STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE

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

vs.

At Chicago, Ill.

Date January 19-20, 1914

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Chicago, Ills., January 19th, 1914.

The Organization Committee met pursuant to adjournment at 10:00 o'clock A.M., in Room 603 Federal Building.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

HARRY A. WHEELER, Vice-President of the Union Trust Company.

A. C. BARTLETT, Hibbard, Spencer, Bartlett & Company.

JOHN G. SHEDD, and

JAMES SIMPSON, of Marshall Field & Co.,

JOSEPH A. DE FRESE, President, and

A. D. WELTON, appearing for the Chicago Association of Commerce.

JAMES B. FORGAN,
GEORGE M. REYNOLDS?
E. D. HULBERT,
C. G. DAWES,
W. T. FENTON, appearing for the Chicago Clearing House Association.

GEORGE W. CURTIS,
WILLIAM E. STONE,
F. F. BLOSSOM,
WILLIAM C. WHITE,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

R. W. HEMPSHALL,

WILLIAM HAZZARD,

JOHN C. PADDOCK, and

GEORGE T. PAGE, for Peoria Banks and Peoria Clearing House Association.

WILLIAM H. ANDERSON? Grand Rapids, Mich., appearing for Fourth National Bank.

E. L. STICKNEY, Moulton, Iowa., appearing for First National Bank.

J. C. BASSETT, Aberdden, So. Dakota, appearing for Minneapolis.

For Minneapolis Civic and Commercial Association and Clearing House Association.

S. S. THORPE, Thorpe Brothers.,

DOUGLAS A FISKE,

F. A. GROSS,

B. F. NELSON,

C. M. HARRINGTON? Van Dusen, Harrington & Co.

HOWARD STRONG,

H. A. SCRIVER, St. Anthony Falls Bank,

THEODORE WOLD, Scandanavian American Bank,

W. L. HARRIS, New England Furniture Company,

N. F. HAWLEY, Farmers & Mechanics Savings Bank,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

PROF. R. H. HESS, Ph. D., University of Wisconsin, Madison, Wisc.

H. M. HILL, Janney, Semple, Hill, & Co.,

C. T. JAFFRAY, First National Bank,

W. A. LANCASTER,

W. H. LEE, Hennepin County Savings Bank,

C. E. MCKINNEY, Sioux Falls, Sou. Dakota.

J. E. PHALEN, Sioux Falls, So. Dakota,

HOVEY C. CLARK, Minneapolis Lumber Co.,

FRANKLIN M. CROSBY, President Minneapolis Chamber of Commerce, and Washburn Crosby Co.,

E. J. FAIRFIELD, Lindsay Bros., Agricultural Implements.

E. L. CARPENTER, Sheviline Cooperative Lumber Co.,

F. A. CHAMBERLAIN, Security National Bank,

JOSEPH CHAPMAN, Northwestern National Bank,

F. G. WINSTON, Security National Bank,

J. G. Mc HUGH, Minneapolis Minn., for the Chamber of Commerce.

HARRY S. HELM, Minneapolis, Minn., for Russell Miller Milling Co., and Chamber of Commerce.

WILLIAM J. GRAY, Vice-President, First National Bank, Detroit.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FRANK EPPERSON, Vice-President, Iowa Bankers Association.

JOHN McHUGH, President, First National Bank, Sioux City, Iowa.

W. M. DAVIS, of Iowa City, Iowa, President, Johnson County Savings Bank.

JOHN T. HAMILTON? Merchants National Bank, Cedar Rapids, Iowa.

C. H. CANBY, President Chicago Board of Trade,

J. M. FLETCHER? President, Drovers Exchange National Bank, Chicago, Ills.,

W. A. HEATH, President, Exchange National Bank, Chicago, Ills.

J. G. ROUNDS, President, Citizens National Bank, Des Moines, Iowa.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Gentlemen, the meeting will come to order. The problem confronting this Committee is to divide the country into not less than eight nor more than twelve districts, as required by the Federal Reserve Act, and to locate within each one of those districts the main office of a Federal Reserve Bank. In doing this the Committee has determined to have these hearings throughout the country, for the purpose of ascertaining on the ground, as far as practicable, the facts relating to each district and to the various communities that are to be served. The Act requires the Committee to have due regard to convenience and customary courses of business in determining the boundaries of these districts. We should like to have the witnesses address themselves, therefore, to such facts relating to the customary courses of business and exchange and of industry as will enable us to reach as intelligent a conclusion as possible; in the limited time at the disposal of the Committee, because we have to cover the whole country, we are unable to listen to speeches. It is not oratory we want, so much as facts. And we shall have to ask those who come to present their cases to confine themselves as much as possible to those facts which are necessary to enable the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Committee to reach an intelligent conclusion. I understand that on behalf of Chicago we have the Chicago Association of Commerce which desires to be heard. Who will represent them?

Mr. Harry A. Wheeler: I will represent them at the opening, Mr. Secretary.

The Secretary of the Treasury: Your full name and business occupation.

STATEMENT OF MR. HARRY A. WHEELER.

Mr. Wheeler: Harry A. Wheeler, Vice-President of the Union Trust Company, and representing the Chicago Association of Commerce Committee.

Gentlemen of the Committee, when the Chicago Association of Commerce ascertained the dates on which this hearing was to be held, a committee was appointed to enter into a careful study of Chicago's trade territory, thinking that perhaps out of the commercial interests there ~~tag~~ might be a showing made that would be of direct interest to you and of some use in guiding your judgment with respect to the geographical boundaries of Chicago's territory.

