolina and points south, our entire district would be a cotton growing section, and the greatest demands for money would come in the entire district at the same time, and the demands for credit would be at the same time, and the decrease in deposits would be at the same time.

Then as to the place for a Regional Reserve Bank, I do not quite agree with our friends from Charleston. I think it would be against our interests to have a Regional Reserve Bank in Columbia, because the trend of our business is northward, and we will have to have a great deal of northern exchange from time to time in paying our bills. Despite we could pay with a check on a Regional Reserve Bank in Columbia, it has got to be finally paid some time. In Richmond, for all practical purposes, it is just as near for us to make our deposits there as in Columbia, but when we would want to transfer from the Regional Reserve

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J W Horwood.

Bank to New York, from Richmond it would be only one day or just over night, while from Columbia, it would be two days. The transfer would get to New York in twenty hours, but it would be too late for business purposes, and it would be practically two days. But as between Richmond and Washington or Baltimore, they are practically the same, as to the time in reaching there. We are two days from Washington. We cannot get our mail in the post office before 5 to 6 or even 7 o'clock, but we can mail a letter as late as a quarter past seven in all that Piedmont section of the state, and it will reach Richmond before daylight the next morning, 7 o'clock I think is the hour, and it goes to our credit immediately. While if it would go a few miles further to Washington, it would be too late, it would not be distributed until after ten or possibly 11 o'clock, and we would not get credit for it until the next day. That is the course of business now. Some of our banks, the one with which I am connected, carry a Washington and Baltimore account. The same is true with Baltimore. We sell a great deal of paper in Richmond. Our section is the greatest cotton manufacturing section in the south, and comes next to the Fall River section. Greenville has, for instance,

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within a mile of its city limits, almost surrounding it, a number of cotton mills and the cost of the plants would amount to fully \$10,000,000, and of all these mills, there are only one or two of them where the capital and accumulated surplus pay for the plant in full, so they are borrowing practically all of their commercial capital, with one or two exceptions, and some of them have debts on their plants. We get a great part of that from Richmond. My personal business as aside from the bank is in dealing with those cotton mills to a great extent, not only at Greenville, but all through the Carolinas, representing plants possibly of \$40,000,000. That line of paper is placed in Virginia, and more particularly in Richmond, than in any other centre, five times as much as in New York, and ten or twenty times as much as in Baltimore. Within the past twelve months, to illustrate, with just one man's business, I have sold in Richmond over a million and <sup>a</sup> half of corporation paper, principally of cotton mills, some oil mills and some fertilizer paper. That paper which goes over night, it is mailed six o'clock at Greenville, and is registered and gets to Richmond the next day, and is placed to our credit. If it went to Baltimore or Washington, in the first place it has

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J W Morwood.

taken a long time to establish business credit there, but if we could get credit there, it would be one day further, and the interest would be \$250. a 6 per cent, say, for one day on a million and a half.

We have had some other ideas which may be incorrect. Of course those regional banks will be managed by the directors elected in part by stockholders and in part appointed by the government. If it is in Richmond, it may not be Richmond people who manage it, but if our banks were to go to Richmond for re-discount, their banking friends there would be in close touch with managers of the regional bank, and we would be introduced and would have some friends to father us in a way; while in Washington or Baltimore that would not be the case to the same extent. It would be to some extent but --

The Secretary of the Treasury: You might get familiar with them in those places after a time.

Mr. Morwood: Oh, yes, we could in time, if we had to go back to Atlanta, for instance. We wrote our friends there <sup>urged</sup> and they ~~agreed~~ us to wait and favor them, but we wrote them that we had so little business with them that they did not know us, and that if we were attached to that city

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J W Horwood.

we would do the best we could to get acquainted with them.

The Secretary of the Treasury: Now, gentlemen, we are very much indebted to you for the information you have given us, and we shall certainly give careful consideration to your claim.

The Secretary of Agriculture: You might say that perhaps the questions which we have asked have brought out points that Richmond had not considered, and that she will have time to submit any briefs that she desires, and add to what she has said here.

