

LOCATION OF REGIONAL RESERVE BANKS

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SPEECH

OF

HON. CARTER GLASS

OF VIRGINIA.

IN THE

HOUSE OF REPRESENTATIVES

APRIL 8, 1914



WASHINGTON
1914



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SPEECH
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LOCATION OF REGIONAL RESERVE BANKS.

Mr. GLASS. Mr. Chairman, I did not happen to be on the floor of the House on last Saturday when two Members took occasion to challenge the motives of the Federal reserve organization committee in locating the regional reserve banks as recently announced, nor did I happen to be on the floor of the House yesterday when the gentleman from Louisiana [Mr. DUPRÉ] read into the Record those remarkably vindictive and vituperative resolutions adopted by a mass meeting in New Orleans on the 4th of this month. I did come on the floor in time to hear the distinguished gentleman from Illinois [Mr. MANN] say something in this connection which, upon reflection, I am sure he will deeply regret. In the debates of Congress, when we consider the complete immunity which Representatives may claim, a Member, above everything, should be careful of his public utterances. And I think the gentleman from Illinois [Mr. MANN], upon reflection, will regret that he stood in his place here yesterday and personally aspersed a member of the Federal Reserve Board, even to the amazing extent of bringing in question his personal integrity. Had anyone in my presence thus assailed the gentleman from Illinois in any forum where I had the privilege of speech, I would have resented the assault on him as quickly and as indignantly as I now resent his aspersion of the Comptroller of the Currency. The attack upon that official, without means of defense, was wanton and altogether unworthy of the gentleman from Illinois, who on all occasions hitherto has been perfectly fair and frank, as well as courageous in his utterances here, no matter what was the nature of the question in controversy. I think the gentleman should expunge from the Record his offensive personal reference to the Comptroller of the Currency.

As to the wretched clatter about politics being involved in the action of the Federal reserve organization committee, it is positively so trifling that I find myself unable to speak temperately of it. What sort of politics could be involved in the location of these regional reserve banks? Maryland is a closely contested State at elections, and the city of Baltimore, which usually controls the political situation there, is close also. How could a Democratic organization committee have successfully played politics in the State of Maryland by depriving the commercial center of that State of a Federal reserve bank? Can it be conceived that the members of the organization committee were foolish enough to suppose that by depriving Baltimore of a Federal reserve bank they would strengthen the Democratic Party in a close State like Maryland?

And so with the city of Richmond, in a State with 50,000 Democratic majority. Could the organization committee have been simple enough to imagine that it might help the Democratic Party in Virginia by giving Richmond a Federal reserve bank? The Democratic Party in Virginia did not need help. Where is the politics of the situation? The politics is right here on the floor of the House and nowhere else; and the character of the politics is illustrated by the talk of the gentleman from the State of Washington [Mr. HUMPHREYS], who started out to make politics of this banking and currency measure and has continued to make very small politics of it. [Applause on the Democratic side.]

What possible political motive could have prompted the Federal reserve committee to deprive New Orleans of a Federal reserve bank? Is it conceived that depriving a Democratic city like New Orleans of a bank might help the Democratic Party in the State of Louisiana? Did this Democratic Federal reserve organization committee dream that it might convert the Republican city of Philadelphia by giving it a Federal reserve bank, after having made Maryland and Louisiana safely Democratic by depriving Baltimore and New Orleans of a bank each? Mr. Chairman, it is unutterably silly to talk about there being any politics in the location of these Federal reserve banks.

Regional reserve banks are established under the spirit and text of the Federal reserve act, not to serve Baltimore, or Richmond, or New Orleans, or Atlanta, or any particular city, but to serve the entire country. And the regional reserve bank is established largely with respect to the commerce and the customary channels of trade of the region in which it is located, and not altogether with reference to the banking resources or the population of the city in which it is situated.

It might be imagined, from the clamor that has been raised over the designation of Federal reserve cities, that the banking facilities of some communities will be seriously impaired and that they will be deprived of business they have for years enjoyed in the regular process of trade. Could any suggestion be more senseless? Baltimore, for instance, will not lose one dollar of the banking business it has to-day by reason of the location of a regional reserve bank at Richmond. Nor will New Orleans lose one dollar of its banking business by reason of the location of a regional reserve bank in the city of Atlanta. In Baltimore and in New Orleans a branch regional reserve bank will be located, and those branches will fully maintain the banking prestige of those cities. So that, after all, the location of regional reserve banks affords little advantage except in merely a sentimental way or in the way of advertising. When it comes to the practical work of banking, the advantage of having one of these regional banks has been infinitely exaggerated. Congress could not, if it would, interfere with the usual courses of banking or the activities of commerce, nor could anything that the organization committee has done or might do in the establishment of regional reserve banks divert or seriously affect the ordinary course of business transactions. All of this childish talk about some prejudiced person desiring to deprive New York of its preeminence as a commercial and financial center is nonsense. New York is the commercial and financial center of the United States, and it is going to continue

to be. Nothing that Congress or this organization committee may do will alter that fact.

Mr. Chairman, with no animosity on earth toward the city of Baltimore, or the city of Washington, or any of the cities involved in this dispute, I desire to put upon record some facts relating to this useless controversy. It is not done to disparage Baltimore or Washington, nor with any view of unduly magnifying the commercial importance of the city of Richmond, but solely with a view to justifying the action of the Federal reserve organization committee and to demonstrate to the House that this talk of "partisan and personal motives" is the sheerest nonsense.

Federal reserve bank district No. 5 is composed of the States of Maryland, Virginia, West Virginia (except four counties), and North and South Carolina and the District of Columbia. These States have always been closely bound together commercially and financially, and their business relations are large and intimate.

The reports made to the Comptroller of the Currency on January 13, 1914, by all the national banks in each of these States show, in every essential respect, that the business of the national banks in Virginia, including Richmond, is far ahead of the business of the national banks of Maryland, including Baltimore, or of any other of the five States embraced in district No. 5.

The capital and surplus of the Virginia national banks on the date mentioned was \$32,900,000, against \$31,300,000 in Maryland, including Baltimore; \$18,000,000 in West Virginia, \$13,300,000 in North Carolina, \$10,000,000 in South Carolina, and \$12,600,000 in the District of Columbia.

In their loans and discounts—\$108,500,000—the Virginia national banks exceeded those of Maryland by about \$18,000,000, or 20 per cent.

The total individual deposits, including certificates of deposit, of the national banks in Virginia, including Richmond, amounted to \$92,300,000, against \$84,700,000 in Maryland, including Baltimore, the State in district No. 5 in which individual deposits were next greatest; the individual deposits of the District of Columbia, including Washington, being \$29,000,000.

In the poll taken by the organization committee 431 banks in district No. 5 expressed their preferences for the location of a regional bank. Richmond received more first-choice ballots than any other city in the district, namely, 167, against 128 for Baltimore, 35 for Pittsburgh, 28 for Columbia, S. C., 27 for Cincinnati, and 25 for Washington, D. C. Of the remaining 21 votes 19 were for Charlotte, N. C., and 2 for New York. Leaving out the States of Maryland and Virginia, Richmond received from the rest of the district three times as many first-choice votes as were cast for Baltimore.

In the growth of the capital and general business of the national banks Richmond outstripped both Washington and Baltimore. The capital and surplus of the national banks of Richmond increased 219 per cent in the period from 1903 to 1913 against an increase for the same period in Washington of 83 per cent and in Baltimore of 4 per cent. The loans and discounts of the national banks in Richmond increased in the same 10-year period 207 per cent, or from \$11,300,000 to \$34,700,000, while the loans and discounts in the national banks of Wash-

ington for the same period increased 89 per cent, or from \$14,300,000 to \$26,800,000. The loans and discounts in national banks of Baltimore for the same period increased from \$47,222,000 to \$63,703,000, or 35 per cent.

In individual deposits the national banks in Richmond increased in this 10-year period from \$9,600,000 to \$24,300,000, an increase of 152 per cent. The increase in the national banks of Washington for the same period was 40 per cent, or from \$18,600,000 to \$26,300,000, while the individual deposits in the national banks of Baltimore increased in the same 10 years 38 per cent, or from \$32,100,000 to \$44,500,000.

The banks in New Orleans have criticized the decision of the organization committee and have given out relative figures as to New Orleans, Richmond, and other cities which are incorrect and misleading. An analysis and study of the actual figures will be found instructive and can lend no support to the claims which New Orleans is making.

From the sworn special reports recently submitted to the Comptroller of the Currency it appears that the national banks in Richmond were lending on loans and discounts in the 13 Southern States on January 13, 1914, more money than was being loaned by the national banks in any other city in the country except New York, and nearly twice as much as was being loaned by the national banks in Chicago in the same section. The total loans and discounts in the 13 Southern States of the national banks in Richmond amounted to \$33,473,000. The loans in the same territory being made by the Baltimore national banks were \$6,891,000, and by the national banks in Washington \$915,000; in New Orleans, \$19,477,000. In other words, the national banks in Richmond were lending in the 13 Southern States more than four times as much money as all the national banks in Baltimore and Washington combined; 70 per cent more than the national banks of New Orleans, and more money than the national banks in the central reserve cities of Chicago and St. Louis combined.

The figures also show that in those portions of district No. 5 outside of the States of Virginia and Maryland the Richmond national banks are lending twice as much money as all the national banks in Baltimore and Washington combined are lending in the same district. They also show that although Richmond is not a reserve city, the banks and trust companies in the 13 Southern States had on deposit in the national banks of Richmond on February 14, 1914, \$9,876,000, or slightly more than these same banks had on deposit in the city of Baltimore, and four times as much as they carried in Washington, which two cities have long enjoyed the benefits of being reserve cities. That southern banks should carry larger balances in Richmond, where they could not be counted in their reserves, rather than in Baltimore or Washington, where they could be counted, is suggestive.

The statistics also show that the capital and surplus of all reporting banks—National, State, and savings and trust companies—per capita in Richmond, as of June 4, 1913, was \$131, against \$85 in Baltimore, \$88 in Washington, and \$60 in New Orleans, while the loans and discounts made by all banks and trust companies in Richmond, on the same date, amounted to \$393 per capita, against \$190 in Washington and \$213 in Baltimore and \$194 in New Orleans.

The amount of money which banks and trust companies in the various parts of the country carried on deposit with Richmond, a nonreserve city, on February 14, 1914, amounted to \$10,970,000, or nearly twice as much as the balances carried by outside banks with the national banks of Washington, which on the same day amounted to \$5,516,000, and one and a half times as much as was carried on that day by the national banks of New Orleans, a reserve city.

The statistics furnished the organization committee show that on March 4, 1914, the capital and surplus of the national banks in Richmond per capita amounted to more than twice as much as the capital and surplus per capita of the national banks in either Baltimore or Washington and three and a half times as much as New Orleans, while the individual deposits of the national banks in Richmond amounted to \$201 per capita, against \$86 in Washington and \$76 in Baltimore and \$50 in New Orleans. The loans and discounts in the national banks in Richmond on the same date were reported at \$279 per capita, against \$77 in Washington and \$108 in Baltimore and \$51 in New Orleans.

On March 4, 1914, the capital and surplus of all national banks in Richmond was \$9,314,000; in New Orleans, \$6,730,000; in Washington, \$11,365,000. Loans and discounts of national banks in Richmond, same day, \$35,593,000; in Washington, \$25,405,000; in New Orleans, \$17,285,000.

In other words, the figures show that the national banks of Richmond were lending, on March 4, 1914, on loans and discounts twice as much money as all the national banks in the city of New Orleans and 40 per cent more than all the national banks of Washington.

In capital and surplus of national banks per capita Richmond exceeded New York, Chicago, St. Louis, Boston, and every other applicant city having a population of as much as 80,000, except the city of San Francisco and one other.

In the matter of individual deposits, the individual deposits in the national banks of Richmond per capita were greater than those of New York, Philadelphia, Cleveland, Chicago, and St. Louis, and every other applicant city whose population amounted to 80,000 or more, except San Francisco, Boston, and two others, and were the same as those of Dallas.

The loans and discounts of the national banks of Richmond per capita exceeded those of every other applicant city having a population of 80,000 or more, save only the city of Boston, and exceeded by more than 50 per cent the loans and discounts per capita of either Chicago or St. Louis, and were five times as great as New Orleans.

As I have said, the Federal reserve act does not purpose to establish regional reserve banks to please a few cities. They are to be established to take care of the commercial requirements and to respond to the business needs of various sections of the country, and a poll of the banks of regional division No. 5 by the Richmond Chamber of Commerce, more complete than the poll of the organization committee, showed an overwhelming majority for Richmond as the reserve city of the district. Out of a total of 437 banks in Virginia, but 4 voted for Baltimore as first choice and but 7 for Washington, while 415 voted for Richmond.

Out of a total of 486 banks in North Carolina, 442 voted for Richmond.

Out of a total of 405 banks in South Carolina, but 1 voted for Baltimore as first choice and none for Washington as first choice; but, eliminating Columbia, the State capital of South Carolina, nearly every bank in the State that responded to the poll voted for Richmond. Out of a total of 1,328 banks, 1,052 voted for Richmond, 21 for Washington, and 104 for Baltimore.

The gentleman from Maryland [Mr. LINTHICUM] suggested yesterday that some letters had been written in favor of Baltimore. I have no doubt that is true. Baltimore is a splendid city, and the South is proud of her commercial supremacy, but the business men of the territory comprised in regional reserve bank district No. 5 were overwhelmingly in favor of Richmond for the reserve bank. As many as 2,236 business firms in four of the States comprising this district filed letters with the Federal Reserve Board in favor of Richmond. Delegations of bankers and business men from all the States of the district except Maryland came to Washington to indicate their preference for Richmond. The audience room set apart in the Treasury Building for the hearings could not begin to hold the bankers and business men who came to Washington in behalf of Richmond. The total capital, surplus, and profits of the banks voting for Richmond aggregate \$131,672,878 and the deposits of the banks voting for Richmond total in excess of \$361,000,000.

My friend from Maryland also said yesterday, with a thrip of his forefinger and thumb, that Baltimore banks loaned to Richmond most of the funds which the Richmond banks loan in the Southern States. Upon just such myths as this cities which failed to get a regional reserve bank are feeding their resentment.

On February 14, 1914, the national banks of Baltimore were lending to banks, bankers, merchants, and individuals in the State of Virginia the sum of \$1,306,903, while the banks and trust companies in Virginia had on deposit with the Baltimore banks the sum of \$3,072,062. In other words, with a balance struck, Baltimore on the date named was indebted to Virginia banks and trust companies to the amount of \$1,765,159 over and above the loans made by Baltimore banks to Virginia.