The Secretary of the Treasury: Pardon me; before you proceed, if you have such a map we would like to have it before us.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Wheeler: The map will be here and should have been here now. It is made up and before we finish our testimony it will be in.

I will outline to you the manner in which it has been prepared. The Committee consists of Mr. A. C. Bartlett, of Hibbard, Spencer, Bartlett & Company; James Simpson of Marshall Field & Company; Mr. Homer A. Stillwell, of Butler Brothers; Mr. Joseph A. De Freese, president of the Association of Commerce, and Mr. A. D. Welton, formerly of the National Citizens League, and the speaker. This Committee organized and immediately caused three hundred letters to be sent to the leading branches of trade centred in Chicago, those houses best able to represent the particular lines of trade that were being interrogated. With each letter a map was sent asking that they outline carefully on that map that territory from which more than 50 per cent of their total sales or orders were received, or into which territory more than 50 per cent of their product was distributed. Replies came back from 150 of the 300, clearly representative of the best and the largest interests in 50 separate lines of industry. These 100 maps that were returned represent those expressions which can be put upon

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

paper as to the territory. The other 50 replies were of this character:

From a large stove manufacturing concern: "Twelve per cent of our volume of business is in Iowa, ten per cent in Illinois, five per cent in Indiana, four per cent in Minnesota, four per cent in Kentucky, four and one-half per cent in Virginia, four per cent in Tennessee, four per cent in Ohio, five and three quarters per cent in the State of Texas, nine per cent in Missouri, two per cent in Wisconsin, three per cent in the Pacific Coast States, with percentages only slightly smaller in all the other states of the Union. It is impossible for this company to indicate any territory in which it is prominent because its sales in Iowa are greater than in Illinois, in Texas they are greater than in Wisconsin, and Missouri only one per cent smaller than the home state of the company."

From the insurance interests came this comment: "Nearly all of the large insurance companies operate generally agencies in this city, having jurisdiction and control of the local agents in this field. Premiums for the insurance business done in these states are very largely remitted to Chicago. The losses occurring in these various states

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

are paid by drafts on Chicago banks, so that the natural control of the insurance business in these states centers very largely in Chicago."

From one of our large clothing houses, they say it is utterly impossible to define the territory in which they do business, and they say they are just as strong in New England and California as in Illinois, Iowa or other territory.

From a large watch factory it develops that 62-1/2 per cent of the product of that factory, which is a very large one, is sold to jobbers within the states immediately bordering Chicago.

The Secretary of the Treasury: You might state for the record now what states you have in your mind as related to this district.

Mr. Wheeler: We named no states with respect to trade distribution. We asked that to be voluntary from the records of our respective houses. But I can say to you that the outline of the map will take in the State of Michigan -- here will be a map drawn with lines that will show each particular return, multiplying the number of lines as that particular state was covered by that industry,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

so the heavy lines will show you the bulk of the traffic, and the light lines where they extend down over the country, where a more sparse distribution of commodities may rest. But that map will take in Michigan, the entire lower portion, Ohio; and there is a distinct division, one large group of our distributors going clear to the east border of Ohio and the other coming down through the centre of the state; and so on across Indiana and Illinois, not taking the southern end of that state, and Iowa; a little section of Missouri, and getting out into the Kansas and Colorado territory, which are very stong from Chicago; Nebraska and that territory out there which will be outlined. And I hope Mr. Welton will be here with this map very quickly.

We believe, gentlemen, that this map will show you the exact trend of Chicago's commerce, and accurately. The purpose for which this map was procured was not to urge an enlargement of Chicago's territory, in order to enter into a scramble for a greater area than might ordinarily come to a centre like this, but in order that it might be an actual showing, in order to clearly convey to your minds the real trend of commerce out of the City of Chicago, and for that reason only.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The point that our people wish to make is a desire to serve the territory that is tributary to this city; the fact that Chicago has a large commercial territory is due to transportation facilities, and these transportation facilities have opened natural arteries over which commerce must flow, and naturally the trend of the monetary relation to a community is also over the same channels and moves necessarily into the commercial channels, and consequently is co-extensive with our commercial territory.

Now here we have outlined a territory which Chicago feels is natural to it, and controlled by it from a commercial point of view; and if that territory seems to encroach upon the boundaries that, in your own good judgment may lie with other regional associations which you may determine upon, we are not in the position of asking for an enlarged territory for Chicago's sake. The strength financially of any bank that might be established in this city, with the natural territory that would belong to it, even if it was very circumscribed, would undoubtedly give the regional association in Chicago strength ample for its own needs or for the needs of its immediate territory. We would also like to say that the territory lying next beyond, that is not so

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

favored perhaps in point of wealth, and whose banking resources are smaller and who must needs call upon a wealthier or stronger district for support, if you give us any part of that territory, it will simply add to our natural facilities for service, and service in the territory that is already looking to us, both as a distributing centre for these commercial lines and also as an assistant from its money point of view. And beyond that, the commercial interests for which I think I can speak through the Association of Commerce have nothing to offer to you beyond the illustration which we shall leave and the expression of hope that in your judgment you will make us as serviceable as it is possible for us to be to such a section of the country as would naturally come to us.

Now our interests and this representation from the Association of Commerce come from 4000 business firms and corporations, not individuals; the Association does not represent individual membership. It has a very large interest to the west and northwest, and it is our observation, as we have occasion to discuss these matters with merchants in the northwest, that their relations are towards the east rather than towards the south; that their

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

natural tendency is to be related to an eastern market for such assistance as they will always need, or for money which they will need to carry on their business, rather than to a southern market. And we have had in the Association appeals from the organizations west to the Coast asking that it be seriously considered that if they are not able to have a regional association of their own, that they at least be related to the east rather than to the south. I think that is all I have to say.