The Secretary of the Treasury: Yea

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## STATEMENTS SUBMITTED IN BEHALF OF WHEELING, W. Va.

## STATEMENT OF MR. WILLIAM B. IRVINE.

The Secretary of the Treasury: Mr. Irvine, you may state your name and business connection.

Mr. Irvine: William B. Irvine, Vice President of the National Bank of West Virginia at Wheeling, and President of the Board of Trade.

The Secretary of the Treasury: Our problem you are familiar with, of course, which is to divide the country into not less than eight nor more than twelve districts and to place in each one of them a regional Reserve Bank. Branches of that bank, of course, will be established under the law in the different parts of such districts. Now we wanted to hear from Wheeling as to where you ought to be attached, or to what district you think you ought to belong in the division of the territory, and we should be glad to have your views on that point.

The Secretary of Agriculture: And where the regional bank ought to be located.

The Secretary of the Treasury: Yes, in such a district.

Mr. Irvine: Taking into consideration the five of the

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William P Irvine.

most important banking cities nearest to us, we would naturally say Pittsburg. It is within an hour and 50 minutes of Wheeling.

The Secretary of the Treasury: What district would you think then should be served by Pittsburg?

Mr. Irvine: I would say practically all of Pennsylvania and a considerable portion of northeastern Ohio and West Virginia.

The Secretary of the Treasury: All of West Virginia?

Mr. Irvine: Practically all of West Virginia. No, I would not say all of West Virginia, but West Virginia as far as Mason County.

Mr. Sutherland Or the Allegheny Mountains.

Mr. Irvine: Yes, the Allegheny Mountains.

The Secretary of the Treasury: How would that operate on Philadelphia? The course of business transactions and exchanges is not westward, is it, I mean from Philadelphia?

Mr. Irvine: No, more eastward.

The Secretary of the Treasury: And Philadelphia's business is very much greater than Pittsburg's, is it not?

Mr. Irvine: Not in our district.

The Secretary of the Treasury: I am speaking though of

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the whole district.

Mr. Irvine: I am not prepared to answer that with figures.

The Secretary of Agriculture: Would you include Philadelphia in the Pittsburg district?

Mr. Irvine: Yes.

The Secretary of the Treasury: You mean Pittsburg would be more convenient to you?

Mr. Irvine: Yes.

The Secretary of the Treasury: If that district embraced Maryland, Pennsylvania, South Jersey and a part of West Virginia, would not a headquarters bank in Philadelphia serve that situation better than one at Pittsburg? I am speaking of the entire district.

Mr. Irvine: No, I do not think it would.

The Secretary of the Treasury: You think Pittsburg would be better?

Mr. Irvine: I think Pittsburg would be better.

The Secretary of Agriculture: Do you think it would not be doing great violence in the course of trade to throw Eastern Pennsylvania, including Philadelphia, New Jersey and Delaware and those southern parts of the territory into Pittsburg?

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William B. Irvine.

Mr. Irvine: I think not, if New York is a regional city.

The Secretary of Agriculture: Do you keep your accounts at present in Pittsburg?

Mr. Irvine: Yes, sir, our main reserve is there.

The Secretary of Agriculture: What do they pay you on deposits?

Mr. Irvine: Three per cent.

The Secretary of Agriculture: That would be discontinued under this arrangement.

Mr. Irvine: Yes.

The Secretary of Agriculture: Do they collect checks free too?

Mr. Irvine: Yes.

The Secretary of the Treasury: In addition to the 3 per cent?

Mr. Irvine: Yes sir; they are very liberal.

The Secretary of the Treasury: If they did not do that, where would you keep your reserve? Suppose you only got 2 per cent in Pittsburg and no free collection of checks, in other words if Pittsburg had the same basis as New York.

Mr. Irvine: You mean under the present conditions as

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they have existed heretofore?

The Secretary of the Treasury: Yes, suppose you got the same in the way of interest return in New York, that you would get in Pittsburg, and the same facilities, where would you keep your accounts, under such circumstances.

Mr. Irvine: I would prefer New York.

The Secretary of the Treasury: The situation at Pittsburg is somewhat artificial.