Mr. Chairman, the passionate and even desperate tenor of the resolutions adopted by the mass meeting held at New Orleans on April 4 could not be more sharply disclosed than by pointing to the malicious reference therein made to the city of Richmond. It was impertinent, as well as wantonly false, and exposes the city of New Orleans to a retort that should be humiliating to any community with a reasonable amount of civic pride. These resolutions speak of Richmond, which was not in competition with New Orleans, and with which that city has nothing to do, as "a comparatively unimportant mart of trade"; and yet, Mr. Chairman, I hold in my hand an official compilation from the office of the Comptroller of the Currency giving the total loans of national banks of certain cities of the United States as of January 13, 1914; and I want to say to the gentleman from Louisiana [Mr. DURRÉ], who had the New Orleans resolution inserted in the Record, that the total loans of the national banks of his great metropolis on the date indicated were but \$19,677,000 as contrasted with total loans of \$35,721,000 of the city of Richmond.

Just in the degree that the mass meeting at New Orleans impertinently undertook to depreciate the commercial importance of Richmond, just in this proportion should that community feel humiliated by an official exhibit of this character.

Mr. ESTOPINAL. Why does the gentleman make comparisons with Richmond? New Orleans was not a competitor of Richmond.

Mr. GLASS. I am glad my courteous friend realizes that fact. One of the Members of this House from Louisiana undertook to deride Richmond, and he has elicited this comparison.

Mr. ESTOPINAL. It was a general protest against the manner in which these selections were made, and Richmond was named as an instance.

Mr. GLASS. Yes; as an "inconsequential mart of trade" that should not have a regional reserve bank. Let us see further about that.

I also hold in my hand an official statement from the Treasury Department showing bank and trust company credit balances with the national banks in certain cities as of February 14, 1914. The amount thus on deposit in the national banks of Richmond, the inconsequential mart of trade, was \$10,970,068, and the amount on deposit with the national banks of her New Orleans cities was but \$7,229,470.

The same statement shows the amount loaned to all banks and trust companies on bills payable and rediscounts, including indirect loans, as of January 13, 1914; and in this item the inconsequential mart of trade shows a total of \$1,629,419 to a total of \$1,134,102 at New Orleans.

The same statement shows the amount of bought paper, stock-exchange loans, and so forth, made by national banks to non-customers throughout the United States as of January 13, 1914; and the total for the inconsequential mart of trade at Richmond is \$4,257,528, as against \$1,234,109 for the banks represented by that hysterical mass meeting of April 4 in New Orleans.

And I may add that in these comparisons Washington fares but little if any better than New Orleans in the contrast with Richmond.

Quitting this comparison of cities and turning to the banking resources of the States, I find, according to the comptroller's figures for October 21, 1913, that the aggregate national-bank resources of Virginia were \$168,000,000 as contrasted with \$80,000,000 for Louisiana, or eight millions more than twice as much, while the deposits in all classes of banks in these two States were \$175,000,000 for Virginia against \$147,000,000 for Louisiana. Virginia pays 50 per cent more internal-revenue taxes to the Federal Government than does the State of Louisiana, and in the matter of corporate capital, upon which Virginia pays to the Federal Government a tax, she leads the entire list of Southern States with \$942,000,000, with Louisiana so far in the rear that she does not deserve to be mentioned in the same column.

Mr. COOPER. Will the gentleman yield?

The CHAIRMAN. Does the gentleman from Virginia yield to the gentleman from Wisconsin?

Mr. GLASS. I do.

Mr. COOPER. I interrupt only to say that from the resolutions to which I listened yesterday I understand it to be the chief complaint of New Orleans that she has been passed by for Dallas and Atlanta, one specific charge, among other charges

made in those resolutions, being that the combined banking capital of Dallas and Atlanta is less by more than \$1,000,000 than the banking capital of New Orleans alone.

Mr. GLASS. I am sure there are gentlemen here who are perfectly competent to take care of Atlanta and Dallas; but New Orleans went out of its way to deride Richmond, and I just want to show what little basis it had for interfering with our affairs up here. [Laughter.]

Although Richmond is not a reserve city, and New Orleans, Washington, and Baltimore are, Richmond had on deposit from the 15 Southern States on February 4, 1914, \$9,876,000, or slightly more than the national banks had on deposit from the Southern States in the city of Baltimore and four times as much as Washington had on deposit from these Southern States.

Mr. ASWELL. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. ASWELL. If the gentleman's argument that the regional banks should be located in those cities that the money seeks, why should not Pennsylvania and New Jersey and all the surrounding country go to New York?

Mr. GLASS. Because New York is too big. It started out to have a central bank, and wanted everything east of the Allegheny Mountains.

Mr. ASWELL. Is it not a fact that the arbitrary location of the boundary lines of these districts practically located the cities for the regional reserve banks?

Mr. GLASS. The gentleman knows very well that the statute authorizes the organization committee, in observing the spirit of the law, to divide the States and to not run the lines according to the State boundaries.

Mr. ASWELL. Is it not possible that if the boundary line that made the Richmond district had been very much changed, Richmond would not have been voted for?

Mr. GLASS. Oh, it is possible, Mr. Chairman, that the organization committee has made a mistake. I, for one, do not think it has, but it is possible; they are human. We may make mistakes. This Congress makes mistakes; and it is possible that the organization committee made a mistake. But I say it is unjust to asperse the patriotism and the purpose of these gentlemen by undertaking to say that they are playing politics, and by this wanton denunciation of them, like this mass meeting at New Orleans, based upon resentment and not upon recorded facts.

Mr. ASWELL. Does not the gentleman agree that it is altogether probable that by a proper location of boundary lines they would have located a bank in New Orleans?

Mr. GLASS. No; I think the boundary lines have been properly located. If I did not think so, I would not be willing to risk, haphazard, my judgment against these three gentlemen who have gone over the country from one end to the other, industriously and honestly seeking the facts and basing their action on conditions that they found.

Mr. ASWELL. But the gentleman has not answered my question.

Mr. GLASS. I think I have. I said that, in my judgment, the lines have been properly located.

Mr. ASWELL. If they had been located differently, the banks would have been located differently.

Mr. GLASS. Oh, yes; if cities had been thrown into other districts. Now, I am not aspersing New Orleans, except in resentment to what New Orleans said about Richmond.

Mr. ASWELL. The gentleman will admit that New Orleans ought to have had a bank?

Mr. GLASS. I do not admit any such thing.

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. PLATT. Does the gentleman mean to imply that the boundary lines were fixed and then the banks asked for their preference afterwards? I do not think that is true.

Mr. GLASS. I think tentatively that was the case; yes. I think that tentatively when the organization committee went over the country it ascertained the preference of the various locations. It was generally understood what cities were applicants for banks, and the organization committee, I infer, kept its record straight, and they knew when they got back to Washington what banks in certain localities favored certain cities for a location.

But I do want to say that so far as this regional district No. 5 is concerned, the vote was taken by the States as they are comprised in that territory, and Richmond had an overwhelming majority not only of the banks but the business interests of all the States outside of Maryland located in the regional district No. 5. I am not saying this in any spirit of disparagement to Baltimore. It is a great commercial city, and the South and Virginia take great pride in Baltimore. To show what I thought about this matter and about the city of Washington, when I was tentatively dividing the country up into 12 reserve regions for banks, as I did in drafting the bill, I located one of the banks in the city of Washington and I located one in New Orleans, but that only illustrates how we are apt to make mistakes.

Mr. PLATT. Will the gentleman yield again?

Mr. GLASS. Yes.

Mr. PLATT. The gentleman does not mean to imply that the people west of New Orleans voted for that district after the boundaries were fixed. The line runs just west of New Orleans, and of course the people west could not have voted after the line had been established.

Mr. GLASS. My colleague knows very well, because he is familiar with the terms of the reserve act, that the organization committee had to divide the country with reference to the minimum capital required for organizing a regional reserve bank, and in order to come within the provisions of the law it might have been necessary to divide certain States by an imaginary line, throwing one section into one regional reserve district and the other section into another regional reserve district. That was necessitated by the minimum requirement of capital, and in some instances it was necessitated by the regular course of business not being interrupted.

Mr. PLATT. The gentleman has been giving some statistics showing the loans made by Baltimore and Richmond and other towns of the Southern States. Where does the gentleman get those figures?

Mr. GLASS. From the comptroller's office.

Mr. PLATT. Banks are not required to report where they make their loans.

Mr. GLASS. They do not have to do it, but they do it at the request of the comptroller, and the gentleman can go there and get the figures.

Mr. SLOAN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. SLOAN. I would like to ask, purely for information, as to the tenth district, which is the one in which I reside, if after the boundaries were fixed any poll of banks was taken by the organization committee, or any opportunity given for the people in that newly organized district to say where they wanted the regional bank to be located?

Mr. GLASS. Yes; I have the poll here for district No. 10.

Mr. SLOAN. The point is was that made after the district lines were fixed?

Mr. GLASS. I have just said that I imagine that, in going over the country and holding these hearings at various convenient points, the organization committee obtained the views of the banks in each section as to where they wanted the regional reserve bank located.

A bank was located at Kansas City, and Kansas City, outside of the State of Missouri, received the votes of 327 banks, while the city of Omaha, for which a plea was made here yesterday, received outside of the State of Nebraska only 10 votes for the location of the bank. The city of Denver, outside of the State of Colorado, received but 23 votes as against 327 votes received by Kansas City. The banking resources of Kansas City are infinitely superior to the banking resources of any other city located in district No. 10.

Mr. Chairman, I did not rise here, however, to engage in a controversy as to the location of these various banks. I did not purpose assaulting Baltimore. I did want to say some tart things about those people down in Louisiana who held a mass meeting and, without any facts to sustain their position, undertook to ridicule the idea of putting a regional reserve bank at Richmond, and I did want to put into the Record, as I shall do, the facts in the case to show that, at most, the organization committee could have only made a mistake of judgment, and I deny that they did that. The banks are all in favor of locating the regional reserve bank in this particular district at Richmond, because the trade of the district is with Richmond, because the banking business of the district is at Richmond, and it is not "ridiculous" to say that the bank should have been located at Richmond. Gentlemen are not justified here in ascribing political motives to members of this organization committee and aspersing their personal integrity, as was done, I think in a mistaken mood, by my friend from Illinois on yesterday.

Mr. FOSTER. Mr. Chairman, will the gentleman yield?

Mr. GLASS. Certainly.

Mr. FOSTER. Is it the intention of the gentleman from Virginia to put in not only the vote on two of these cities that have been selected, but on others?

Mr. GLASS. I can do that if it is desired. I have the record.

Mr. FOSTER. I think it will be a good thing to put it in.

Mr. GLASS. I will do it, if my friend desires; yes.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

Mr. GLASS. Yes.

Mr. PHELAN. Some one asked a question about Baltimore and Richmond. I just wanted to remind the gentleman, if he has not already called attention to the figures, that the loans made by the national banks in the Southern States, with one exception—in the Richmond district—by Richmond national banks amounted to \$33,473,000, while the loans made by Baltimore banks in the same Southern States amounted to only \$6,891,000. In connection with that I would like to call attention to the fact that Boston, away up in New England, loaned to the Southern States almost \$5,000,000, very nearly as much as Baltimore, and that Philadelphia loaned to those Southern States over \$9,000,000, which is more than Baltimore loaned to the same States.

Mr. GLASS. Mr. Chairman, I will say to my friend from Massachusetts that I not only made that statement but I made this further statement, which I want to repeat, as I think, perhaps, my friend from Maryland [Mr. LINTHICUM] was out at that time. The gentleman from Maryland the other day stated that Baltimore loaned Richmond all of the money that Richmond in turn loaned the Southern States, and I have shown from actual figures that the national banks of Richmond and the State of Virginia are creditors of the Baltimore banks.

Mr. LINTHICUM. Yes; but will the gentleman yield?

Mr. GLASS. Certainly.

Mr. LINTHICUM. The gentleman from Virginia knows, or ought to know, that in computing the \$33,000,000 which Richmond loaned to the South and the \$6,000,000 which Baltimore loaned to the South, while this organization committee included Baltimore in the fifth regional district, it absolutely threw out all the loans which Baltimore made to Baltimoreans and to people in the State of Maryland, and it took all of the Richmond loans which Richmond made, and while putting Baltimore in that district excluded all of the loans made by Baltimore north of the Potomac, and if you include all of the loans of Baltimore and Maryland in the fifth district, you will find that you have \$90,000,000 instead of \$6,000,000.

Mr. GLASS. Mr. Chairman, as a matter of fact, if you include all of the loans that Baltimore made in the Southern States, outside of Maryland, and the loans that Richmond made in the Southern States, outside of Virginia, you will find that Richmond far exceeds Baltimore in its loans, and the figures demonstrate that fact.

Mr. Chairman, in further reference to these remarkable New Orleans resolutions, I can conjecture who wrote those resolutions. I venture to say they were written, and that entire meeting was instigated, by the representative of the State of Louisiana on the legislative committee of the American Bankers' Association. That gentleman spent a great deal of his time here in Washington, trying to convince the Banking and Currency Committee of the House specifically, and Congress in general, that there ought to be but one Federal reserve bank in this country, and he was willing to have that located 1,500 miles from New Orleans, in the city of New York; and yet now, when Congress has passed the Federal reserve act, and the organization committee of intelligent and patriotic citizens has gone out and diligently made inquiry as to the location of

these banks, and fixed the number at 12, and has located one of them to the northeast of New Orleans, within about 300 miles of that city, and one in Texas, to the southwest, this gentleman and his compatriots down there are not satisfied with the situation, and are accusing the organization committee of being guided by personal and political considerations.

I want to say again, with respect to the Comptroller of the Currency, that in considering the location of the regional reserve bank in district No. 5, the business men and bankers of the city of Richmond feared that the only weakness in the entire situation for them was the fact that the Comptroller of the Currency was a native and former resident of the city of Richmond. Knowing him to be a man of high sensibilities, they apprehended that the very fact that he was born in Richmond and had formerly resided there would influence him against Richmond and not in its behalf. I am authorized to state, moreover, that the entire organization committee voted as a unit in favor of locating a bank at Richmond. It was not due to the influence of John Skelton Williams, who happens to be the Comptroller of Currency and a member of that organization committee.

Mr. BARTON. Mr. Chairman, in inserting those letters to which the gentleman referred he stated, for instance, the letters outside of the State of Nebraska. Inasmuch as Kansas City would be close to the edge of the State of Missouri, and Omaha is on the extreme eastern end of Nebraska, will the gentleman in inserting the letters insert the entire vote?

Mr. GLASS. That is what I said. I said, "Excluding the State of Missouri, Kansas City has 327 votes, whereas, excluding Nebraska, Omaha had only 10 votes."

Mr. BARTON. But the gentleman does not get my question yet. Kansas City is close to the edge of Missouri, and quite naturally that section of Missouri would not mean much; but it does command Kansas on the west and the southern part of Nebraska.

Mr. GLASS. Kansas was unanimous for Kansas City.