The Secretary of the Treasury: Your Association did not undertake, as I understand you, to divide the country into districts?

Mr. Wheeler: Not at all.

The Secretary of the Treasury: or to make any suggestions as to what, in your judgment, would be the best division.

Mr. Wheeler: Not at all. They only brought to you the actual statistical facts from the trades centred here in Chicago, indicating the flow of commerce of this city.

The Secretary of the Treasury: Without reference to the entire country?

Mr. Wheeler: Yes. We took it for granted that you would divide that for yourselves.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Secretary, if I may make the suggestion as to the order of call, Mr. A. C. Bartlett has just returned from Boston. He is to speak for the commercial interests; Mr. John G. Shedd, the president of Marshall Field & Co., will take Mr. Simpson's place, and he is preparing this morning some special figures which he thinks would be of interest to you relative to the distribution of certain lines of business; they may be slow in coming over here, but he will be here and will speak to them. Mr. A. D. Welton, who is preparing this map of which I spoke, will be here shortly.

Mr. Welton: The map is here now.

(The map was then laid before the Committee.)

Mr. Wheeler: He will be the last representative of the Association of Commerce, and will explain the map if desired.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Arthur D. Welton.

The Secretary of the Treasury: Are you going to explain this map, Mr. Welton ?

Mr. Welton: I believe I had better. I was the manufacturer.

STATEMENT OF MR. ARTHUR D. WELTON.

The Secretary of the Treasury: Your name, Mr. Welton ?

Mr. Welton: Arthur D. Welton.

The Secretary of the Treasury: And your occupation ?

Mr. Welton: I am a newspaper man.

The Secretary of the Treasury: If you will explain this map.

Mr. Welton: I have been connected with the National Citizens' League, as General Secretary, since the course of this movement. This map was the result of an effort on the part of a committee of the Chicago Association of Commerce to ascertain from Chicago business men and Chicago business interests the trend of trade out of Chicago.

The Chicago Association of Commerce has approximately four thousand members, and these members are divided into subdivisions according to their occupations, and according to the trade in which they are engaged. There are some of those subdivisions that, of course, are practically useless for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Arthur D. Welton.

this purpose, because they include lawyers and things of that kind, but in a general way they are all engaged in manufacturing or merchandise or other gainful occupations that have a value in the field of trade.

Out of about sixty of those subdivisions, there were selected four representative concerns, and to them a letter was addressed in which they were asked to indicate on a map that was enclosed the extent of the territory in which they thought they dominated, or in which they sold fifty per cent or upwards of their product.

To those communications we had about 150 replies. I assume that those 150 men selected in that way, or 150 concerns, are fairly representative of about three thousand Chicago business concerns. On the individual maps enclosed they marked with lines the territory in which they considered themselves dominant, and many of them made remarks in which they showed that their businesses were very well organized, because many of them gave the percentage of the trade in these various territories.

We gathered those maps all together, and without knowing just what the result would be, we started to make a similar number of lines on one map to get a composite expression of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the total.

You will find, therefore, that where this line is heavy, while it is a brush line, it represents the number of lines that coincided at that point, or along those lines. In this way you will see that --

The Secretary of the Treasury: This being the extreme limit in which --

Mr. Welton: But you see there are lines up here, there are small lines all through.

The Secretary of the Treasury: These coincident lines represent the extreme limit of those ?

Mr. Welton: These coincident lines are shown all the way throught. You will see there is less commercial territory in New England according to these lines. You will see that there are also territories there that are coincident, indicating that Chicago has the National field, or at least very much of the western field. You will see that there is a strong line that comes up here north of St. Louis, even when it foes away down to the southern boundary of Tennessee, or away down there indicatinf a strong competitive point at St. Louis. There are a number of lines across Minnesota, indicating competitive points at Minneapolis, St. Paul and Duluth; also a lighter

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Arthur D. Welton.

line, indicating that Milwaukee is a competitive point.

There is a line down through the center of Michigan, indicating there is competition for Chicago here.

The Secretary of the Treasury: You are going to submit to us a key to this map, are you not?

Mr. Welton: Yes, sir. I will say that this map is really not finished, because there are still about twenty of those maps that are not indicated on it, but it indicates practically three fields in which Chicago trade dominates. One is that indicated by this heavy line around the whole Pacific Coast and the south; there is a heavy line up here, and there is another one that comes in through this way on the western border of Minnesota and Iowa, so that there are really three districts in which Chicago is dominant according to the character of the trade.

There is one that runs to the western border of Iowa and runs up north of Michigan through the center of Ohio. There is another one that takes in Ohio. There is another one that runs down the Ohio river, and there is still another one that takes inthe southern part of Tennessee. This light line is south of Columbus, but when it gets into the National field, it goes clear south to Texas.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Arthur D. Welton.

That is the general character of the map, and there are a number of letters that were also received that might be submitted to the committee, and which I would be very glad to file, because they indicate in a general way the nature of the trade that these men have. Many of them give percentages, and there are many expressions of fact in them.

The Secretary of the Treasury: Those letters may be submitted if you like and be made exhibits to your testimony.

Mr. Welton: I think it would be very well to have them submitted and put into the record in that form.

The Secretary of the Treasury: You will submit them together with this map ?

Mr. Welton: I will be very glad to.

The Secretary of Agriculture: You will submit a revised map?

Mr. Welton: I would like to take this one away and have it completed, because we really were not quite through an with it. It was quite a task to prepare it.

The Secretary of Agriculture: That may be submitted later. When will you have it ready ?