Mr. Irvine: Yes.

The Secretary of the Treasury: Because of the very large inducements offered for these reserve balances?

Mr. Irvine: Yes, and their close proximity to our vicinity.

The Secretary of Agriculture: Can you speak for any other part of West Virginia except Wheeling?

Mr. Irvine: What we call the Northern Panhandle?

The Secretary of Agriculture: Yes.

Mr. Irvine: Of course, if you go to the southern end of the state, their business has always gone either to Cincinnati or Richmond, and to some extent to Baltimore.

The Secretary of Agriculture: Now suppose Pittsburg were not made a regional Reserve Bank location, what place in the territory that would be convenient to you, would

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you prefer?

Mr. Irvine: We could get to Washington or Baltimore with more convenience than we could get to Cincinnati, or quite as easily as we could get to Cleveland. It would be a little time longer/to Baltimore or Washington.

The Secretary of the Treasury: What would you think as to Baltimore as against Washington, or vice versa?

Mr. Irvine: I would prefer Washington under those circumstances.

The Secretary of Agriculture: What would you say as to Baltimore or Philadelphia?

Mr. Irvine: I would prefer Washington.

The Secretary of the Treasury: And as between Richmond and Baltimore?

Mr. Irvine: I would still prefer Washington.

The Secretary of Agriculture: Your first preference is Pittsburg?

Mr. Irvine: Yes.

The Secretary of Agriculture: Your second would be Washington?

Mr. Irvine: Yes.

The Secretary of the Treasury: To be attached westward would not suit you as well?

Mr. Irvine: No.

The Secretary of the Treasury: And I presume upon the same line of reasoning that Philadelphia would urge against being attached to Pittsburg.

Mr. Irvine: Yes.

The Secretary of the Treasury: That the trend is eastward or nottheastward?

Mr. Irvine: Yes.

The Secretary of Agriculture: You would object to Cleveland or Cincinnati?

Mr. Irvine: I would not object to them, but I would prefer Pittsburg.

The Secretary of Agriculture: I am using it in that sense.

Mr. Irvine: Yes.

The Secretary of the Treasury: You think northern West Virginia would be better served as between Cincinnati and Cleveland at Cincinnati?

Mr. Irvine: You mean eliminating Pittsburg?

The Secretary of the Treasury: Yes, eliminating Pittsburg.

Mr. Irvine: I believe so.

The Secretary of the Treasury: The transportation facilities are fairly good in that direction?

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Mr. Irvine: Yes, fairly good.

The Secretary of Agriculture: Have you some statistics there which you want to submit?

Mr. Irvine: I have here statistics that were prepared for another purpose regarding the Wheeling banks, and banks in that locality; if you would like to have them.

The Secretary of the Treasury: Gentlemen, if you will excuse me, Secretary Houston will continue the hearing. I have some other matters which are very pressing, and I shall have to attend to them.

The Secretary of Agriculture: The Secretary of the Treasury will not only have an opportunity to read what you say, but I shall tell him, so that whatever you have to say will have full consideration.

Mr. Irvine: It is hardly worth while to read all these statistics, but I will be very glad to file them.

The Secretary of Agriculture: What is their nature?

Mr. Irvine: It is the capital of the various banks in the City of Wheeling, and towns within a few miles of Wheeling. It shows the surplus and profits at the close of business December 31, 1912, and at the close of business December 31st, 1913, and the deposits at the close of busi-

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ness December 31 1912, and December 31, 1913, showing the increase or decrease, and the loans and investments for the same period, showing their increase or decrease.

The Secretary of Agriculture: You do not show what their banking connections are, do you?

Mr. Irvine: No, but it could be furnished readily.

The Secretary of Agriculture: But at present they are largely with Pittsburg?

Mr. Irvine: Yes, sir, very largely with Pittsburg.

The Secretary of Agriculture: Has Wheeling any other request to make in this connection?

Mr. Irvine: I would like for you to hear from Mr. Beans, who represents Bradstreets.

The Secretary of Agriculture: Yes, but I meant as to its desires or wishes.

Mr. Irvine: I think not.