Mr. BARTON. Now, excluding Nebraska from Missouri means something, because she is on the extreme east of Omaha, and the entire business of the north and middle parts of the State is done in the city of Omaha, extending to Montana and Wyoming.

Mr. GLASS. I have no idea in the world of depreciating Omaha. I have no idea on earth of depreciating Denver.

Mr. LOBECK. The gentleman can not depreciate Omaha. It is not in him.

Mr. GLASS. I trust the gentleman will not interrupt me until I finish my sentence. I was saying to my courteous friend I have no desire in the world to depreciate Omaha, certainly no desire on earth to depreciate Denver. I very much wanted to see Denver get one of those banks for personal and other considerations, but I do very earnestly believe that the organization committee has picked Kansas City in response to the real business requirements of that territory. And I want to say to my friend, furthermore, that a branch bank at Omaha and a branch bank at Denver will be of just as much practical use to the business interests of those communities as the

regional reserve banks will to the business requirements of Kansas City.

Mr. BARTON. The gentleman understands my inquiry was not of criticism but of information—

Mr. GLASS. I shall insert—

Mr. BARTON. And I ask the gentleman to insert the entire vote of the State of Nebraska.

Mr. GLASS. I shall do that.

Mr. SLOAN. Will the gentleman yield to me for a question for information?

Mr. GLASS. Yes.

Mr. SLOAN. Can the gentleman from Virginia tell us why the tenth district is the only inland district among the 12 where a regional reserve bank was placed practically in the margin of the district, with no reference whatever to the location of population or of the wealth or of the means of transportation running through the district? I noticed this, and I presumed there was some reason; and I thought the gentleman might be able to give it. In all the other inland districts the regional reserve banks are placed with some reference to the center of population and the center of area, and also with some reference to the general lines of transportation.

Mr. GLASS. My understanding is that, after having formed district No. 10, the organization committee considered which one of the three most important cities of that district should have the regional reserve bank, and I assume they have located it with reference to the trend of trade and the business of the district and to the bank resources and to the facilities afforded by Kansas City; but I will say to my friend that he can not identify me as a factor in the location of these reserve banks. I had nothing—

Mr. SLOAN. I admit that.

Mr. GLASS. I had nothing in the world to do with it, and I am not here to raise any row about Kansas City or Denver, or any row with anybody. I simply undertake to justify, as far as regional reserve bank No. 5 is concerned, the organization board and to defend it against the assumption that there was something "ridiculous" in their action.

Mr. SLOAN. Another suggestion, if the gentleman will permit. I was trying to find out why this one exception was made in this one district, which is the largest inland district in the United States as formed and second in size in the United States, where the district is so formed that the regional bank was in the margin of the district and the vast western part beyond Omaha, which is tributary to Kansas and is a part of Kansas City business territory, was entirely cut off from the Kansas City district and given to St. Louis. Was that, as a matter of fact, to follow the course of business that one-half of the Kansas City district was entirely cut off from the East, as it leaves a vast one-sixth of the United States with a regional reserve bank away on the far-off eastern margin with a thousand miles between some banks and the regional reserve bank?

Mr. GLASS. Well, I make no sort of doubt, Mr. Chairman, but that the members of the organization committee could justify their action to my friend. I assume that the conditions there were peculiar; I can see that the organization committee

was restricted in the arrangement made by the provisions of the Federal reserve act relating to the minimum of capital required for the organization of reserve banks.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I desire, Mr. Chairman, to insert in the Record at this point the poll of banks as to preferences for reserve-bank cities, as taken by the organization committee, and to which I have heretofore made reference:

District No. 1.

	Maine.	New Hampshire.	Vermont.	Massachusetts.	Rhode Island.	Connecticut.	Total.
Boston.....	59	70	23	137	11	7	287
New York.....	2		19	17	4	64	106
Providence.....					1		1
Total.....	61	50	42	154	16	71	394

Total number of assenting banks, 446.

Total number of voting banks, 394.

District No. 2.

NEW YORK.

New York City.....	393
Buffalo.....	13
Albany.....	10
Boston.....	1
Brooklyn.....	1
Syracuse.....	1
New York or Albany.....	1
Total.....	420

Total number of assenting banks, 478.

Total number of voting banks, 420.

District No. 3.

	Delaware.	New Jersey.	Pennsylvania, eastern district.	Total.
Philadelphia.....	23	65	417	505
New York.....		122	42	164
Pittsburgh.....			23	23
Baltimore.....	1		11	12
Boston.....		1	1	2
Buffalo.....			1	1
Washington.....			1	1
Total.....	24	188	496	708

Total number of assenting banks, 800.

Total number of voting banks, 708.

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District No. 4.

	West Vir- ginia, north- ern dis- trict.	Ken- tucky, eastern dis- trict.	Ohio.	Penn- syl- vania, west- ern dis- trict.	Total.
Cleveland.....			107	3	110
Cincinnati.....		34	160		194
Chicago.....			2		2
Columbus.....			36		36
New York.....	1		2	3	6
Pittsburgh.....	7		31	256	291
Toledo.....			1		1
Philadelphia.....				6	6
Louisville.....		31			31
Cincinnati or Cleveland.....			2		2
Cleveland or Pittsburgh.....			2		2
Louisville or Cincinnati.....		1			1
Total.....	8	66	343	268	685

Total number of assenting banks, 724.
Total number of voting banks, 685.

District No. 5.

	Mary- land.	Dis- trict of Colum- bia.	West Vir- ginia, south- ern district.	Vir- ginia.	North Caro- lina.	South Caro- lina.	Total.
Richmond.....			16	96	44	11	167
Baltimore.....	95		21	11		1	128
Pittsburgh.....	1		34				35
Columbia.....						28	28
Cincinnati.....			26	1			27
Washington.....	1	12		9	2	1	25
Charlotte.....					18	1	19
New York.....	1			1			2
Total.....	98	12	97	118	64	42	431

Total number of assenting banks, 475.
Total number of voting banks, 431.

District No. 6.

	Ala- bama.	Flor- ida.	Geor- gia.	Tennes- see, east- ern dis- trict.	Missis- sippi, south- ern dis- trict.	Louis- iana, south- eastern district.	Total.
Atlanta.....	8	39	90	7			124
Birmingham.....	13	1					54
New Orleans.....	3	5			19	4	31
Savannah.....	3	3	18				24
Nashville.....				22			52
Cincinnati.....	1			14			15
Jacksonville.....		11					14
Chattanooga.....				11			11
Louisville.....				7			7
St. Louis.....	1			4			5
Montgomery.....	4						4
Richmond.....		1		2			3
Washington.....		1		1			2
Memphis.....				1			1
Baltimore.....				1			1
Nashville or Atlanta.....				1			1
Total.....	73	41	108	71	19	4	319

Total number of assenting banks, 372.

Total number of voting banks, 319.

District No. 7.

	Iowa.	Wis- consin, south- ern dis- trict.	Illinois, north- ern dis- trict.	Indi- ana, north- ern dis- trict.	Micht- gan, south- ern dis- trict.	Total.	
Chicago.....		256	36	274	105	43	714
Cincinnati.....				50			50
Detroit.....					22		22
Des Moines.....	17						17
Omaha.....	17						17
Indianapolis.....							14
St. Louis.....				9	1		10
Sioux City.....	5						5
Minneapolis.....	4						4
Cedar Rapids.....	2						2
Milwaukee.....		3					3
Clinton.....	1						1
Chicago or St. Louis.....				1			1
Twin Cities.....	1						1
Total.....	303	39	284	179	65		861

Total number of assenting banks, 984.

Total number of voting banks, 861.

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District No. 8.

	Arkansas.	Missouri, eastern district.	Illinois, southern district.	Indiana, southern district.	Kentucky, western district.	Tennessee, western district.	Mississippi, northern district.	Total.
St. Louis.....	51	43	103	2	1	4	4	208
Louisville.....				15	61	1		77
Chicago.....			30	29				59
Kansas City.....	2	27						29
Memphis.....						6	8	14
Cincinnati.....				13				13
Indianapolis.....				5				5
Nashville.....						4		4
Dallas.....	1							1
Chicago or St. Louis.....			2					2
St. Louis or Kansas City.....							1	1
Birmingham.....		1						1
Total.....	51	71	135	61	62	15	13	414

Total number of assenting banks, 434.

Total number of voting banks, 414.

District No. 9.

	Montana.	North Dakota.	South Dakota.	Minnesota.	Wisconsin, northern district.	Michigan, northern district.	Total.
Minneapolis.....	18	97	54	188	8		365
Chicago.....	1	2	25	8	53	29	118
St. Paul.....	10	19	6	52	6		93
Twin Cities.....	20	6	4	11	1		42
Milwaukee.....					11		11
Omaha.....			8				8
Spokane.....	4						4
Sioux City.....			2				2
Fargo.....		1					1
Detroit.....						1	1
Total.....	53	125	69	259	79	30	645

Total number of assenting banks, 687.

Total number of voting banks, 645.

District No. 10.

	Colo- rado.	Kan- sas.	Missouri, west- ern dis- trict.	New Mex- ico, west- ern dis- trict.	Okla- homa, north- ern dis- trict.	Wyo- ming.	Ne- braska.	Total.
Kansas City, Mo	1	179	37	2	128		8	355
Denver	112			6		12	2	132
St. Louis			4		24			28
Lincoln							22	22
Omaha						19	181	191
Kansas City, Kans., or Kansas City, Mo								9
Kansas City, Kans.								8
Chicago			4				5	9
Salt Lake City						4		4
Wichita		2			1			3
Sioux City							3	3
Oklahoma City					2			2
Twin Cities						1		1
Omaha or Lin- coln								2
Total	113	198	45	8	155	27	223	769

Total number of assenting banks, 835.

Total number of voting banks, 769.

District No. 11.

	Texas.	Arli- zona, south- ern district.	New Mexico, south- ern district.	Okla- homa, south- ern district.	Louisi- ana, west- ern district.	Total.
Dallas	212		3	17		232
Kansas City	12	1	18	74		105
Houston	97					97
Fort Worth	84			3		87
St. Louis	13			32	1	46
New Orleans					21	21
Dallas or Houston	7					7
Dallas or Fort Worth	3			1		4
Dallas, Fort Worth, or Houston	3					3
San Francisco		3				3
Denver			3			3
El Paso		1	1			2
Waco	2					2
Galveston	2					2
New York	1					1
San Antonio	1					1
Oklahoma City				1		1
St. Louis or Kansas City	1					1
Total	438	5	25	123	22	618

Total number of assenting banks, 726.

Total number of voting banks, 618.

District No. 12.

	Wash- ington.	Oregon.	Idaho.	Calif- ornia.	Ne- vada.	Utah.	Ari- zona, north- ern dis- trict.	Total.
San Francisco.....	8	16	8	208	5	6	5	255
Portland.....	9	56	10					75
Seattle.....	40							40
Salt Lake.....			12		2	13		27
Spokane.....	16	1	9					26
Los Angeles.....				24			2	26
Chicago.....			2			1		3
New York.....				2				2
Omaha.....			2					2
Fresno.....				1				1
Minneapolis.....			1					1
Denver.....			1					1
Total.....	73	73	45	235	7	20	7	460

Total number of assenting banks, 514.

Total number of voting banks, 460.

Recapitulation.

District No. 1.....	394
District No. 2.....	420
District No. 3.....	708
District No. 4.....	685
District No. 5.....	431
District No. 6.....	319
District No. 7.....	861
District No. 8.....	414
District No. 9.....	645
District No. 10.....	769
District No. 11.....	618
District No. 12.....	460

6,724

Total number of assenting national banks in United States, 7,475.
Total number of votes cast in United States, 6,724.

Mr. GLASS. Mr. Chairman, I venture to ask unanimous consent to extend my remarks in order that I may insert in the Record, for the information of the Members, an official statement from the regional reserve bank organization committee as to why it located banks in certain cities.

The CHAIRMAN. The gentleman from Virginia [Mr. GLASS] asks unanimous consent to extend his remarks in the Record as indicated. Is there objection?

There was no objection.

The following is the statement referred to:

STATEMENT GIVEN OUT TO-DAY BY THE RESERVE BANK ORGANIZATION COMMITTEE.

WASHINGTON, D. C., April 10, 1915.

Congress imposed on the committee the duty of dividing the country into not less than 8 nor more than 12 districts, and the location of a Federal reserve bank in each. Thirty-seven cities asked to be chosen. The committee could select at most only 12. Necessarily 25 cities had to be disappointed.

Following its policy declared at the very outset, the committee refused to be influenced by the purely local and selfish claims of cities or individuals, and discharged the duty imposed upon it by Congress after

exhaustive investigation and study of the entire country, with unblinded minds, and according to its best judgment. With so many conflicting claims somebody had to judge. Congress constituted the committee a court and gave the Federal Reserve Board the power of review. Disappointed competitors should seek a remedy through the orderly processes the law prescribes.

Considerable comment has been occasioned by the failure of the committee to create districts suggested by New Orleans, with New Orleans as the location for a reserve bank; by Baltimore, with Baltimore as the location for a reserve bank; by Omaha, with Omaha as the location for a reserve bank; and by Denver, with Denver as the location for a reserve bank.

The committee realized that the division of the country into districts was far more important and complex than the designation of the reserve cities, and that the latter duty was subsidiary and relatively simple, waiving considerations of local pride or prestige. In arranging the districts the consideration of the character and growth of industry, trade, and banking, no less than the traditions, habits, and common understandings of the people was much more intimately involved.

It became clear in the hearings that comparatively few people realized, or seemed to realize, what the act was intended to accomplish, what the nature and functions of the reserve banks were to be, and how little change would occur in the ordinary financial relations of the communities, the business establishments, and the individual banks.

Critics of the decision of the committee reveal misunderstanding in these directions and either do not know, or appear not to know, that the Federal reserve banks are bankers' banks and not ordinary commercial banks; that they are to hold the reserves and to clear the checks of member banks, make rediscounts for them, and engage in certain open market operations. As a matter of fact, the ordinary everyday banking relations of the community of business men and of banks will not be greatly modified or altered. The purpose of the system is to remove artificiality, promote normal relations, and create better conditions under which everybody will transact business.

Every city can continue to do business with individuals, firms, or corporations within its own limits or in its own region or in any other part of the Union or the world in which it has heretofore done business.

Reserves are to be held in a new way and in new places so far as this act controls them, but banking and business generally will no more be confined within districts than heretofore, and it is simply misleading for any city or individual to represent that the future of a city will be injuriously affected by reason of its failure to secure a Federal reserve bank. Every city which has the foundations for prosperity and progress will continue to grow and expand, whether it has such a reserve bank or not, and well-informed bankers especially are aware of this.

The facts which the committee had to consider will throw light on its decision in reference to these cities.

NEW ORLEANS CLAIMS.