Mr. Welton: I would be very glad to give it to you tomorrow before you go away.

The Secretary of Agriculture: That will be perfectly satis-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Arthur D. Welton

factory. You may just take this, Mr. Welton, and complete it for ~~ma~~ us.

Mr. Welton: All right. Will there be any objection to putting this up on the bulletin board so that every one might see it?

The Secretary of the Treasury: Not at all, no sir. Is a representative of the Board of Trade here?

Mr. Forgan: Mr. Bartlett represents the Chamber of Commerce.

The Secretary of the Treasury: I understood you were not here. We will be very glad to hear you now.

STATEMENT OF A. C. BARTLETT.

The Secretary of the Treasury: Mr. Bartlett, will you give your full name?

Mr. Bartlett: A. C. Bartlett.

The Secretary of the Treasury: And your occupation?

Mr. Bartlett: President of Hibbard, Spencer, Bartlett & Company, wholesale hardware.

The Secretary of the Treasury: If you will give us such information as you have which will help this Committee.

Mr. Bartlett: Mr. Secretary, I am afraid that I cannot give you anything in addition to the information you have

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

already received through Mr. Wheeler. I have been absent from the city, and just returned last night, and did not know until last evening that I was expected to appear at this hearing this morning, so that I have not been able to compile statistics at all, but must give you simply in a general way from the standpoint of a merchant my idea, which is in perfect conformity with the ideas of Mr. Wheeler and Mr. Welton, in regard to the territory that is naturally tributary to Chicago influences of a regional bank.

Of course, the majority of us are doing business in most of the states of the union, We have quite considerable trade in the state of New York and a large trade in Texas, but neither of those is directly tributary for the purposes about which we are talking. It would seem to me that it is largely a question of longitude, rather than latitude. The location of Chicago, its proximity to the Canadian line, fixes the northern line naturally, and the southern line so far as this particular section of the country is concerned in our immediate vicinity, at least, would naturally be — perhaps it would be the neutral line between St. Louis and Chicago, a line which could be as well served from one city as the other.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

The Secretary of the Treasury: Where do you think that line is?

Mr. Bartlett: My own idea would be the line east of Chicago would naturally extend down to the east and west of the lines of railroad running east from St. Louis, the direct lines running to the east from St. Louis.

Upon the east, as I say, we have business, most of us, in the far east, but at the same time we do not by any means presume that the eastern section, like the western part of this state and possibly the eastern part of Ohio would be as well served from Chicago as it would from New York or some other eastern city.

West it is a little more difficult to determine, because Chicago draws its business from the entire west and northwest, a large proportion of its business in that direction, Iowa
4 and points west of Iowa.

Of course, the limit of Chicago in the west would be determined very largely upon whether you are going to establish a regional bank on the Pacific Coast or in the interior; but if no primary banks are to be established on the Coast, that section of the country is clearly, its commercial business and its commercial interests tributary to the city of Chicago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

Of course, the bankers are the men who can say most readily and most intelligently with regard to the banking facilities that will be offered in Chicago through a regional bank to the various sections west of us.

The Secretary of the Treasury: You have not studied the problem, have you, Mr. Bartlett, with a view to determining in any way definitely what division of the country into districts will be best?

Mr. Bartlett: Of the whole country?

The Secretary of the Treasury: Yes.

Mr. Bartlett: No, sir. Of course, every one has a general idea of it, but I have not studied it sufficiently to make any suggestions.

The Secretary of the Treasury: How far into the northwest do you think that the sphere of Chicago's influence, or of a regional bank established at Chicago, ought to extend?

Mr. Bartlett: That of course depends upon the number of regional banks you establish. I suppose you are going to establish the minimum number under the law probably that will serve well all sections of the country. Now, of course, that would in a sense determine how far the region would extend from the city of Chicago of that particular reserve bank.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

The Secretary of the Treasury: You would have to answer that question upon some assumption you might make, whether it is eight or nine or ten or eleven or twelve. You can take any assumption you like.

Mr.Bartlett: Well, assuming that you are going to establish say eight banks, the minimum number of banks, and I should rather infer that this being viewed properly in the light of an experiment, a new banking law and a new plan, that you would naturally start with the minimum number and make those banks as strong as you could, all the banks as strong; and I infer from what I have read and heard that the idea of the law makers was to have each bank independent, so far as possible, of the others, and its territory not dependent upon other regional banks, except in cases of exigency, and that they should be independent of each other. In that case I suppose you would establish eight banks--

The Secretary of the Treasury: Assuming eight would be established, have you any idea in your own mind as to what territory should be made tributary to Chicago, assuming that a regional bank were established here?

Mr. Bartlett: So far as the north is concerned, I mean the immediate north from us, across to the east, as I outlined,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

the central part of Ohio, and upon the south perhaps a line down to the lines of railroads running east, the trunk lines running east from St. Louis.

So far as the northwest is concerned, and the far west, I have taken it for granted that there would be a regional bank on the Pacific Coast.

The Secretary of Agriculture: That is in the far northwest or in the west, or in California, for instance?

Mr. Bartlett: Well, in California, the Pacific Coast, I surmise, would naturally include all territory from Seattle to SanDiego, naturally all territory west of the mountains.

The Secretary of the Treasury: Upon that assumption, how far to the northwest would you think that Chicago's influence should extend?

Mr. Bartlett: Well, if there is to be no regional bank at the Twin Cities, then I should assume that it would take in certainly North and South Dakota, Wyoming and Colorado, ifyou call that northwest. It is not the northwest, and there would be a question with regard to Montana, a question which I would assume could be better settled by the expression of opinion from Montana itself. I could not say, but my impression is that naturally their banking facilities are in the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

east, and they would naturally come to the east for a regional bank if they had their own choice.