The Secretary of Agriculture: We would be very glad to hear from Mr. Beans; I might ask if you knew that Pittsburg was to be heard tomorrow afternoon.

Mr. Irvine: I only know it from seeing the publication in the papers.

The Secretary of Agriculture: Of course, if you gentlemen will stay over, we will be very glad to have you

Oliver G. Beans.

present.

STATEMENT OF MR. OLIVER G. BEANS.

Mr. Beans: I do not know, Mr. Secretary, why I was asked to be heard, because we came here not knowing what was expected of us. We prepared data such as we could within the short time we had to do it, and I have been preparing bank clearings for a number of years for publication locally; that is, merely a comparison of bank clearings for Wheeling with other cities, 25 of them throughout the United States and Canada, for the year 1913, and also for the month of December, together with their populations. I did not know what you expected of us, but I am willing to answer any question which you might have to ask me in regard to it.

The Secretary of Agriculture: What was your object in preparing this?

Mr. Beans: To show the condition of Wheeling and its banking interests, and its banking needs. As you will note, we are the smallest town of the 25 we have stated there, and yet our clearings are very much in excess of any of the others, showing a healthy increase, at any rate. That, however, was not prepared for this conference at all. It was prepared for our own local publication. We did not

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know, but we were ambitious enough to consider, in case there was anything to be considered in the matter regarding a regional bank for our location, we were figuring our locality for the service of a regional bank. Within a radius of 250 miles Wheeling serves, hitting the large cities only, over Seven Millions of clearings.

The Secretary of Agriculture: You know our problem is to establish these districts and a Reserve bank location in each one of them, and we are required by law to have due regard for the customary course of trade and convenience.

Mr. Beans: Surely.

The Secretary of Agriculture: And of course we wanted to hear fully what was in Wheeling's mind and what she wanted and where she thought a Reserve bank should be established and what territory it should serve, and anything else that she wanted to propose.

Mr. Beans: Well, regarding the location of a Reserve Bank, I can only reiterate what Mr. Irvine has said in regard to Pittsburg. For us that would naturally be Wheeling's first choice, and Washington in all probability second.

Oliver G. Beans.

The Secretary of Agriculture: Has that business connection grown up to any extent through the fact that they have offered such inducements?

Mr. Beans: Oh, I presume that that connection has grown just gradually, because of the proximity of Wheeling to Pittsburg.

The Secretary of Agriculture: That is the main thing, you think,

Mr. Beans: Probably; we are only 66 miles from there.

The Secretary of Agriculture: If the interest payment were stopped, and if this new arrangement goes into effect and the parring of clearings were established, you think they would still do business there?

Mr. Beans: To some extent, but I do not think to the same extent they are doing it now.

The Secretary of Agriculture: Of course, their ordinary banking operations would continue?

Mr. Beans: Yes, naturally.

The Secretary of Agriculture: Have you something you want to file with the Committee?

Mr. Beans: No, I do not know as I have any data. I might file this statement of the clearings, however.

The Secretary of Agriculture: Yes, that may be filed.

Oliver G. Beans.

(The paper referred to was received and filed as Exhibit A to Mr. Beans' testimony.)

STATEMENT OF MR. HOWARD SUTHERLAND.

Mr. Sutherland: I have been in correspondence with most of the banks of the state, the banks in the northern part of the state prefer either Washington or Baltimore or Pittsburg, but our business interests and our banks in the southern part of the state, very much prefer to be in a regional bank with Cincinnati; and I have heard from almost all of them down there, including the coal companies and the banks. Their business naturally flows that way. If it were possible to divide the state in a fair way, so that the northern part could continue to do as they now do business, with Pittsburg or Baltimore or Washington, if that is the determination, and the southern part could go to Cincinnati, that would suit both sections of our state.

The Secretary of Agriculture: Where would you draw the line?

Mr. Sutherland: It ought to be not a straight line, but with the water courses and railroad transportation line. We would have to figure it out as to the details. All this

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territory contiguous to the Baltimore & Ohio flows east towards Baltimore and Washington, or north towards Pittsburgh; but this entire southern section of the state, on the Chesapeake & Ohio and Norfolk & Western and the Virginian Railroad, the tremendous coal area, all comes down to Cincinnati.