New Orleans selected a district extending from New Mexico to the Atlantic Ocean, including all of Texas, Louisiana, Mississippi, Alabama, Florida, Georgia, and that part of Tennessee south of the Tennessee River.

It was represented by Texas that it would do great violence to her trade to connect her with New Orleans. It was claimed, and evidence was submitted in support of the claim, that her trade was with her own cities or with Kansas City and St. Louis. In a poll of the banks of Texas made by the Comptroller of the Currency 212 banks expressed a first choice, 121 a second choice, and 30 a third choice for Dallas. No bank in Texas expressed a first choice for New Orleans, only 4 a second choice, and 41 a third choice. The whole State protested against being related to New Orleans.

The banks of Alabama generally desired to be connected either with Birmingham or Atlanta, only three expressing a first choice for New Orleans. The banks of Georgia desired to be connected with Atlanta, none expressing a first or second choice for New Orleans, and only 12 a third choice. They represented that it would do violence to them to be connected with a city to the west, and claimed that their relations were mainly with Atlanta or cities to the northeast. Of 41 banks in Florida, 19 gave Atlanta as their first choice, 19 as their second choice, and 5 as their third choice. Only 5 expressed a first preference for

New Orleans, and these were in the western corner, 4 a second choice, and 3 a third choice. No bank in Tennessee expressed a first or second choice for New Orleans, and only 2 a third choice, while 7 expressed a first choice for Atlanta, 14 a second choice, and 13 a third choice. Generally speaking, the only banks desired to be connected with New Orleans, and expressed a first preference for her, were 25 of the 26 banks reporting in Louisiana and 19 of the 32 in Mississippi. On a poll made from the comptroller's office of all banks expressing their preference as to the location for a Federal reserve city, 124 expressed a first preference for Atlanta, 232 for Dallas, and only 52 for New Orleans. The views of the bankers were supported by chambers of commerce, other business organizations, and by many business men.

It will thus be seen that if the committee was to give weight to the views of business men and bankers in the section of the country affected; to consider the opposition to the States of Texas, Alabama, Georgia, Florida, and Tennessee; and to be guided by economic considerations, it could not have designated New Orleans as the location for a reserve bank to serve either the western or the eastern part of the district the city asked for. The course of business is not from the Atlantic seaboard toward New Orleans, nor largely from the State of Texas to that city, and if Dallas and Atlanta had been related to New Orleans a better-grounded complaint could and would have been lodged by them against the committee's decision than that made by New Orleans.

Some of the banking statistics which the committee had to consider throw light on the problem. It should be borne in mind that the committee could consider primarily only the statistics with reference to assenting banks. In this section of the country, as in most others, the assenting banks were the national banks. In March, 1914, the capital stock and surplus, loans and discounts, and individual deposits of the national banks in the three cities named, as shown by the sworn reports to the Comptroller of the Currency, were as follows:

	Capital and surplus.	Loans and discounts.	Individual deposits.
Atlanta.....	\$8,600,000	\$26,038,000	\$21,348,000
Dallas.....	5,900,000	18,622,000	18,551,000
New Orleans.....	6,730,000	17,285,000	16,857,000

Even more significant are the statistics of growth from September, 1904, to March, 1914:

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Atlanta.....	\$2,410,000	\$8,600,000	256
Dallas.....	2,676,000	5,900,000	120
New Orleans.....	6,250,000	6,730,000	8

LOANS AND DISCOUNTS.

Atlanta.....	\$10,329,000	\$26,038,000	152
Dallas.....	7,653,000	18,622,000	144
New Orleans.....	20,088,000	17,285,000	113

INDIVIDUAL DEPOSITS.

Atlanta.....	\$9,931,000	\$23,348,000	145
Dallas.....	7,157,000	18,551,000	159
New Orleans.....	19,425,000	16,857,000	111

¹ Decrease.

The loans and discounts in the national banks of New Orleans at the time of the report, March 4, 1914, were less than those of the national banks of either Atlanta or Dallas.

While the committee could not figure on the resources of other than assenting banks which are in this section, the national banks, the following statistics of all reporting banks, including national banks, State banks, and trust companies, as of June 4, 1913, were regarded as significant and were given consideration:

Atlanta reported capital stock and surplus, \$15,313,000, or \$98 per capita; Dallas, \$9,997,000, or \$108 per capita; and New Orleans, \$20,532,000, or \$60 per capita. Individual deposits, per capita, Atlanta, \$183; Dallas, \$269; New Orleans, \$209.

The loans and discounts for all reporting banks for the three cities were as follows: Atlanta, \$33,494,000, or \$216 per capita; Dallas, \$27,517,000, or \$299 per capita; New Orleans, \$64,845,000, or \$194 per capita.

The committee found that the total loans and discounts made by national banks in the cities named in the 13 Southern States on January 13, 1914, were as follows:

Atlanta	\$26,117,000
Dallas	19,123,000
New Orleans	19,477,000

While the total loans made by the national banks of Dallas throughout the entire United States on the date mentioned exceeded the loans made by the national banks of New Orleans.

Special reports made under oath to the Comptroller of the Currency also show that on February 14, 1914, the credit balances of the banks and trust companies in the 13 Southern States with the national banks of Dallas exceeded in amount the credit balances of all banks and trust companies in these same States with the national banks of New Orleans.

In view of the comparisons and criticisms from New Orleans in connection with the designation of Dallas, Atlanta, and Richmond, and the omission of New Orleans and Baltimore, the following table is instructive:

National bank statistics for States of Texas, Virginia, Maryland, Georgia, Louisiana and Mississippi as of Mar. 3, 1914, according to sworn reports made to the Comptroller of the Currency.

	Area, square miles.	Population, census 1910.	Capital and surplus.	Individual deposits.	Loans and discounts.
State of Texas (including Dallas)....	265,780	3,896,542	\$76,785,591	\$197,663,333	\$215,114,325
State of Virginia (including Richmond).....	42,450	2,061,612	29,732,696	90,887,563	107,410,063
State of Maryland (including Baltimore).....	12,210	1,295,316	28,267,420	83,217,376	91,326,912
State of Georgia (including Atlanta)...	59,475	2,609,121	21,479,735	51,382,061	61,852,579
State of Louisiana (including New Orleans).....	48,720	1,656,383	12,128,866	32,000,521	31,801,351
State of Mississippi..	46,810	1,797,111	5,168,192	17,015,321	13,669,200

From the above statement it will be seen that in each item—capital and surplus, individual deposits, and loans and discounts—the national banks of Virginia, including Richmond, largely surpass the national banks of Maryland, including Baltimore.

The capital and surplus of the national banks of the State of Virginia are 60 per cent greater than the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, including the city of New Orleans, while the loans and discounts by the national banks of Virginia are more than three times as great as the loans and discounts in the national banks of Louisiana, including New Orleans.

While the capital and surplus of the national banks of Georgia largely exceed the combined capital and surplus of the national banks of the States of both Mississippi and Louisiana, the loans and discounts made by the national banks of Georgia exceed by \$13,000,000

the loans and discounts of all the national banks of Louisiana and Mississippi combined, including the city of New Orleans.

The capital and surplus of the national banks of Texas amount to four times as much as the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, and the individual deposits in the national banks of Texas also amount to about four times as much as the individual deposits of all national banks in Louisiana and Mississippi, the only States from which New Orleans received as much as half a dozen votes as first choice for the location for a Federal reserve bank.

KANSAS CITY DISTRICT.

The region in the Middle and Far West presented problems of difficulty. Careful consideration was given to the claims of Omaha, Lincoln, Denver, and Kansas City, which conflicted in this region. Denver asked for a district which included Idaho, Montana, Utah, Wyoming, Colorado, New Mexico, and the eastern two-thirds of Arizona and Texas, Kansas, and Nebraska west of the one hundredth meridian, and the Deadwood portion of South Dakota. The district gave approximately the minimum capital provided by law. Of the territory included in this district Montana unanimously requested to be connected with Minneapolis or Chicago, saying that she had little or no trade relations with Denver. Idaho desired to go to Portland or San Francisco; Arizona preferred San Francisco, and the greater part of New Mexico asked for Kansas City. Western Texas, Kansas, and Nebraska unanimously protested against going to Denver. Kansas desired Kansas City; Nebraska preferred Omaha or Lincoln; and Texas wanted either a Texas city or Kansas City or St. Louis.

In the poll of banks Denver received 136 first-choice votes, of which 112 were from Colorado and 12 from Wyoming. With Montana, Idaho, Arizona, Texas, Kansas, and Nebraska in opposition, it was clearly impossible to make a district with Denver as the location of a bank. Part of the territory asked to be assigned to San Francisco and the other part to Minneapolis or Kansas City.

Omaha asked for a district embracing western Iowa, all of Nebraska, part of South Dakota, part of Kansas, Colorado, Utah, Wyoming, Idaho, and Montana. All but eight of the banks in South Dakota insisted upon being connected with Minneapolis; Iowa desired to go to Chicago; Kansas practically unanimously voted for Kansas City; Montana protested against any other connection than Minneapolis or Chicago. The preferences of the other States have already been indicated.

Of the 218 banks which expressed a first preference for Omaha, 181 were from Nebraska. The committee had to consider the State of Oklahoma and part of Missouri in connection with this region, and in district No. 10, 497 banks expressed a first preference for Kansas City; western Missouri, Oklahoma, and Kansas, and part of New Mexico especially asked for this connection. Thirty-seven banks in Colorado gave Kansas City as second choice and 26 gave Omaha.

It seemed impossible to serve the great section from Kansas City to the mountains in any other way than by creating a district with Kansas City as the headquarters, or to provide for the northwestern section except by creating a district with Minneapolis as headquarters. The only other thing that could have been done with Nebraska under the conditions which presented themselves was to relate her to Chicago, and this seemed to be inadvisable in the circumstances. The Kansas City banks serve a very distinctive territory and will serve it more satisfactorily than St. Louis could have done. The relations of that territory on the whole are much more largely with Kansas City than with any other city in the Middle West with which it could have been connected. It will, of course, be recognized by those who are informed that of the four cities Kansas City is the most dominant banking and business center. The following statistics as of March, 1911, will throw light on the situation:

	Capital and surplus.	Loans and discounts.	Individual deposits.
Kansas City.....	\$11,600,000	\$66,205,000	\$40,415,000
Omaha.....	6,570,000	32,848,000	27,258,000
Denver.....	7,545,000	28,022,000	34,124,000
Lincoln.....	1,330,000	6,050,000	4,439,000

The statistics of growth during the nine years from September, 1904, to March, 1914, are significant:

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Kansas City.....	\$3,900,000	\$11,600,000	199
Omaha.....	3,880,000	6,570,000	69
Denver.....	3,325,000	7,545,000	127
Lincoln.....	768,000	1,330,000	73

LOANS AND DISCOUNTS.

	September, 1904.	March, 1914.	Percentage of increase.
Kansas City.....	\$35,598,000	\$66,205,000	86
Omaha.....	16,218,000	32,848,000	102
Denver.....	11,146,000	28,022,000	98
Lincoln.....	3,820,000	6,066,000	58

INDIVIDUAL DEPOSITS.

	September, 1904.	March, 1914.	Percentage of increase.
Kansas City.....	\$30,730,000	\$40,415,000	31
Omaha.....	15,728,000	27,258,000	73
Denver.....	27,798,000	34,124,000	22
Lincoln.....	3,283,000	4,439,000	35

The loans and discounts of all reporting banks and trust companies in Kansas City on June 4, 1913, amounted to \$91,686,000, exceeding by about \$7,000,000 the total loans and discounts of all banks and trust companies in the cities of Omaha, Denver, and Lincoln combined.

The loans and discounts of the national banks alone in Kansas City also exceeded the sum total of the loans and discounts of all national banks in the cities of Omaha and Denver combined.

The great preponderance in the movement of trade in district No. 10 is to the east. In order to place the Federal reserve bank for that region in Denver it would have been necessary to disregard these facts and the opposition and earnest protests of banks, both National and State, throughout the district.

THE RICHMOND DISTRICT.

The committee named as cities for the location of Federal reserve banks New York, Chicago, Philadelphia, St. Louis, Boston, and Cleveland. In population these are the six largest cities in the United States; their geographical situation and all other considerations fully justified their selection.

San Francisco and Minneapolis were the first choice of the great majority of the national banks in their respective sections, and their financial, industrial, and commercial relations and other factors entitled them to be chosen. Their selection appears to have evoked no criticism, but to have received general approval. Conditions relating to the Kansas City, Dallas, and Atlanta districts have been dealt with.

For the territory from eastern Georgia to the Pennsylvania line the committee, after fully considering all the facts, decided to create a district, with the Federal reserve bank at Richmond. South Carolina and North Carolina had protested against being connected with a bank to the South or West. They said that their course of trade was northeast. It seemed undesirable to place a bank in the extreme northeastern corner or at Baltimore, not only because of its proximity to Philadelphia but also because of the industrial and banking relations of the greater part of the district were more intimate with Richmond than with either Washington or Baltimore. The States of Maryland, Virginia, West Virginia, North and South Carolina, and the District of Columbia had to be considered. North Carolina, South Carolina, and Virginia preferred to be connected with Richmond. West Virginia was divided in its preferences; Maryland and the District of Columbia, of course, desired Baltimore or Washington. In the poll of banks made directly by the Comptroller's office, Richmond received more first-choice ballots than any other city in the district, 167,

against 128 for Baltimore, 35 for Pittsburgh, 28 for Columbia, S. C., 37 for Cincinnati, and 25 for Washington, D. C. Of the remaining 21 votes, 19 were for Charlotte, N. C., and 2 for New York. Leaving out the States of Maryland and Virginia, Richmond received from the rest of the district three times as many first-choice votes as were cast for Baltimore.

District No. 5 is composed of the States of Maryland, Virginia, West Virginia (except four counties), North and South Carolina, and the District of Columbia. These States have always been closely bound together commercially and financially, and their business dealings are large and intimate. The reports made to the Comptroller of the Currency on March 4, 1914, by all the national banks in each of these States show in every essential respect that the business of the national banks in Virginia, including Richmond, is greater than the business of the national banks of Maryland, including Baltimore, or any other of the five States embraced in district No. 5, as appears in the following table:

	Capital, surplus, and undivided profits.	Loans and discounts.	Total individual deposits
Virginia.....	\$33,514,631	\$107,410,063	\$90,887,858
Maryland.....	31,390,057	91,326,912	83,217,376
West Virginia.....	18,209,316	56,789,538	61,421,332
North Carolina.....	13,527,086	41,051,033	36,051,154
South Carolina.....	10,332,439	28,860,456	23,339,916
District of Columbia.....	12,685,411	26,253,432	29,520,053

Advocates of New Orleans have criticized the decision of the organization committee and have given out comparative figures as to New Orleans, Richmond, and other cities, which are incorrect and misleading. An analysis and study of the actual figures will be found instructive and can lend no support to the claims of New Orleans.