The Secretary of Agriculture: From your knowledge of business movements, would you say that North and South Dakota, Montana and Wyoming are more dependent on Chicago than any other city or cities?

Mr.Bartlett: Than any other city?

The Secretary of Agriculture: Or cities, say than St. Paul and Minneapolis.

Mr. Bartlett: I don't know that I could quite say that. I think that would depend something, of course, upon a combination of the business interests. So far as my own particular business is concerned, I should say that South Dakota — the figures that were shown me this morning for South Dakota — I haven't them with me, because they were, not indefinite, but at the same time they were not in form so that I could use them very well; but I recall that in South Dakota that we sell as many goods per capita as we sell, for instance, in the state of Indiana. That was the only way I could get at it. I had not time to figure upon the sale of merchandise in the state of South Dakota, or any other state, per capita. We were selling just about the same quantity of goods in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

South Dakota that we were in Indiana, and we have what we consider a large trade in Indiana.

North Dakota, I cannot say about that, but I think perhaps North Dakota and Montana would naturally go to the Twin Cities, and possibly South Dakota, but certainly those two would go to the Twin Cities if there is to be a regional bank established there.

The Secretary of Agriculture: What would you say of Nebraska?

Mr. Bartlett: I think the flow of trade west is east and west, and I think Nebraska would naturally come to Chicago.

The Secretary of the Treasury: The whole of the state?

Mr. Bartlett: It would be rather difficult to divide Nebraska. Of course, you don't care to establish the lines along the state boundaries, but it would be rather difficult, I think, to divide Nebraska in any way. I do not know of any reason why the whole of Nebraska would not naturally come to Chicago. The business of Chicago extends very largely into Kansas, and I see no reason why Nebraska would not.

The Secretary of the Treasury: How about Colorado and Wyoming, does it go as far as that?

Mr. Bartlett: Colorado and Wyoming would be in the same

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. C. Bartlett.

class with Nebraska, naturally, because of its location. I cannot say as to the business of Chicago as a whole, but so far as our own business is concerned, we have what we consider a very large business in Colorado.

The Secretary of the Treasury: Are you going to submit those statistics, Mr. Bartlett, to the Committee?

Mr. Bartlett: Well, I have not got it in form. As I say, I just arrived last evening, and I donot know whether it would be of any service to you. If it would be, I should be very glad to submit it.

The Secretary of the Treasury: We should like to have it, and it may be made an exhibit to your testimony. Do you think you could submit it before we leave here?

Mr. Bartlett: Yes, sir.

The Secretary of the Treasury: If it is not ready then, you can send it to Washington.

The Secretary of Agriculture: That will give you more time. You can have two weeks.

The Secretary of the Treasury: Thank you, Mr. Bartlett. Is Mr. Shedd here now?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G. Shedd.

STATEMENT OF JOHN G. SHEDD.

The Secretary of Agriculture: Mr. Shedd, you know the problem confronting the Committee.

Mr. Shedd: In a most general way.

The Secretary of Agriculture: Dividing the territory of the United States into not less than eight, and not more than twelve districts, and locating a federal reserve bank in each of the districts. We have to take note of the convenience of the different sections, and the course of trade, and we should be glad to have any light that you can throw on the problem.

Mr. Shedd: I took it for granted that an effort would be made to locate these regional reserve banks in centers so as to facilitate the movement of business through those natural arteries and channels.

I think it is taken for granted that the natural movement of business in this country is from west to east, and about the same --

The Secretary of Agriculture: In this section, you mean?

Mr. Shedd: Yes, sir; almost in the entire northern half of the country, and by the same logic, from southwest to northeast and from northwest to southeast, and at each city, each large city in relation to its importance as a city, it draws

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G. Shedd.

from the east, northeast and southwest a far distance, not so great as made in the relation to the west, but only in proportion to its importance as a distributing city.

In considering this matter I have concluded that a few facts as to those--

The Secretary of the Treasury: Gentlemen, in order that you may all hear as distinctly as possible, I think you had better move your chairs nearer, and then we will try to observe as much order as possible while the witnesses are talking. Please proceed, Mr. Shedd.

Mr. Shedd: I had started to say that I thought that perhaps the sequence in the territory at Chicago as a regional reserve center might be somewhat based upon the volume of business which comes to Chicago either in volume or per capita, and so I prepared a brief statement of the conditions of our business as it applies to this territory around Chicago.

I find that eliminating the city of Chicago, that Illinois ranks first in our business as to the amount of our business and the state of Iowa second, and the consequence is in my judgment that Iowa is a very important factor in establishing a regional reserve bank located in Chicago.

The third state is Wisconsin and the fourth Michigan.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G.Shedd

Now, the percapita, which is somewhat varying with the population of the states -- for instance, the first three states, Illinois, Iowa and Wisconsin, are our first three states as to volume and per capita. When it comes to the fourth, we have Michigan as the fourth state in volume, but a very great change in the per capita. It immediately goes to Montana, showing that Montana -- the population of Montana so far as our business is concerned, seeks its channels through the lines of transportation following a southeastern direction, making Montana easily accessible to this center for its accommodations.

Our fifth state is Indiana, and our fifth per capita is South Dakota.

Our sixth state is Minnesota, and our sixth per capita is Nebraska.

Our seventh state in volume is Minnesota, and our seventh per capita is Michigan.

Our eighth state in volume is Ohio, and per capita California.

Our ninth state in volume is California, and per capita Minnesota.

I classified 9-A, being the same percentage per capita as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G.Shedd.