The Secretary of Agriculture: And including Charleston?

Mr. Sutherland: Charleston, the entire Chesapeake & Ohio region, and from Bluefield down to Huntington and Kenova on the Norfolk & Western, I think, goes towards Cincinnati.

The Secretary of Agriculture: There was a gentleman from Huntington here advocating Richmond.

Mr. Sutherland: Second they would prefer Richmond.

The Secretary of Agriculture: This southern section?

Mr. Sutherland: This southern section.

The Secretary of Agriculture: They would prefer Richmond to Washington, Baltimore, Philadelphia or Pittsburgh?

Mr. Sutherland: That is what they have indicated to me in their correspondence, and I have been in correspondence with every bank in the state, and the entire southern section prefers first Cincinnati and then Richmond, and the northern section either Pittsburgh or Washington or Baltimore.

Howard Sutherland.

The Secretary of Agriculture: Their first preference is Pittsburg?

Mr. Sutherland: I think the first preference of the majority of the northern section of the state would be Pittsburg. The lines of travel there go of course on the Baltimore & Ohio, and it flows on towards Baltimore and Washington, Of course their commercial business has been done with Baltimore in preference to Washington.

The Secretary of Agriculture: Wheeling's direct line is with Pittsburg, is it not?

Mr. Sutherland: Yes, Wheeling of course is closer to Pittsburg; it is only an hour and fifty minutes from Pittsburg, and does more business there on account of its proximity and on account of their interest rates there.

The Secretary of Agriculture: No part of the State would look with favor upon Cleveland?

Mr. Sutherland: I do not think so, unless there was an alternative there in the upper part of the Panhandle.

I do not think any section there except right around Wheeling would prefer Cleveland.

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## STATEMENT OF MR. R. R. NAYLOR.

Mr. Naylor: I just wish to say, Mr. Secretary, that if Pittsburg is out of the running, we should like to have our city considered for a regional bank. We believe that its high standing financially and industrially entitles it to consideration, and we believe it would very well serve Western Pennsylvania, Eastern Ohio and northern West Virginia.

The Secretary of Agriculture: That is Wheeling?

Mr. Naylor: Yes, sir. Now the clearings, as they have been furnished by Mr. Beans, will show very conclusively the extent of our business there.

The Secretary of Agriculture: Could you predicate a suggestion of that kind on the present flow of trade?

Mr. Naylor: Well, I hardly could, no. I do not know that it is in our direction, but we are in the center of a very rich and populous country, and as Mr. Beans has said, the clearings in the near vicinity, within a radius of about 150 miles, amount I think to between seven and eight billion dollars.

Mr. Beans. Seven millions, just hitting the high spots, and not touching the other towns.

The Secretary of Agriculture: We are going to find a great many centres of the surrounding country.

Mr. Naylor: Yes; of course, we are pre-eminent in West Virginia. 21 per cent of all the money in West Virginia banks is in Wheeling, and 16 per cent of the value of all the manufactured products is made in Wheeling, and we should like very much to be considered in this connection, although we were a little bit surprised that a town of our size was put on the map as it has been. However, inasmuch as we are here, we hope for consideration.

The Secretary of Agriculture: Well, we have to consult the business men and bankers and others who can give us information as to where these banks ought to be established—the district that ought to be served, and incidentally we must get from them where they have been doing business and where they<sup>would</sup> prefer to do business, with what regional bank they would prefer to do business, in case one was established in their community, of course.

Mr. Naylor: Well, I think next to Pittsburg Wheeling would be favored by our section. Now, while we appear on the map as a city of 41,641 people, we are a community of 200,000. And we have with us here an Ohio Congressman who is just

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about as much interested in Wheeling as he is in his own district. I should like to hear from Mr Francis, who is just across the river from us in the 16th Ohio District, and I am sure his people would favor Wheeling for a regional bank.

The Secretary of Agriculture: You know we have to take in-  
to consideration a large territory.

Mr. Naylor: Yes, I understand.