From the sworn special reports recently submitted to the Comptroller of the Currency it appears that the national banks in Richmond were lending in the 13 Southern States on January 13, 1914, more money than was being loaned in those States by the national banks of any other city in the country except New York. The total loans and discounts in the 13 Southern States by the four cities referred to are as follows:

Richmond	\$33,473,000
Baltimore	6,891,000
New Orleans.....	19,477,000
Washington	915,000

The figures also show that in these portions of district No. 5, outside of the States of Virginia and Maryland, the Richmond national banks are lending twice as much money as all the national banks in Baltimore and Washington combined. They also show that although Richmond is not a reserve city, the banks and trust companies in the 13 Southern States had on deposit in the national banks of Richmond on February 14, 1914, \$9,876,000, or slightly more than the banks of this section had on deposit in the city of Baltimore, and four times as much as they carried in Washington, although these two cities have long enjoyed the benefits of being reserve cities. That southern banks should carry larger balances in Richmond where they could not be counted in their reserves, rather than in Baltimore, or Washington, where they could be counted, is suggestive.

The figures show that the capital and surplus of all reporting banks—national, State, and savings—and trust companies, per capita, in Richmond, as of June 4, 1913, was \$131; in Baltimore, \$85; in Washington, \$88; and in New Orleans, \$60, while the loans and discounts made by all banks and trust companies in Richmond on the same date amounted to \$293 per capita, against \$190 in Washington, \$213 in Baltimore, and \$194 in New Orleans.

The amount of money which banks and trust companies in the various parts of the country carried on deposit with Richmond—a non-reserve city—on February 11, 1914, amounted to \$10,970,000, or nearly twice as much as the balances carried by outside banks with the national banks of Washington, which on the same day amounted to \$5,516,000, and one and a half times as much as they carried on the same day with the national banks of New Orleans—a reserve city.

The statistics furnished the organization committee shows that on March 4, 1914, the capital and surplus of the national banks of Richmond, per capita, amounted to more than twice as much as the capital and surplus, per capita, of the national banks of either Baltimore or Washington and three and a half times as much as New Orleans, while the individual deposits of the national banks of Richmond amounted to \$201 per capita, against \$85 for Washington and \$76 for Baltimore and \$50 for New Orleans. The loans and discounts in the national banks of Richmond on the same date were reported at \$279 per capita, against \$77 for Washington and \$108 for Baltimore and \$51 for New Orleans. Especially significant are the following statistics, showing the growth in capital and surplus, loans and discounts, and individual deposits of national banks in the three cities named:

CAPITAL AND SURPLUS.

	September, 1904.	March, 1914.	Percentage of increase.
Richmond.....	\$3,115,000	\$9,314,392	199
Washington.....	6,215,000	11,365,000	83
Baltimore.....	18,262,000	19,265,900	5
New Orleans.....	6,250,000	6,730,000	8

LOANS AND DISCOUNTS.

Richmond.....	\$12,946,000	\$35,593,000	175
Washington.....	15,018,000	25,405,000	69
Baltimore.....	48,755,000	60,312,000	23
New Orleans.....	20,088,000	17,285,000	113

INDIVIDUAL DEPOSITS.

Richmond.....	\$11,257,000	\$25,705,000	128
Washington.....	20,017,000	28,491,000	42
Baltimore.....	40,910,000	42,553,000	4
New Orleans.....	19,425,000	16,857,000	13

¹ Decrease.

Mr. GLASS. Mr. Chairman, under leave to revise and extend my remarks I shall insert in the RECORD the brief prepared by the Richmond committee having in hand the presentation of Richmond's claim to a regional reserve bank:

RICHMOND AS THE LOCATION OF A FEDERAL RESERVE BANK.

[A brief prepared by George J. Seay on behalf of the committee representing Richmond.]

The territory mapped out by nature as the most perfect geographical division of this continent lies south of the Potomac River, east of the Appalachian Mountains, and extends to the Gulf. By reason of superior facilities of communication and the consequent trade relations which have sprung up and become established, portions of contiguous States are now and long have been commercially allied with this territory.

It is therefore believed that one of the most sharply defined and perfect zones for the operation of a Federal reserve bank is embraced in the following named States: Virginia, North Carolina, South Carolina, Georgia, Florida, the southern half of West Virginia, part of eastern Tennessee and part of eastern Kentucky.

Since the organization committee has at all of its hearings sought and invited the expression of opinion, we now desire to express the conviction that the committee can render an inestimable service to the country, the value of which will grow with time, by defining the Federal reserve-bank zones in harmony with commercial zones determined by natural boundaries, so far as may be done in agreement with the act.

It has been recognized as desirable, for purposes of economic comparison, to cut the country into units or divisions.

Given a natural division of territory, the conditions in it, financial and commercial, must always be more uniform than could otherwise be the case.

The comptroller has adopted six divisions within State lines.

The Interstate Commerce Commission, for comparison of the operations of railways, has made 10 arbitrary divisions within State lines.

Poor's Manual, a very high railroad authority of very long experience, makes eight divisions within State lines.

The United States Government has established nine judicial circuits, one of which comprises the States of Maryland, West Virginia, Virginia, North Carolina, and South Carolina. Richmond was selected as the location of the court of appeals for this circuit, and the chief justice sits here.

There are no standard divisions.

Comparisons by States will always be desirable and necessary, but these divisions are too numerous for economic purposes.

The Federal reserve act marks an epoch in the commercial and financial history of the United States, and while zones once determined may be readjusted the service which can now be rendered to the country by the committee in fixing these zones, which need not be coterminous with States, and therefore are contemplated to be according to the natural divisions and trade relations of the country, is of the very highest order.

In fixing the zone which we have mapped out we have been guided by this principle, and in presenting an argument to prove that Richmond can better serve this zone than any other city in it, and that by reason of her commercial and financial preeminence she is entitled to be the location of a Federal reserve bank, we have endeavored to eliminate all irrelevant matter and have confined ourselves to the consideration of the following points, all of which are involved in the operation of the act:

1. The importance of Richmond's geographical position, her facilities of communication, her convenience of location and accessibility to members with whom we now do business, and her advantage of location in all banking transactions between the North and the South.
2. The present trend of business, the present course of commercial transactions, the natural currents of exchange, the present banking and trade connections, and banking customs of the people.
3. The natural advantages of Richmond's location with relation to other Federal reserve banks necessary to be established on the Atlantic seaboard, in a territory embracing one-half of the national banking capital of the United States and 41 per cent of the population.
4. Comparative commercial importance in the territory covered, measured by capital, deposits, and other banking transactions.
5. Diversity of industries and agriculture—in their effect upon seasonal demand for credit and currency.
6. Necessity of having capital resources to handle the business of the district.
7. The wishes and views of those engaged in banking and commerce in the district outlined as to the location of their regional bank.

In presenting our case we shall be compelled to state facts and figures which we know to be within the knowledge of the committee, and with which by now we fear they may be surfeited. We desire to bring these facts together and present them in such form and manner as will serve for convenient reference and to make more clear their relations to each other and their bearing upon our position.

Addressing ourselves to these facts in their order:

1. THE UNSURPASSED ADVANTAGE OF RICHMOND IN GEOGRAPHICAL POSITION.

Practically and effectively on the Atlantic seaboard, about midway of the entire coast; reaping the greatest advantage of the favoring curve; opposite the gap in the Appalachian Mountains, giving the shortest, easiest, and quickest communication between the coast and the great centers of the Middle West; within one hour and a half of the greatest of Atlantic harbors, plans being now under way to make it the greatest naval base; in quick communication by rail and water with all other parts of the coast, and easily accessible to the ocean commerce of the world.—Rear Admiral Stanford has just made the following report on this harbor:

"The most frequent mobilizations of the fleet are in Hampton Roads, and large ships ordinarily assigned to other yards must pass this point proceeding to and from the Gulf to the West Indies. In view of this central location and the use of Hampton Roads as a base of operations, there is greater possibility of unforeseen repairs being required for vessels than at any other coast point."

Richmond's three north and south trunk lines—the Atlantic Coast Line, the Seaboard Air Line, and the Southern Railway; and we may be pardoned for reminding the committee that the genius, brains, and energies of Richmond men were very prominent in the development of the last two and are prominent in the management of the first.

Two of the most important east-and-west trunk lines—the Chesapeake & Ohio and the Norfolk & Western—connect Richmond with the finest coal area in the world and the greatest natural producing area on this continent, while into Norfolk, within two hours and a half travel from Richmond, run the Virginian Railway from the West and the Norfolk & Southern from the South.

All of which is well known to you, but necessary to be stated for the logical bearing of our argument.

We wish to impress upon the committee the natural advantages of the territory surrounding Hampton Roads, because it is generally regarded as inevitable that the heaviest population of the State will be divided between Richmond and that territory. Mr. O. P. Austin, for 15 years Chief of the Bureau of Statistics of the Department of Commerce, in a report on the zone which we have mapped out, which report fully confirms our own argument and position and accompanies this brief, refers to "the possibilities of the great harbor at Hampton Roads becoming the natural gateway for the Mississippi Valley, with its enormous production for foreign markets and consumption of foreign merchandise." He also states that "the officers of the War Department in charge of the 105 river and harbor works on the water frontage from the upper Potomac to the western coast of Florida report the value of the water-borne freight traffic at these places in 1912 at the enormous sum of \$1,680,000,000, about one-half of which is at Hampton Roads."

We believe that this region must and will have an economic development which will far surpass any equal area in the Atlantic States, all of which has a practical and most intimate bearing upon Richmond as the location of a Federal reserve bank for the South Atlantic States.

Reverting to Richmond's railroad facilities—they place her within 18 hours of all the important cities within the district defined, with the exception of part of the most southern territory, and reference is made to the map and time table accompanying.

She is therefore in a position to ship with the greatest promptness and under the quickest schedule currency, not only to the banks in her zone, but to the numerous cotton, tobacco, and peanut buyers, and a telegram received in Richmond before the close of banking hours would enable currency shipments to reach practically all important points on the next day, in most cases before the opening of bank, and few situations will appeal more strongly to practical country bankers than this.

Again, Richmond is within easier and quicker reach of all the eastern centers of trade and finance than any other important southern city, and is in the most exceptional position to act for the North in banking relations with the South, and for the South in dealing with the North.

No other city in the Atlantic Coast States occupies this advantageous position.

The numerous lines to the South and West are not only a guaranty of promptness and efficiency, but an insurance against disaster.

Into Washington and Baltimore and on to points beyond there is only one connecting line.

It is worth while to consider that a railway disaster, easily imaginable, to this line would cut off the South from any reserve centers placed north of Richmond, and should this occur at a critical time might cause financial confusion and even disaster to the South Atlantic States, and since this idea emanates from a railroad man, it is entitled to the greater consideration.

2. PRESENT TREND OF BUSINESS.

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 toward the centers of finance and manufacture. This is the natural course of exchanges.

We believe that the operation of the Federal reserve act will revolutionize the existing method of using exchange in making settlements.

No act or rule will, however, reverse the natural course of settlements—where the money is due, there it must be paid.

Virginia, occupying the position of head of the Southern States, places Richmond in direct line with this natural trend, on the principal avenues of travel and transportation.

The railway lines from the South come into Virginia as into a funnel, Richmond being at the apex—the one line of railway being the tube leading to Washington and points North. She is a natural converging point.

The overwhelming volume of travel and transportation must go through this point.

3. THE NATURAL ADVANTAGES OF RICHMOND'S LOCATION WITH REFERENCE TO OTHER FEDERAL RESERVE BANKS ON THE ATLANTIC SEABOARD.

It is plainly contemplated in the act, and must so work out in its normal operation, that these Federal banks will act not only as clearing houses for members in their own zones, but between zones. The clearings between zones we believe will develop into enormous proportions, and the bank most advantageously located for clearing the transactions of any large section of country will have a great service to perform.

Time and distance must necessarily be most important factors in determining the location and selection of this bank for such a purpose.

To best perform it, the means of communication must be superior.

The bank should not only be readily accessible to members in its own district, but in the general line of trade and natural current of banking transactions of the entire section, so as to preserve the continuous trend toward the center of manufacture and finance where the greatest volume of settlements is made.

This essential principle is peculiarly applicable to the Atlantic Coast States, and can there be worked out to greater economic advantage than in any other part of the country.

It is axiomatic that quickness of communication is better assured by being on the lines 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 centers in line with that trend.

Therefore, to serve its own zone as a whole with the highest efficiency and economy, and at the same time to equally serve other zones in intimate relation with its own zone, 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 Atlantic Coast States afford a distinct and peculiar problem in putting into effect the Federal reserve act.

It was recognized both before and during the framing of and debate upon the act that the problem in the East was to decentralize reserves, while the object in other parts of the country is to concentrate them.

The States bordering on the Atlantic coast have about 41 per cent of the population and 52 per cent of the national banking capital of the country, as follows:

	[Figures in millions.]
New England States:	
Maine	11
Vermont	7
New Hampshire	9
Massachusetts	96
Connecticut	31
Rhode Island	11
Total	165
Eastern States:	
New York	344
Pennsylvania	253
New Jersey	46
Delaware	3
Maryland	29
Total	675
Southern States:	
Virginia	29
North Carolina	11
South Carolina	8
Georgia	25
Florida	11
Total	84

Total, \$924,000,000, or about 52 per cent of the national banking capital of the United States.

In giving our views upon this situation, we are doing, as we understand it, only that which the committee invites us to do, as before

stated, and chiefly because it has an intimate relation with our own case. We therefore assume that the Atlantic Coast States, where the banking capital essential to the operation of the system is heavily concentrated, are entitled to and perhaps must have several reserve banks, located according to the density of banking operations, so as to carry out the purpose and spirit of the act and not disrupt or disturb the natural course of business and financial settlements.

It is accordingly natural to assume, as we look upon it, that the greatest cities in that section will receive the first consideration, and these cities are, of course, in geographical order: Boston, New York, and Philadelphia. And if the selection of these cities will, as we believe, best accomplish the division of banking power aimed at, then a Federal reserve bank can not, in justice to the rest of the country and without doing violence to the purpose of the act, be located in any other near-by city.

Among the 15 Atlantic Coast States named, Virginia ranks sixth. These 6 States rank in the order named—New York, Pennsylvania, Massachusetts, New Jersey, Connecticut, Virginia.

But Virginia exceeds Connecticut in national bank gross deposits by \$40,000,000.

Virginia therefore ranks fifth in national banking importance among the 15 States.