Indiana. Indiana is 9-A per capita, making it the same as Minnesota.

Our tenth in volume is Kansas, per capita North Dakota.

Our eleventh in volume is Nebraska, and per capita Colorado Then comes 11-A per capita Idaho, 11-B, Arizona.

Now, Colorado is fourteenth in volume, and Oregon in per capita.

Now, North Dakota, or rather, Washington, is fifteenth in volume, while Utah is the fifteenth per capita.

Oklahoma is sixteenth in volume, Washington sixteenth per capita.

Montana is seventeenth in volume, and as I indicated before, it is fourth per capita, Indicating that so far as population is concerned, its business is from the northwest to Chicago. North Dakota is eighteenth in volume, and Missouri is eighteenth per capita.

Those facts, of course, cannot be followed without a little analysis. The fact that Minnesota's per capita is as low as it is is somewhat affected by St. Paul's distributing business, and Minneapolis, which are important distributing centers.

The same is true of Indiana. Indiana distributes from Indianapolis to quite an extent. But notwithstanding this,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Minnesota and Indiana clearly indicate from this in our business that they below easily in this regional zone.

Ohio about the same. Our figures indicate very clearly that it is tributary in its business to Chicago, because you will find that it is eighth in volume in our business, and with that indication, it is in line with the logical line that would follow as to the banking necessities.

Phil
fols
10;55

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: Do you find that that volume decreases as you move into the western sections of these states or into the eastern sections of the eastern states?

Mr. Shedd: No, sir, in the various states -- as to Ohio somewhat in the far east, but not as to Michigan.

The Secretary of Agriculture: You find it fairly uniform?

Mr. Shedd: Fairly uniform. Our distribution in Michigan is very uniform throughout the state.

The Secretary of Agriculture: How would that be in Iowa, and states west?

Mr. Shedd: Iowa is uniformly good from north to south, and east to west.

The Secretary of Agriculture: And Nebraska.

Mr. Shedd: Nebraska is in the same relation; we draw from the entire state.

The Secretary of Agriculture: The same would be true of South Dakota?

Mr. Shedd: Yes, the whole state.

The Secretary of the Treasury: And North Dakota also?

Mr. Shedd: North Dakota is rather uniform.

The Secretary of the Treasury: How about Indiana?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Shedd: Indiana, I should say that the zone of influence of Chicago decreases as you go south of the centre somewhat, but the south quarter of the state, in a general way; and it is the same as to Illinois; we do not draw as strongly from directly south, except as to a distance of four or five hundred miles.

The Secretary of the Treasury: Taking Indiana, for instance, where does the influence of Chicago begin to markedly shade off, I mean at a point about how far north of Indianapolis, if it is north of Indianapolis.

Mr. Shedd: Well, I would not say it is north of Indianapolis.

The Secretary of Agriculture: Suppose you were to take Ohio and come around in this direction, how would you draw the line.

Mr. Shedd: I do not know, but I have made an outline on a map, and I will present this map, on which I drew some marks, indicating the influence which I thought would be extended to a regional bank in Chicago. It starts at a point near Toledo and runs south to Columbus and south of Columbus, and passes west south of Indianapolis, Ind. and Springfield, Ill.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: You would take in the whole of Iowa?

Mr. Shedd: I would.

The Secretary of the Treasury: And Kansas and North and South Dakota?

Mr. Shedd: Yes, sir, I would.

The Secretary of the Treasury: And Minnesota?

Mr. Shedd: I would.

The Secretary of the Treasury: What does this line here mean (indicating)?

Mr. Shedd: That was a line which was drawn in case St. Paul-Minneapolis should be considered necessary as the location of a regional reserve bank; but this is a line I have specially fixed in my mind.

The Secretary of the Treasury: For Chicago alone?

Mr. Shedd: Yes, sir.

The Secretary of the Treasury: Assuming one was located at St. Paul-Minneapolis, in that case you would only take the southern half of Wisconsin.

Mr. Shedd: Then I thought it was probable that the line might be drawn about in the position I have placed it.

The Secretary of Agriculture: Where would you draw the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

western Chicago line in case St. Paul were selected?

Mr. Shedd: Out to the Rocky Mountain borders.

The Secretary of the Treasury: No, assuming St. Paul were established.

Mr. Shedd: I should suppose she would draw almost entirely from the northwest.

The Secretary of Agriculture: Would you be good enough to go over that in the next few days at your leisure, and draw, as definitely as you can, a map showing what territory you would attach Chicago, first on the assumption that no bank were to be established in the Twin Cities and then on the assumption that one might be established there.

Mr. Shedd: I should be glad to.

The Secretary of the Treasury: In drawing the map please state also what assumption you took as to the number of regional banks in the country, whether your map is made on the theory that there are to be eight or a larger number.

Mr. Shedd: Will that have any influence on the first question as to the -- for instance, I notice, whether you had more or less, my thought would be that the northwest as a whole should come southeast. For instance, my thought would be that the states of Washington and Oregon should

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

come southeast in any event, even to Chicago.

The Secretary of Agriculture: In any event you would bear in mind what you would do with this whole section through here (indicating)?

The Secretary of the Treasury: The problem is so interrelated that we like to have the theory upon which any suggestion of this sort is made, as to the number of banks, in the mind of the man making up the map, as to whether he figures on either or nine or eleven or twelve.

The Secretary of Agriculture: If you have not time to do that before we leave, any time within the next few weeks will do.

The Secretary of the Treasury: Within the next two weeks.

Mr. Shedd: I shall be glad to prepare it and send it to you after I have worked it out.

The Secretary of the Treasury: Is there a representative of the Board of Trade of Chicago here?