The Secretary of Agriculture: How is Wheeling as accessi-  
ble as other cities?

Mr. Naylor: Well, it is very accessible. We have the  
Baltimore & Ohio Railroad with several branches and the  
Pennsylvania Railroad with three or four branches, and the  
Wabash interests in there. We are over night from the cen-  
ters of population like New York and Baltimore.

The Secretary of Agriculture: Should you think business  
centres like Pittsburg, Cleveland and all of West Virginia  
and the other territory would look to Wheeling?

Mr. Naylor: No, I am only basing my argument--

The Secretary of Agriculture: You knew there is no  
use of taking a local or contracted view of it. We have got  
to look to what a large territory would look to. There is

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no use in discussing Wheeling unless you think the towns and cities of a large area would look to Wheeling rather than some other centres.

Mr. Haylor: I think they would look to Pittsburg first in our section.

The Secretary of Agriculture: Of course you cannot draw a little line and make one of these regional districts. You have to take in a number of states. And the question would arise whether the states surrounding Wheeling, like Pennsylvania, West Virginia, parts of Ohio and Kentucky in this case, would prefer to transact such business in this region.

Mr. Haylor: Will not the regions be restricted as to size, I mean volume of business?

The Secretary of Agriculture: The whole United States has to be divided into not less than eight or more than twelve. Now that makes large areas in any case, and when you get to a territory like this you would embrace the greater part of that territory in four or five states with necessarily such cities in that district as Pittsburg, Cleveland, Columbus, Wheeling and Charleston; you cannot tell how far it would go; and it is idle to consider any city that would not be a normal resort and a convenient resort for business

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men in their customary transactions. We cannot do violence to business so as to absolutely change and reverse its course. Of course it is only upon such a broad assumption as that that we can pursue this investigation.

Mr. Naylor: I understand.

The Secretary of Agriculture: Of course, if Wheeling wants that, all right.

Mr. Naylor: Well, you may find if Pittsburg is not in the running, that we may fill the bill, Mr. Secretary.

The Secretary of Agriculture: Well, you are not limited to Pittsburg, you know.

Mr. Naylor: No, I understand that.

The Secretary of Agriculture: We have as possibilities in that region a dozen cities. We cannot tell yet how the territory will be defined. Is there any other suggestion?

#### STATEMENT OF MR. W. B. FRANCIS.

Mr. Francis: I would like to ask whether the district is to be confined to ascertain amount of territory or to the volume of business.

The Secretary of Agriculture: We cannot tell. For instance, it is conceivable that you might take a territory like New England, or a part of New England, and throw its connections

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to a city, to Boston, for instance. There you would have a comparatively small territory and a very large volume of business. It is conceivable, as some one has suggested, that you might take the City of New York alone. There you would have an exceedingly small territory, but a very large volume of business, because 6 per cent of the capital in New York City and the per centage of the reserves, would make a very large bank in New York City. On the other hand, when you come to the southwest you may have to take a very large territory to get the requisite capital and volume of business and reserves.

Mr. Francis. I see. That was my idea in asking the question. Now, as to this vicinity, of course we have a little pride in Wheeling, and it might be out of the question, but when you examine the figures and the industries there, I think you will find that within 75 miles of Wheeling there is a section of country where there is not a like aggregation of industries in the United States.

The Secretary of Agriculture: We know that industrial situation out there.

Mr. Francis: Yes.

The Secretary of Agriculture: The questions are these:

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W B Francis.

Is Wheeling a place where the bankers are accustomed to transact their business, are their accounts there?

Mr. Francis: I was just coming to that. These cities which have been spoken of, Wheeling and Pittsburg, have like industries and like interests, and I presume, while I am not a banker, that they naturally gravitate in that way, with like interests, and have like banking business.

How take the coal industries there are probably not surpassed anywhere. Take a radius of 75 miles, this coal from the Ohio side generally finds a market in Cleveland, or on the Lakes, and so far as the business of the coal interests is concerned, the banking interests are with Cleveland and those Ohio River towns on the east side of the river. Possibly a great deal of the West Virginia coal goes to the same ports.