For this reason, as well as for her geographical position, it follows that it is natural to look to Virginia to furnish the next location for a Federal reserve bank along the Atlantic coast, and again we affirm that a Federal reserve bank in Richmond will have the most decided advantage over any point in these Atlantic Coast States in clearing for member banks and reserve banks between the North and 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 exchanges between the northern and southern banks would mean a handsome profit to the Government. This one advantage alone is of such overwhelming importance that it justifies our statement that Richmond's natural advantage of location can not be overcome by any other consideration. It is difficult to name a feature of equal economic importance to the gain of a banking day in perpetuity.

It cuts the year in half, or doubles its length, according to whether it is operating for or against any point or points. Richmond would have that advantage over other large cities north of her in effecting these clearings between zones in the Atlantic States.

4. COMPARATIVE COMMERCIAL IMPORTANCE.

As to the comparative commercial importance of Richmond, and of Virginia, with relation to this district, measured by capital, deposits, and banking transactions—

Of the 15 Atlantic Coast States, Virginia, as we have stated, ranks fifth in natural banking importance.

There are only three other States on this side of the Mississippi which exceed Virginia in national banking capital; that is, Illinois, Indiana, and Ohio.

Among the 26 States on this side of the Mississippi, Virginia, therefore, ranks eighth in importance in the present national banking system, measured by that standard.

She stands financially, as well as geographically, at the head of all the Southern States east of the Mississippi River.

The aggregate national-bank resources of these several States are as follows (comptroller's figures, Oct. 21, 1913):

Virginia	\$168,000,000
West Virginia	92,000,000
North Carolina	70,000,000
South Carolina	49,000,000
Georgia	113,000,000
Florida	61,000,000
Alabama	80,000,000
Mississippi	27,000,000
Louisiana	80,000,000
Tennessee	115,000,000

Virginia therefore leads by \$53,000,000 the State next highest in rank. Virginia maintains the same supremacy in the entire banking field.

The deposits in all classes of banks in these States are as follows:

Virginia.....	\$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 leads by about \$20,000,000 the State next highest in rank among the Southern States east of the Mississippi River.

As to Richmond, the national-bank deposits of Richmond are two-fifths of such deposits in the entire State, while her national banking capital is three-fifths of that of the State.

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 because of any inducements which other competing cities do not offer.

She is a natural reserve city.

The law governing Virginia 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 a 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 relations and needs of this section have developed these banking relations.

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

It is to be considered that the Federal reserve act will, with its new principles of credit and reserve, clearing and par of exchange, alter in a great measure the banking customs and practices which have grown up under the old law, and may, and probably will, revolutionize some of the practices of banking.

The trend and flow of exchanges will be altered to the extent that they have become artificial, and to the extent that they have been influenced by the location of reserve centers, the requirements of keeping reserve accounts, and the custom of sustaining balances in order to command credit.

It is altogether probable that results in many cases will be of an astonishing nature.

It is one of the purposes of the act to promote free banking relations, and under free banking relations it is clearly a justifiable conclusion that the service Richmond will have to perform will be a greater one because of being a natural trade, transportation, and banking center. The law of physics is the law of commerce—it will follow the lines of least resistance. We will develop this point further on.

To further illustrate the natural flow of business to Virginia and Richmond—

The national banks of Richmond on Oct. 21, 1913, had

deposits from other national banks of.....	\$7,500,000
Deposits from other State banks, etc.....	10,000,000

Total..... 17,500,000

Which compares with corresponding totals for—

Georgia.....	9,700,000
North Carolina.....	8,200,000
South Carolina.....	6,200,000

These deposits were exceeded by no other Southern State east of the Mississippi River.

Illustrating the rapid growth and concentration of banking capital, the resources of Richmond banks were in—

1890.....	\$14,000,000
1903.....	32,000,000
1913.....	74,000,000

Her clearings in—

1900.....	\$175,000,000
1912.....	421,000,000

Richmond ranks in bank clearings among the first 30 cities in the United States, and compares with other southern cities as follows:

Washington-----	\$387,000,000
Richmond-----	424,000,000
Atlanta-----	693,000,000

In the case of Richmond these clearings were for the city alone, while in the case of Atlanta they cover the State, with its 117 national and 669 State banks, with a few exceptions, and, as we understand, also points in adjoining States; and, furthermore, 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, as we think, practically \$800,000,000.

Richmond's banking relations with States south of her show the great intimacy of trade relations with these States, and the statement following sets forth in the most illuminating manner the custom and trend of business under existing conditions and notwithstanding the present system of bank reserves:

[From comptroller's report of 1912.]

Number of State and National banks in—	
Virginia-----	380
North Carolina-----	429
South Carolina-----	346
West Virginia-----	297
Georgia-----	760
Florida-----	201
Number of accounts carried in Richmond by banks from—	
Virginia-----	528
North Carolina-----	397
South Carolina-----	182
West Virginia-----	82
Georgia-----	85
Florida-----	18
Maximum deposits carried by other banks in Richmond—	
Virginia-----	\$5,467,697
North Carolina-----	4,465,455
South Carolina-----	926,779
West Virginia-----	1,793,838
Georgia-----	440,115
Florida-----	142,918
Maximum loans by Richmond to other banks in 1913—	
Virginia-----	1,459,080
North Carolina-----	2,200,480
South Carolina-----	2,423,915
West Virginia-----	90,700
Georgia-----	669,900
Florida-----	79,750
Maximum deposits in Richmond to credit of individuals, firms, and corporations in—	
North Carolina-----	3,225,369
South Carolina-----	1,416,997
Maximum loans made in Richmond in 1913 to individuals, firms, and corporations in—	
North Carolina-----	5,245,451
South Carolina-----	3,129,815
Maximum deposits of banks and individuals outside of Virginia in Richmond banks—	
North Carolina-----	7,690,820
South Carolina-----	2,343,776
Maximum loans by Richmond to banks and individuals in—	
North Carolina-----	7,445,931
South Carolina-----	5,553,730

So that banks, corporations, and individuals outside of Richmond carried on deposit in Richmond banks \$18,000,000.

It will be observed that in Virginia the number of bank accounts with Richmond greatly exceeds the number of banks in the State.

In North Carolina it nearly equals the number of banks, 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 aggregated nearly \$14,000,000, a sum not far short of the aggregate borrowings and rediscounts on October 21, 1913, of national banks in any six Southern States, excluding Texas.

Richmond lends practically all of this capital in the South outside of Virginia. She does not use it herself.

She is a credit clearing house.

To meet the demands for crop and other purposes Richmond, during 1913, shipped \$14,000,000 in currency into this section.

In 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:

Virginia-----	\$942, 000, 000
Texas-----	873, 000, 000
Georgia-----	485, 000, 000

The amount Virginia pays to the support of the Government in internal revenue taxes is exceeded only by that of the State of North Carolina among all the Southern States:

Virginia-----	\$8, 300, 000
North Carolina-----	8, 900, 000
Georgia-----	541, 900
Alabama-----	338, 000
Louisiana-----	5, 000, 000
Tennessee-----	2, 300, 000

These comparisons are not given simply to show the commercial importance of the State of Virginia and of the city of Richmond, but rather to set forth the volume of business transactions centered in Richmond out of which grow banking transactions and customs of trade and trend of commerce and exchanges and exchange of credits.

The jobbing and the manufacturing business of Richmond are further practical illustrations that she is a trading and distributing center. Her jobbing business is \$80,000,000 and the value of her manufactures \$100,000,000.

5. DIVERSITY OF INDUSTRY AND AGRICULTURE.

As to diversity of industry and agriculture in the district which Richmond could serve better than any other location it can not 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:

Factories-----	\$1, 391, 000, 000
Farms-----	1, 197, 000, 000
Forests-----	266, 000, 000
Mines-----	106, 000, 000

Total values of all products as above----- 2, 960, 000, 000

Dr. S. C. Mitchell, in his admirable paper read to you at the hearing given Richmond, states that:

"The diversity of interests in this region are as striking as its natural and economic unity."

Perhaps in no other division of the United States will you find so great a variety of interests.

"The developing character of the district is of equal importance. Your committee shares with us the knowledge that it is within little more than two decades that this region began its real recovery from utter prostration and that now its rate of progress exceeds that of any other portion of the country.

Mr. O. P. Austin, whom we have previously quoted, estimates the value of the merchandise handled in the district at \$5,000,000,000, or more than the entire ingoing and outgoing foreign commerce of the United States.

Richmond is to-day, and probably always will be, the chief tobacco center of the United States.

Four governments, or their chief tobacco interests, maintain the headquarters of their buyers or handle their business through Richmond.

Forty per cent of the tobacco crop raised in Virginia, North Carolina, and South Carolina in 1913 came directly to Richmond for rehandling and manufacturing, and Richmond banks supplied the tobacco trade of Richmond in exchange to the various tobacco markets, and paid out in Richmond in 1913 the enormous sum of \$53,000,000, or 88 per cent of the total value of the crop in North Carolina, South Carolina, and Virginia.

A considerable portion of this sum, however, was sent to Kentucky and West Virginia.

Of the total collections of internal revenue by the Government from tobacco in its various forms for the year 1912, 20 per cent was collected from territory within a radius of eight hours from Richmond.

As to diversity of crops of the district in their effect upon the demands for credit and currency, Richmond, being situated at the northern limit of the district, occupies this 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. The demands upon the Federal reserve bank of Richmond would be uniform and continuous.

The peak of the load would doubtless be in the fall; but that would be the case everywhere else, and it is the purpose of the new law to provide for it.

Further illustrating the diversity of crop and industrial conditions in this district, the railroads serving it are at present among the most prosperous in the country. We do not know how to account for it on any other basis than the diversity of interests and the consequent absence of any general depression.

Added to her advantages for assembling and manufacturing the products of industry, her facilities for distribution heretofore described are positively unsurpassed by any other southern city.

We will give you a very recent concrete instance: One of the very large corporations of this country, with headquarters at St. Louis, has just selected Richmond as one of two depots on the Atlantic seaboard most advantageously located for the storage and distribution of its products, New York being the other point.

Richmond is a reserve center of products.

6. CAPITAL RESOURCES OF THE DISTRICT.

As to the confines and capital resources of the district of which Richmond is the logical and most advantageous location for a Federal reserve bank:

The rules laid down by the organization committee for their guidance 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 of 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—is embraced in the zone mapped out to be served by a Federal bank located in Richmond, namely, Virginia, North Carolina, South Carolina, Georgia, Florida, southern part of West Virginia, part of eastern Tennessee, part of eastern Kentucky.

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 organization of the Federal banks.

National banking capital in the proposed district, according to the comptroller's figures, October 21, 1913:

States.	Capital and surplus.	Capital subscribed to Federal reserve bank.
Virginia.....	\$29,300,000	\$1,758,000
North Carolina.....	11,300,000	678,000
South Carolina.....	8,500,000	510,000
Georgia.....	22,900,000	1,371,000
Florida.....	10,600,000	636,000
West Virginia, one-half.....	8,300,000	498,000
East Tennessee.....	8,300,000	498,000
East Kentucky.....	1,300,000	78,000
Total.....	100,500,000	6,030,000

The total capital and surplus of the State banks in the States named, including one-half of West Virginia, omitting for the moment those portions of Kentucky and Tennessee included in the zone, is \$68,000,000.

Now as to the net deposits requiring reserves:

	Net deposits.
Virginia.....	\$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.....	20,000,000
Total net deposits.....	271,000,000

not taking into account the portions of Tennessee and Kentucky, included in the district, for lack of comptroller's figures.

Classifying these as country banks, the amount of reserve required to be kept in the Federal reserve bank, under full operation of the act, would be—

Say 5 per cent, or.....	\$13,000,000
Government deposits divided in proportion to the capital involved would probably be, say, 6 per cent, or.....	9,000,000
State banks might swell the amount, say.....	2,000,000
Full-paid capital.....	6,000,000
Total probable resources.....	30,000,000

Omitting from consideration the note-issuing powers of the bank, the resources would serve as a basis for the expansion of credit in the usual way to possibly \$75,000,000.

It is considered by many that the credit business of these banks will far overshadow the note-issue business, and we share that view.

Now, the banking power of these banks is not to be measured solely by capital resources but by their ability to acquire gold and to build up deposits and loans in the usual way upon their reserves as a base, and also by their note-issue power upon this base.

It is estimated that the floating supply of gold or its representative in this country not in banks is approximately \$500,000,000, doing duty as currency or hoarded.

It is certainly not performing its greatest economic function as currency.

In Federal reserve banks it would serve as the basis for two and one-half times its volume in a safe and sound currency, and it is clear that here is a large source of gold supply.

It is probable that with stable banking conditions, as one beneficial result of the act, gold will to a large extent cease to be hoarded and gradually come from hiding.

The total amount of borrowings and rediscounts of all the Southern States, excluding Texas, was, on October 21, 1913, about \$40,000,000, and of the States named \$25,000,000.

It is clear that the resources of a Federal reserve bank in the district mapped out would be entirely adequate to serve the district.

Furthermore, it is to be borne in mind that the reserve figured upon is the minimum reserve, and if the banks make any use whatever of the Federal banks they will be compelled to keep more of their reserve with them.

The area covered would be about 250,000 square miles and the population about 10,000,000.

7. WISHES AND VIEWS OF THE BANKS AND PEOPLE IN THE DISTRICT AND THEIR PRESENT BANKING CONNECTIONS.

In Virginia out of a total of 437 banks 404 have voted for Richmond as first choice.

In North Carolina out of a total of 486 banks 373 have voted for Richmond as first choice and 69 as second choice.

In South Carolina out of a total of 405 banks 82 have voted for Richmond as first choice and 122 as second choice, Columbia being, of course, first choice. Only 18 of the remaining banks in South Carolina voted, and these were scattered.

The capital and deposits of the South Carolina banks voting first for Richmond were greater than those voting first for their own city—Columbia.

So that, out of a total of 1,328 banks in three States, of the number voting, 863 gave Richmond as first choice and 191 gave Richmond as second choice.

Eliminating Charlotte and Columbia, 1,052 banks out of a total of 1,328 in the three States regard Richmond as the proper location of their Federal reserve bank.

In West Virginia, in the southern half of the State, 49 banks have selected Richmond as first choice and 26 as second.

Richmond has been designated as the preferred location by firms and individuals outside of Richmond as follows:

Virginia.....	1,063
North Carolina.....	870
South Carolina.....	141
West Virginia.....	154

We are therefore fully justified in the statement that there is a very strong feeling in Virginia, North Carolina, and South Carolina that they must be included together in any zone which may be formed, and that whatever territory may be incorporated in their zone a Federal reserve bank located in Richmond would serve their interests better than if located in any other city.

The interests of these three States are too closely interwoven to be separated.

If any further corroboration can possibly be desired by the committee, we respectfully refer to the sentiments expressed by North Carolina, South Carolina, and also by West Virginia bankers at the hearing given Richmond in Washington on January 15, and to the exhibit of resolutions, petitions, letters, and telegrams accompanying this brief.