Mr. Canby: Yes.

STATEMENT OF C. H. CANBY.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Canby: C. H. Canby; President of Chicago Board of Trade.

The Secretary of the Treasury: And your occupation?

Mr. Canby: Grain merchant.

The Secretary of the Treasury: You are familiar with the problem that we are dealing with?

Mr. Canby: Yes, sir.

The Secretary of the Treasury: of dividing the country into not less than eight nor more than twelve regional districts. If you have some views which you care to submit, we would be glad to hear them.

Mr. Canby: Mr. Secretary, the Chicago Board of Trade has a vital interest in the question of regional reserve selection and position, by reason of the fact that the grain trade is a purely cash proposition. The origin of every car of grain, when it is routed for the City of Chicago, is immediately accompanied by a draft, and that draft must be paid and financed in Chicago frequently one week or ten days before the arrival of the grain.

Our territory includes practically all of Indiana west of a line drawn down through the central portion of the state to the Ohio River; quite a considerable amount of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

grain coming from what we term the Terre Haute district; from that the line extends westward and crosses in a northwesterly direction the southern part of Illinois, reaching to a point south of Springfield or Litchfield; we take in a portion of the northern part of Missouri, all of the State of Iowa; during the wheat moving period we reach down into Oklahoma as far as Enid and Oklahoma City; eastern and northern Kansas, along the line of the Union Pacific; Nebraska as far west as the wheat belt extends. We extend into South Dakota and the south 16 counties of Minnesota.

During the month of December alone we received 2,000,000 bushels of corn from South Dakota on through billing. We received probably a million bushels from the southern portion of Minnesota, owing to the fact that the trend of traffic in the grain trade is probably, in the average year, at least 85 per cent west to east. During the past year, owing to the fact that there was a very short crop of corn in ~~the~~ Oklahoma, Kansas and portions of Texas, a movement of corn has gone southward from Nebraska, which in other years would have gone eastward.

Our total receipts in the City of Chicago of all grains during the year 1913, were 337,000,000 bushels, on which

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the members of the Chicago Board of Trade paid drafts, amounting, on monthly averages, to about $190,000,000. This included probably 35,000,000 bushels of grain which came from Duluth, and also about 5,000,000 bushels of oats which we have received from Port Arthur and Fort William, since the new tariff has gone into effect.

Our area of distribution extends practically to every point east as far as the boundaries of New England extends. We extend southeast into Georgia, owing to recent rates that have been put into effect. So that our interest and our views on the question of the boundaries of a regional reserve bank are very wide, as our territory extends so far west and our business activities extend so far east.

The Secretary of the Treasury: Have you prepared a map, Mr. Canby?

Mr. Canby: No, but I have prepared a brief, which I will file with you for reference.

The Secretary of Agriculture: Will you read it, or is it just statistical?

Mr. Canby: It is simply statistical. It gives in detail, for example, the receipts of grain during the past year which were financed by the Chicago banks, were of wheat

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

50,372,000 bushels.

Corn	127,773,000	bushels
Oats,	124,405,000	"
Rye,	3,705,000	"
Barley	31,663,000	"
making a total of	337,288,000	"

These are exact figures from our Weighmaster's returns.

The Secretary of Agriculture: Could you make us a map, shading it according to the volume, showing both the area of receipts, and the distribution area also?

Mr. Canby: Yes, I think we could. We could give you what might be called approximate information. It would be a difficult matter to get anything like that which would be very exact.

The Secretary of Agriculture: Yes.

Mr. Canby: But we would do the best we could.

The Secretary of Agriculture: Yes, it would be helpful.

Mr. Canby: A map of this character?

The Secretary of the Treasury: Yes. Or just take that map and outline upon it.

Mr. Canby: I will. I will file this brief?

The Secretary of the Treasury: Yes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(The brief submitted by Mr. Canby is as follows:)

"Board of Trade of the City of Chicago,

Secretary's Office.

Chicago, January 19th, 1914

To the Honorable Federal Reserve Bank Committee,

Hon. William G. McAdoo, Secretary of the Treasury

Hon. David S. Houston, Secretary of Agriculture.

Gentlemen:

In support of the merits of the City of Chicago to be the place of location of a Regional Federal Reserve Bank under the provisions of the new Federal Reserve Act, the President and Board of Directors of the Board of Trade of the City of Chicago beg to submit the following as indicating the outlines of the territory, the commercial interests of which, in a large measure, center on the Board of Trade of the City of Chicago, and their value --

Receipts of	Wheat	50,372,000	bushels
"	Corn,	127,773,000	"
"	Oats,	124,405,000	"
"	Rye,	3,705,000	"
"	Barley,	31,663,000	"
	TOTAL	337,288,000	"

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

having a value, based on careful weekly computations, of $197,471,000.00.

Of flour, 10,096,000 bbls., having a value, in its wheat equivalent, of $47,500,000.

Of all kinds of live stock, 16,452,807 head, valued at $409,134,674.00.

(These figures will be shown in the figures submitted by the Stockyards interests.)

Shipments of cured meats during the year were

614,048,000 lbs.

Lard:

273,717,000 lbs.

Receipts:

Cheese,	101,303,000 lbs.
Butter,	284,110,000 "
Eggs (cases)	4,610,000 -

There are numerous other soil products, such as flaxseed, clover, timothy and other grass seed, besides many others, aggregating an enormous total.