R. B. Naylor.

The Secretary of Agriculture: It would be impossible to take any area in there without including such cities as I have indicated, Columbus, Cleveland, possibly Cincinnati or Pittsburgh, or both, with a lot of this territory to the south. Now if you had the responsibility of doing this, would you locate this Federal Reserve Bank in Wheeling, in view of that territory?

Mr. Naylor: Well, I believe --

The Secretary of Agriculture: We have to divorce ourselves from local pride in discussing and studying this national problem.

Mr. Naylor: I would be frank to say to you that I believe, when tonnage and everything is considered, Pittsburgh is the hub of that industrial centre, there is no doubt about it.

The Secretary of Agriculture: If you had to define a district including the greater part of Ohio and part of Pennsylvania and West Virginia and so forth, you would select Pittsburgh rather than Cleveland or Cincinnati or Philadelphia?

Mr. Naylor: I think I would.

The Secretary of Agriculture: Your first choice then would be Pittsburgh?

R B Haylor

Mr. Haylor: Pittsburgh.

The Secretary of Agriculture: Would you care to indicate --

Mr. Sutherland: Our southern section does not agree with that.

The Secretary of Agriculture: I under.

Mr. Sutherland: The southern section of our state has very little to do with Pittsburgh and it would naturally go to Cincinnati or east toward Richmond.

The Secretary of Agriculture: Yes.

Mr. Francis: I want to make another observation as to Cleveland. It has a great territory on the south but it has the lake on the north and it would be a one-sided proposition.

The Secretary of Agriculture: Unless you could get across from Michigan.

#### STATEMENT OF MR. H. H. MOSS.

Mr. Moss: I just want to verify the statement that outside of Wheeling, if that is not considered, that the very strong preference of the northern part of the state is for Pittsburgh and the very strong preference of the southern part of the state is for Cincinnati. I do not think that

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either section of the state would be satisfied with any other cities than those I have named. The southern end seems to think it is absolutely impracticable that they should have for their regional bank one located at Pittsburgh.

The Secretary of Agriculture: You have no easy north and south communication there, have you?

Mr. Moss: No, sir, we have not. And the same way with the northern section, it would be very inconvenient for them to have a bank located at Cincinnati.

The Secretary of Agriculture: Suppose Pittsburgh or Cincinnati were out of the question, where would northern West Virginia go most conveniently.

Mr. Moss: I would think naturally to Baltimore.

The Secretary of Agriculture: You do not seem to look with much favor on Philadelphia?

Mr. Moss: No, sir, there seems to be very little connection between us and Philadelphia.

The Secretary of Agriculture: What do you think would be southern West Virginia's second choice?

Mr. Moss: Well, I would hardly know, unless it would be Baltimore also. I do not know. I should think Baltimore

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H H Moss.

would be just as agreeable to them as any other place.

The Secretary of Agriculture: Do you think it would do violence to their sentiment and trade if they went to Richmond?

Mr. Moss: Yes, I do. I do not believe it would be at all agreeable to them.

Mr. Sutherland: Have you been in correspondence with them?

Mr. Moss: Certainly, to some extent.

Mr. Sutherland: From my actual letters received from down there, which I could file with you, from every banker I have heard from, it is that the southern section of the state prefers Richmond as second choice to Cincinnati; that is from the coal people as well as from the banks.

The Secretary of Agriculture: Would you file those as an exhibit to your testimony?

Mr. Sutherland: Yes, I should be glad to do so.

The Secretary of Agriculture: That covers the ground, I suppose.

Mr. Haylor: If you want us to file anything further, we would be glad to do so.

The Secretary of Agriculture: If there is anything you

H H Moss.

can give us which would throw light on the preferences, based on the course of trade of West Virginia, either section of it or all of it, anything in addition to what you have said, you may do so. Mr. Sutherland says he will give us letters from bankers. That, of course, will be received.

Mr. Sutherland: I will be glad to file those.

Whereupon, at 5:50 o'clock P. M. the hearing was adjourned to Friday, January 16th, 1914, at 9.00 o'clock A. M.