We respectfully submit that compliance with the letter and intent of the law, which declares that the Federal reserve districts shall be determined with due regard to the convenience and customary course of business, would demand that these three States shall be kept together in one district, so that their mutual trade and financial relations may not be disrupted or disturbed.

The district we have outlined is the most perfect geographical division of the country that can be carved out. Nature has placed her boundaries, sharply defining it. We believe it is an equally perfect economic unit. It is a political division equally sharply defined.

The inhabitants are more homogeneous than in any other division or part of the United States. All of these considerations have a practical bearing.

Our crops and the credits based upon them are distinctive, and the management of the regional bank should bear the closest relation to, and have the closest familiarity with, the needs and customs of the district. For this reason, as well as for all the foregoing reasons, whatever territory may be added to this zone, the headquarters of any bank organized to serve the zone, or any large part of it, should not be located north of Richmond.

This position and all of these conclusions are separately and independently confirmed by the learned and experienced authorities, Dr. S. C. Mitchell and O. P. Austin, former Chief of the Bureau of Statistics of the Department of Commerce, whose papers have been filed with you.

Finally, why Richmond can better serve the zone mapped out than any city in it, or any city in territory north of Richmond which might be added to the zone, and why Richmond may therefore be entitled to the location of a Federal reserve bank.

In the entire zone mapped out Virginia is the dominating State financially, and Richmond clearly the dominating city. Since colonial times Virginia has been the dominating State in the South.

Richmond has played a part far ahead of any other city in the zone in its development, from a banking point of view, an industrial point of view, and a railroad point of view.

Long ago Richmond found that in this zone she had a preferential freight rate territory, and that in this territory the cities north of her could not compete on equal terms with Richmond. This preferential territory extends through the zone described to southern Georgia and Alabama and the eastern State line of Mississippi.

It does not embrace the State of Florida because of water competition. The territory is more graphically portrayed on the map which accompanies.

The trade relations of Richmond in this territory, out of which spring banking relations and settlements, must continue to grow, and more and more exclude cities north of Richmond.

The average first-class rate in the territory gives Richmond an advantage over, we will say, Baltimore, by way of illustration, that being the next large city of commercial importance north of Richmond, gives Richmond an advantage of 11.2 cents per hundred pounds, or approximately 13 per cent.

This relative proportion in favor of Richmond applies to all class and commodity rates, and in some instances it is greater in favor of Richmond.

For full details we refer to the statement of Mr. W. T. Reed, president of the Richmond Chamber of Commerce, which statement accompanies.

Commercial supremacy in this territory must go hand in hand with banking supremacy, particularly under a natural and free system of banking.

Granting the selection of this territory, or any large part of it, as a zone, the advantage of Richmond in point of time and distance in dealing with the members of the zone is so great as to exclude any city north of her from consideration; and the equal advantage of Richmond as a clearing point between zones, for the same reasons, would likewise exclude any northern city.

It is firmly to be borne in mind, as we understand, that the purpose of the Federal reserve act is to afford additional banking facilities to the people, and that Federal reserve banks shall be so placed as to best serve the people with reference to the operation of the system as a whole. Should Federal banks be placed in the three great cities of the East which we have named, that fact in itself, we believe, would justly exclude from consideration the location of headquarters of another bank in any city north of Richmond.

They are not intended to be local, and for that reason branches are provided, and due consideration is not generally given to the power and facilities of these branches.

It goes without saying that this zone mapped out will be provided with these additional facilities, superior to any which they have heretofore enjoyed, by the location of a bank in Richmond, that branch banks will answer local needs, and that the zone will be more independent of the financial considerations which have bound it to large money centers in the East; and this, too, was intended and can best be brought about by the location of a bank within the region described as a natural division of country.

Is there any man who doubts that if State lines were obliterated and the country apportioned in these geographical divisions Richmond would by acclamation be chosen the capital of this division?

Although resting our claims upon the financial strength and the economies of the situation, we have also those considerations in our favor which are most powerful in molding the character and ideals of a nation.

Richmond has a place in the affections of the South which no other city possesses.

She has a place in the annals of the Nation and the world which is imperishable.

The debt of the Nation to Virginia is inextinguishable.

It is difficult to see how this Republic could have been formed but for Virginia.

Richmond has that dignity of standing, that atmosphere of sentiment and history, that position in science and learning, which render her worthy of any honor or distinction that can be bestowed upon her, and the intelligent judgment of the whole country, having a knowledge of these considerations, would approve the location of a Federal reserve bank in Richmond.

The names of Virginians will be associated for all time in the financial history of this country with the Federal reserve act.

All of these considerations preeminently distinguish Richmond as the location of a Federal reserve bank.

THE SOUTH ATLANTIC COASTAL PLAIN—A DISTINCT GEOGRAPHICAL AND CLIMATIC UNIT—ITS PRODUCTS, PECULIAR TO ITS OWN SOIL AND CLIMATE, SHOULD BE FINANCED BY MEN ACQUAINTED WITH LOCAL CONDITIONS.

[By O. P. Austin, 17 years Chief of the United States Bureau of Statistics; secretary of the National Geographic Society.]

Nature has set aside the south Atlantic frontage of this continent as a distinct and peculiar section and has given to it a class of products which are peculiar to itself, and with the financing of which its own people are more closely acquainted than those of any other section are or can become. The Atlantic coastal plain, which in recent geological ages emerged from beneath the ocean, stretches from New York southward to the Gulf of Mexico and is shut off from the West by great mountain ranges.

PECULIARITIES OF PRODUCING POWER.

At the northern end it is a narrow and sandy plain, but gradually widening toward the South. At about the point at which the Potomac crosses it it suddenly broadens to a width of approximately 200 miles,

and at that point enter two new and important factors in its producing power—a fertile soil and a genial climate.

EXPERT TESTIMONY AS TO SOILS.

Prof. Jay A. Bonsteel, a distinguished soil expert of the Department of Agriculture, in a general description of the soils of the United States, which appeared in the 1911 edition of the official publications of the Department of Agriculture, *The Agricultural Yearbook*, and in a similar discussion of the soils contributing to the trucking system of the South Atlantic coast, presented in the 1912 issue of that official publication, says:

"The Norfolk fine sandy loam extends from eastern Virginia southward along the Atlantic coast to Florida and thence westward. Among all the truck soils in use or available along the middle Atlantic coast, the Norfolk fine sandy loam easily occupies the premier place both with regard to its total extent and its wide range of possible products. It has been formed as a sedimentary deposit, laid down under the waters of a more extended marine occupation, and later elevated to become a portion of the present land area.

AN IDEAL SOIL FOR MARKET GARDENING.

"Physically it is almost ideally constituted for the intensive growing of crops. It is of prime importance for the production of vegetables and small fruit. In the eastern counties of Virginia and North Carolina it is also used for the production of corn, winter oats, peanuts, and bright cigarette tobacco, and from the southern boundary of Virginia to Texas it is highly prized as a cotton soil. Where local transportation facilities are adequate it is intensively farmed for the production of vegetables and small fruits for shipment to northern markets.

PRESENT PRODUCTS MAY BE MANY TIMES MULTIPLIED.

"Soil surveys throughout this region have encountered a total area of 4,346,000 acres of this soil, and it is possible that 20,000,000 acres will be found to exist. Not one-tenth of 1 per cent of this total area is now occupied for truck farming, and it is probable that not 25 per cent is now used for any agricultural purposes other than grazing."

EXPERT TESTIMONY AS TO CLIMATE.

These extracts from official descriptions of the peculiar soil factor in the producing power of this section should be considered in conjunction with that other important factor, climatic conditions.

A GREAT OUT-OF-DOORS GREENHOUSE.

That the conditions of climate are as peculiar as those of soil and equally effective in developing a production different from that of other parts of the country is also indicated by Prof. Bonsteel in his 1912 discussion, in which he describes this coastal frontage as "a great out-of-doors greenhouse," and, in another place, "the great winter garden which supplies the cities of the Northeastern States with fresh vegetables demanded for consumption during the later months of winter and those of early spring."

THE GULF STREAM A FACTOR IN PRODUCING POWER.

This peculiar condition of climate, and thus of producing power, he attributes in part to the presence of the Gulf Stream, which, as is well known, flows close to the Atlantic coast as far north as Cape Hatteras, but leaves the coast at that point, moving in a north-easterly direction across the Atlantic.

A TROPICAL AND SUBTROPICAL CLIMATE.

The peculiarities of climate (and, therefore, of the producing power) of this section are also pointed out in the *International Encyclopedia*, edited by that great scholar and educator, the late Daniel Coit Gilman, for 25 years the president of Johns Hopkins University, which says: "The United States has been divided into eight (climatic) sections; two of these are tropical, Florida and Texas; two are subtropical, including the coast States from Texas to Virginia and the California region; the other four sections are temperate or boreal."

ITS PRODUCTS REQUIRE FINANCING FROM WITHIN THIS AREA.

These statements from two distinguished authorities regarding the peculiar characteristics of the South Atlantic frontage in the great factors of production, soil and climate, are presented with the purpose of sustaining the statement already made by us, that the chief products of this section, which must prove the basis of its requirements for credit and currency, are peculiar to this section, and would be much better understood in their relation to credit and to currency require-

ments by the officers of a bank located within that section than would be possible elsewhere.

AN AREA OF PECULIAR AND VARIED PRODUCTION.

What are the products of this section which nature has thus set aside with a peculiar soil and climate, and, therefore, a class of products to itself? Beginning at the South, we may name sea-island cotton, approximately \$7,000,000; phosphates, about \$10,000,000; peanuts, \$15,000,000; turpentine and rosin, \$30,000,000; cottonseed oil and cake, approximately \$45,000,000; fruits, \$15,000,000; tobacco, \$32,000,000; vegetables, exclusive of potatoes, \$36,000,000; sweet potatoes, \$15,000,000; products of the mines, \$100,000,000; animals, sold or slaughtered on farms, \$92,000,000; all cereals, \$167,000,000; cotton, \$255,000,000; all farm crops, \$690,000,000; all manufactures, \$937,000,000; these being in nearly all cases the figures of the census of 1909.

THE WORLD'S CHIEF PRODUCER OF IMPORTANT ARTICLES OF COMMERCE.

It will be seen that a large proportion of the articles produced in these six States are intensely local, the product of the peculiar soil and subtropical climate referred to by the distinguished scholars already quoted. The United States is now one of the principal sponge producing and exporting countries of the world, and practically all of this produce is peculiar to the coast of Florida. We are the world's largest producers of turpentine and rosin, and practically all of our output is produced in Florida and Georgia. Our sea-island cotton is famed the world over, and practically all of it is produced along the extreme South Atlantic coast. Of the \$23,000,000 worth of citrus fruits produced in the United States nearly one-third is grown in Florida. The United States is the world's largest producer of rock phosphates, and most of this is now mined in the State of Florida. The value of peanuts produced in the United States increased from \$7,250,000 in 1899 to \$18,250,000 in 1909, and 78 per cent of these were produced in Virginia, North Carolina, Georgia, and Florida. Of the approximately \$120,000,000 worth of cottonseed oil and meal produced in the United States in 1909, more than one-third was the product of Virginia, North Carolina, South Carolina, and Georgia. Of the 1,000,000,000 pounds of tobacco grown in the United States in 1909, practically one-third was the product of the six States—Virginia, West Virginia, North and South Carolina, Georgia, and Florida.

VALUE OF ITS DISTINCTLY LOCAL PRODUCTS \$500,000,000 PER ANNUM.

The value of these distinctively tropical or subtropical products of this section is, stated in round terms, \$450,000,000 per annum; sea-island cotton, \$7,000,000; citrus fruits, \$6,000,000; sugar, \$3,000,000; dry peas, \$3,000,000; peanuts, \$15,000,000; sweet potatoes, \$15,000,000; turpentine and rosin, \$30,000,000; vegetables \$36,000,000; fruits \$15,000,000; small fruits, \$4,000,000; tobacco, \$32,000,000; cottonseed oil and meal, \$45,000,000; cotton, \$255,000,000; while if we add to these the phosphates and sponges of Florida and other land and water products peculiar to that section, we get a grand total of approximately \$500,000,000 worth of products distinctly tropical or subtropical in character.

ITS PRODUCTS SHOULD BE FINANCED FROM WITHIN ITS OWN AREA.

The fact that the grand total of the production of this section is made up of a large number of articles not closely related to each other, but having for each a distinctive characteristic as to production and use, intensifies the importance of selecting some convenient point well within that section as the locus of the reserve bank for the district. While the economic methods of the South as a whole have been criticized upon the ground that it does not sufficiently diversify its products, such charge can not be sustained with reference to the area which we are bringing to your attention. One of the speakers who appeared before your honorable body, a gentleman of high standing in the financial circles of the Capital City of the Nation, remarked that one of the objects of this law is to decentralize reserves as they now exist and distribute them among several reservoirs, each reservoir to be located with regard to the due convenience of a district wherein a great number of diversified industries are carried on, to build up every branch of industry and commerce; a suggestion which, we submit, applies with great force to the South Atlantic section as one having great diversity of production, and to Richmond as the natural center of the finance and commerce growing out of such production.

RICHMOND AN IDEAL FINANCIAL CENTER OF THE DISTRICT.

That this great mass of distinctively southern products can be more intelligently understood and financed from a distinctively southern city can not be doubted. Not only would Richmond be conveniently located for the prompt transmission of mails and expressage to the section in which this great mass of products originates, but the acquaintance of her people with the peculiar products in question—the phosphates, the naval stores, the peanut crop, the tropical fruits, the tobacco, the cotton-seed oil and meal, and the sea island and upland cotton, their seasons of growth and preparation for market—all these would be better understood and the interests of their producers better served from Richmond than Washington, which has no active business relation with the producing, manufacturing, or commercial interests, or from Baltimore, which is still farther removed from the area of the chief production of these peculiar and distinctively "local" products.

VOLUME OF LOCAL BUSINESS REQUIRES A RESERVE BANK.

The section lying south of the Potomac and east of the Appalachians is amply sufficient in area, population, and the value of its products for the service of a regional bank. The population of the six States which we propose as that section—Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida—is in round numbers 11,000,000 by the census of 1910; the value of its farm property \$2,500,000,000; its capital invested in manufactures, over \$1,000,000,000; the products of its manufactures, nearly \$1,000,000,000 in 1909, and now much more than \$1,000,000,000; the value of its farm crops, by the census of 1909, \$690,000,000; the products of its mines, \$100,000,000; the length of its railways, 29,000 miles; and the navigable mileage of its rivers, over 5,000 miles, or one-fifth of the total of the United States. The officers of the War Department in charge of the 105 river and harbor works on its water frontage from the upper Potomac to the western coast of Florida, report the value of the water-borne freight traffic at those places in 1912 at the enormous sum of \$1,680,000,000, of which about one-half is at Hampton Roads.

VALUE OF MERCHANDISE HANDLED, \$5,000,000,000 PER ANNUM.

The census of 1910 placed the value of the manufactures of this area at \$987,000,000; the farm crops at \$688,000,000; the products of the mines, \$100,000,000; the farm animals slaughtered or sold, \$92,000,000; and, adding a reasonable estimate for the products of the forests and fisheries, the total production of the area in that year may be set down at nearly \$2,000,000,000, indicating that the annual value of its various products at the present time is more than \$2,500,000,000. Most of this \$2,500,000,000 worth of annual products is moved from the place of production to other parts of the country, or to other sections of the world, and in their stead there is purchased about an equal value of other merchandise, suggesting that the value of the merchandise handled in this district in a single year is approximately \$5,000,000,000, or more than the entire foreign commerce of the United States.

BUSINESS OF THIS AREA IS RAPIDLY INCREASING.

That this enormous total of \$5,000,000,000 worth of merchandise annually handled in this section is likely to grow very rapidly is apparent from the figures of actual growth during recent periods. The total value of the manufactures produced in these six States increased 123 per cent from 1899 to 1909, while the gain in all other parts of the country was but 80 per cent. The value of all farm crops in these States increased 120 per cent for the period from 1899 to 1909, while that in other parts of the country increased but 83 per cent. The coal production of this area increased 250 per cent in the 10-year period, while that of the country as a whole only doubled. The capital invested in manufacturing in these States increased 171 per cent from 1899 to 1909, while the gain in the whole manufacturing capital of the country was but 105 per cent. The wages and salaries paid in manufacturing increased 123 per cent, while that in other parts of the country increased but 80 per cent. The railroad mileage increased 70 per cent from 1890 to 1911, and in the other portions of the country increased but 47 per cent. The internal revenue paid increased from \$10,500,000 in 1903 to \$21,000,000 in 1912, a gain of 100 per cent, while the gain in the other parts of the country was but 40 per cent in the same period. The estimated true value of all property, as shown by the United States census, increased from \$4,000,000,000 in 1900 to over \$5,000,000,000 in 1904, an increase of 26 per cent, while the increase in other parts of the country was but 21 per cent. The total indebtedness less sinking fund of these six States was, according to the United States census, \$94,000,000 in 1890 and \$100,000,000 in 1902, an in-

crease of less than 7 per cent, while the indebtedness of other States of the Union showed an increase of 64 per cent in the same period. The average per capita indebtedness of these six States fell from \$12.82 for each individual in 1890 to \$11.02 in 1902, while that of the country as a whole increased from \$18.16 per capita in 1890 to \$23.73 in 1902. The expenditures on public roads in these six States now aggregate about \$15,000,000 per annum, a fact which in itself promises great development of its agricultural power.

ALL GREAT INDUSTRIES REPRESENTED IN THIS REGION.

The value of the three great products of this section—agriculture, manufactures, and mining—are quite evenly distributed in proportion to the products of the entire United States. The farm crops of the section in question formed in 1909 about 12 per cent of those of the entire United States, the manufactures about 5 per cent, and the minerals approximately 5 per cent of those of the entire United States.

FOREIGN COMMERCE OF THIS AREA RAPIDLY GROWING.

The value of the foreign commerce of the frontage from the mouth of the Potomac to the western coast of Florida is now approximately \$150,000,000, and shows a rapid growth when compared with other sections of the country. At Norfolk and Newport News, especially, lying as they do at that great natural harbor of the United States—Hampton Roads—the exports of the fiscal year 1913 show a remarkable growth, having practically doubled in the past two years.

A GATEWAY FOR THE PRODUCTS OF THE MISSISSIPPI VALLEY.

The possibilities of this great harbor in becoming the natural gateway for the Mississippi Valley, with its enormous production for foreign markets and consumption of foreign merchandise, are worthy of serious attention in considering the future possibilities and probabilities of the commerce and commercial requirements of this section. With two great railway lines now transporting to this port the merchandise of the upper Mississippi Valley, over remarkably easy grades and free from the interruption of a northern winter climate, it may be expected that the remarkable growth of recent years will be continued.

A SHIP CANAL POSSIBILITY.

Still another possibility of an enormous increase in the foreign commerce of Hampton Roads is found in the suggestion of a ship canal to connect the Great Lakes with the Atlantic Ocean. Our experience at Panama has demonstrated the ability of our country and its engineers in opening a passageway for ocean vessels through a country where the natural obstacles are much greater than those which lie between the Atlantic and the Great Lakes, and if the Government of the United States should see fit to utilize for this great enterprise the men and machinery which have accomplished the work at Panama, the route from Hampton Roads, along the lines suggested by George Washington to the Ohio River and thence to the Great Lakes, would be worthy of serious consideration, and if adopted make this the gateway for the outflow of the products of that greatest producing section of the world—the Mississippi Valley—and the route by which it would in turn receive its requirements from foreign countries.

PANAMA CANAL WILL INCREASE TRADE AND CURRENCY REQUIREMENTS.

The Panama Canal will, when opened to commerce, immediately stimulate the coastal trade of this section. At present a narrow strip of country along the Atlantic frontage sends its merchandise for the Pacific coast by water by way of the trans-Isthmian railways, which demand for their service one-third of the entire coast to coast charges, the annual volume of that trans-Isthmian traffic between the Atlantic and Pacific coasts being now more than \$100,000,000 per annum. With the possibility of passing the products of the eastern and western coasts across the Isthmus without the cost of rail movement, the volume of this traffic between the Atlantic and Pacific coasts will greatly increase. In addition to this, the export of our manufactures and agricultural products to the western coasts of South America, and, in fact, to all the countries fronting on the Pacific, may be expected to rapidly increase with the opening of the canal and thus greatly enlarge the foreign commerce of this South Atlantic country and the requirements of currency for that purpose.

SUMMARIZATION.

Now, to sum up the great general facts as to the production, commerce, and commercial possibilities of the area in question.

The section of country lying south of the Potomac and east of the Appalachians is set aside by nature as a distinctive region by reason

of its peculiar soil and climate and geographic surroundings, and has therefore products peculiar to itself.

Its total products, which aggregated nearly \$2,000,000,000 in value in 1910 and more than that at the present time, are distributed with remarkable uniformity among the three great industries—agriculture, mining, and manufactures—agricultural and mineral products forming about one half and manufactures the other half of this grand total.

The agricultural products represent an unusually large variety of articles which have their peculiar seasons of maturity, and thus co-operating with the manufacturing and mining industries in maintaining within the district a comparative uniformity and steadiness of demand for currency.

Approximately one-third of these three great articles of commerce—manufactures, farm crops, and minerals—are produced in the two Northern States of the group, Virginia and West Virginia, and approximately two-thirds in the four States lying to the South, North Carolina, South Carolina, Georgia, and Florida; but as most of these products of the Southern States move toward the North, Richmond, which lies within 60 miles of the southern line of Virginia and on the natural line of the northward trend of commerce and communication, becomes the natural center for the trade and finance of both sections of this natural region.

The productions of this area may be expected to increase with great rapidity. Both manufacturing and agriculture showed in the period of 1900-1910 a much larger percentage of growth than that of all other parts of the country, and with the greatly increased use of water power through the cooperation of electricity the contribution of the rivers of this section to its manufacturing power will rapidly increase its industrial and commercial activities.

The foreign commerce of this section may be expected to rapidly increase. The value of the merchandise exported from the ports from the mouth of the Potomac to the western line of Florida is now approximately \$140,000,000 per annum, and those two cities at the great natural harbor—Hampton Roads—have actually doubled their exports in the last two years, suggesting that the possibilities of this section as the gateway for the surplus products of the Mississippi Valley should be given careful consideration in connection with the financing of its prospective business.

The value of the merchandise passing over the waters of the navigable rivers and harbors from the Potomac to the western boundary of Florida was \$1,750,000,000 in 1912, the total value of its own products in 1912 fully \$2,500,000,000, and the value of the commerce handled by it approximately \$5,000,000,000 per annum, and may be expected to increase with great rapidity in view of the rapid growth which has characterized recent years.

Richmond is the natural railway center for the movement of this commerce, and its mail and express requirements with reference thereto, having three trunk lines from the South, two from the West, and two from the North, and a close communication with Norfolk with its western and southern lines.

MARYLAND AS A POSSIBLE FACTOR IN THE RESERVE ZONE.

While a portion of the State of Maryland lies geographically and geologically within the South Atlantic coastal plain, the distinct area proposed as the basis of a banking district, that State has not been included in the proposed Federal reserve region because of the fact that its products are, as a whole, not of the distinctively tropical or subtropical type which distinguishes those of the section farther south, where the presence of the Gulf Stream affects climatic conditions, and also because of the equally important fact that the trade currents carry most of the commerce and therefore the finances of that State toward the great commercial and financial centers of the North. On the other hand, it has been thought proper to include West Virginia in the proposed regional bank area, even though it lies outside the coastal plain region, because of the fact that the commerce and finances of a large part of the State, especially the southern half, are distinctly associated with those of the Atlantic coastal plain and with the State of Virginia and the city of Richmond, a fact which is clearly shown in the discussion of present banking relations of Richmond with surrounding territory.

It is proper to add, however, that a careful comparison of the figures of industry, production, and commerce of the two States—Maryland and West Virginia—when considered article by article and item by item, show that a substitution of Maryland for West Virginia in the statement of products, manufactures, and business conducted would

not materially change the total of the area as a whole or seriously affect the percentage of growth or other evidence of prosperity of that area. The population of West Virginia in 1910 was 1,221,000, and that of Maryland was 1,295,000. The combined value of the products of farm, factory, and mine were, in West Virginia, \$274,000,000, and in Maryland \$366,000,000; and the value of all farm property in West Virginia \$314,000,000, and in Maryland \$286,000,000.

STATEMENT SHOWING FREIGHT RATES FROM RICHMOND TO SOUTHERN WEST VIRGINIA, EASTERN KENTUCKY, EASTERN TENNESSEE, NORTH AND SOUTH CAROLINA, AND GEORGIA; ALSO TONNAGE FROM VIRGINIA CITIES INTO NORTH AND SOUTH CAROLINA AND GEORGIA.

[By Richmond Chamber of Commerce, William T. Reed, President.]

The railroads serving the above-mentioned territory years ago recognized Richmond as the proper distributing point, and the above as the natural territory to Richmond, owing to the fact that they were enabled to give quick service, and from one to four days quicker delivery than Baltimore or any city north of us. In view of this fact the rates into this territory were fixed at an average, approximately, of 13 per cent lower than Baltimore. The average first-class rate in the territory designated by the railroads as the natural territory to Richmond is 75.2 cents per hundred pounds, while the average first-class rate to the same territory from Baltimore is 86.4 cents per hundred pounds, giving Richmond an advantage on the first-class rate of 11.2 cents per hundred pounds, or approximately 13 per cent. This relative proportion in favor of Richmond applies to all class and commodity rates, and in some instances it is greater in favor of Richmond.

Attached herewith, on page 41, is a map clearly defining the territory recognized by the transportation companies as Richmond's territory, and in which the above-mentioned freight rates favorable to Richmond apply. Attached also, on page 40, are the actual rates in groups of cities in this respective territory, giving the respective rates to these cities from Richmond and Baltimore. These cities are chosen with respect to their prominence and also with respect to their proximity to the borders of the territory as designated by the map on page 41. Some of the rates in the interior of this territory will even show greater advantage to Richmond.

The chamber begs to call attention further to the tonnage originating at and forwarded to this southern territory—North and South Carolina, Georgia, and Florida—from the Virginia cities, Richmond, Norfolk, Portsmouth, Suffolk, Petersburg, Lynchburg, Roanoke, Danville, and South Boston. The total tonnage from these cities for the year 1913 reaches the enormous amount of 2,228,908 tons freight, and of this amount the tonnage from Richmond into this territory was 629,495 tons.

Owing to the limited time, and also to the fact that the tonnage into eastern Tennessee, eastern Kentucky, and southern West Virginia had not been separated by the railroads from the tonnage to this territory and points beyond our territory, we are unable to give the actual tonnage to this portion of our territory.

We have been unable to get the tonnage from Baltimore into Richmond's territory—North and South Carolina, Georgia, and Florida—but from such information as we have received we feel assured that any statement Baltimore makes that her tonnage exceeds or even approaches the amount of tonnage of Richmond in the territory mentioned is a pretense, and, inasmuch as Baltimore made this claim before the honorable committee at Washington, it is incumbent upon the Baltimore people to state their exact tonnage, as we have done, and which we are prepared to verify.

OPINION OF EXPERTS.

NEW YORK CITY, April 15, 1914.

OLIVER J. SANDS,

President American National Bank, Richmond, Va.:

Richmond, in my opinion, presented a strong and convincing case in favor of location for a reserve bank under the new banking law. She showed adequate capital and essential tributary territory for a reserve district, rapid growth in resources in recent years, indicating further growth in the future; a location much more convenient to nearly all southern points than any city north of the Potomac; facilities for communication by water and railway within a few hours, and without risk of interruption by accident; a large volume of loans to southern banks; general support by banks of tributary territory; and conformity with requirements of the law that the districts should be "apportioned with

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due regard to the convenient and customary course of business." It was my belief, as stated to the organization committee, that the entire territory northeast of the Potomac should constitute a district, with a strong bank at New York as the center; but Richmond had convincing claims under any reasonable apportionment as one of the reserve banks of the South.

CHAS. A. CONANT.

MR. OLIVER J. SANDS,

Chairman Committee on Regional Reserve Banks,

WASHINGTON, D. C., April 15, 1917.

Washington, D. C.:

My advocacy of Richmond as a location for a regional reserve bank was the result of a careful study of economic conditions of the area adjacent thereto, including population, climatic conditions, soil, productions, manufactures, commerce, wealth, and currency requirements. This study was made with a perfectly open mind and my conclusions reached after the consideration of the claims of all the cities asking for that honor. I found Richmond the natural geographical, commercial, and financial center of the great Atlantic coastal plain, a region peculiar to itself in soil, climate, production, and business conditions and requirements, and thus became convinced that that city was by far the best suited for a regional bank from which the currency and business requirements of the area in question could be served. While this conclusion was based upon a consideration of an area composed of Virginia, West Virginia, North Carolina, South Carolina, Florida, and Georgia, the fact that Maryland and the District of Columbia substituted for Florida and Georgia in the final determination of the area in no degree reduced, but rather increased, the economic, commercial, and financial claims of Richmond for the reserve bank of that region as the geographical center of the district in its final form. Richmond has especial advantages, and the location of the reserve bank at that point will save a day's time in the mail collections of a large proportion of the area could offer. I consider the final determination of the area and the selection of Richmond for the reserve bank as a logical and wise conclusion, and believe it will be so recognized when subjected to the test of business operations under the new law.

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O. P. ALSTIN.