As indicating the territorial or regional extremes to which the commerce of the City of Chicago reaches, is the railroads terminating here; they number 33 and have a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

mileage of 101,000 miles. Grain comes to this center over these roads and in connection with many connecting lines from a wide territory; some commodities, such as barley and hops coming from the Pacific coast States. The major part, however, coming to Chicago originates within territory outlined by a line drawn to the east of us about midway across Indiana from the lakes south to the Ohio River, west to the Missouri River across the state of Iowa to the Northwest including both Dakotas, and even into Western Canada.

At the present time we are having quite good arrivals of Saskatchewan Oats.

Lake arrivals of American grain from the hand of the lakes and Canadian grain from north shore ports of Lake Superior total large quantities, receipts of Canadian oats since the lowering of the tariff have become an important item.

The storage of the commodities mentioned, and their final distribution employs a sum of money in the aggregate seldom if ever equaled or employed in handling soil products in any other city in this or in foreign lands. This memoranda does not include articles of great impor-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

tance not handled on the Board of Trade, such as produce not susceptible of storing, lumber, coal, etc.

This Association very respectfully urges the location of a Federal Reserve Bank and that it be given a territory commensurate with the commerce centering here.

Board of Trade of the City of Chicago,

C. H. Canby,

President."

STATEMENT OF JAMES B. FORGAN.

The Secretary of the Treasury: The Clearing House Association is next. Mr. Forgan, you desire to be heard first, I believe.

Mr. Forgan: Yes.

The Secretary of the Treasury: Kindly state for the record your full name and occupation.

Mr. Forgan: James B. Forgan; president of the First National Bank of Chicago, and Chairman of a Committee especially appointed by the Clearing House Association to appear before you.

We held a meeting of the Clearing House Association and discussed this matter, and we discussed it for a few

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

hours and finally decided to appoint a committee consisting of myself, Mr. Reynolds, Mr. W. T. Fenton, Charles G. Dawes, and E. D. Hurlbut, to take the matter up and lay before you the concensus of opinion of the Association. That committee has met twice since, and has delegated Mr. Reynolds and myself to represent their views.

The concensus of opinion of the Association was that we should have comparatively a very large Federal Reserve Bank located in Chicago. Just how large that bank should be would depend, of course, on the number of banks, whether it was to be eight or more, up to twelve. We therefore considered our territory around us in sections, by states. We had a meeting with the Association of Commerce Committee, and while we did not see their map as it was produced here, we got the general outline of what they found, and it struck us as rather peculiar, or it was rather striking, that the result of their inquiry pretty well corresponded with the figures that we had prepared to show how far we could serve the surrounding country from this point.

The Secretary of Agriculture: May I ask if your Committee has prepared a map?

Mr. Forgan: Not a map, but statistics by states, which

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

I will hand you and explain.

The Secretary of the Treasury: Would you be good enough to prepare a map showing concretely on the map just what you have in your minds.

Mr. Forgan: yes, I think we can do that.

The Secretary of Agriculture: With alternative suggestions, if you please.

Mr. Forgan: yes.

The Secretary of the Treasury: And where you have gone on the assumption, if you have, that there should be eight banks only, I suppose you have had in your mind what division should be made of the rest of the country into districts, in order to relate them, and we would like to have you make your suggestions on that line.

Mr. Forgan: We are somewhat embarrassed as to that. We do business with all these other cities which are going to represent their own claims before you, and we are put in the embarrassing position of the man that had two girls; if the one was farther away, he could have a good time with the other one.

The Secretary of the Treasury: Well, you are not more embarrassed than New York, are you?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Forgan: I think we are embarrassed more than New York.

The Secretary of the Treasury: They did not hesitate to make suggestions when we heard them.

Mr. Forgan: We will not hesitate either, Mr. Secretary. We will be very glad to make suggestions, and these suggestions we have here, if followed out, will make natural divisions.

The Secretary of the Treasury: We would like suggestions, because after all this is a very serious economic problem, and it is not a question of hurting somebody's feelings or hurting local pride. We must deal with it as a business and economic proposition and bring to bear the best intelligence we have.

Mr. Forgan: You would not ask us to decide as between Minneapolis and St. Paul, for instance?

The Secretary of the Treasury: No, we would excuse you from that.

Mr. Forgan: This statement, as you will see, starts out with showing what the size of a Federal Reserve Bank to be established in this district would be, if the territory was confined to Chicago alone. We would have nine banks -- these are taken from the last statement published by the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Comptroller's Department. While there are more than nine banks in Chicago, there are only nine banks that conform to the regulations of the Central Reserve City bank. There have been some small banks started on the outside that do not keep the 25 per cent reserves, and are not required to, that are considered the same as outlying banks, and they are included with the rest of Illinois. But in Chicago we would have nine banks and we would contribute to the deposits $20,707,000, and to the capital, $4,143,000.

If we take in the rest of Illinois we would have 450 national banks added, with $9,046,000 added to the deposits and $3,100,000 added to the capital. If, therefore, we had a district that was confined to our own state, we would have 459 banks -- however this is based, I may say, on national banks alone and would have to be increased by the number of state banks which would come in, in proportion -- the state would have 459 national banks with $29,753,000 deposits and $7,243,000 of capital.

If you extend into the State of Indiana, we have got to divide each state in accordance with the reserve cities, and the rest of the state, because the reserve cities have to contribute in a different proportion to the deposits

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

from the rest of the state, so each state is divided into the two classes of banks, reserve city banks and the outlying banks --

The Secretary of the Treasury: Country banks?

Mr. Forgan: Country banks. Indianapolis would contribute 5 banks with $1,522,000 deposits and $565,000 to the capital and the rest of the state would contribute 251 banks with $5,122,000 of deposits and $1,185,000 of capital.

The Secretary of the Treasury: In these figures you are including the entire state?

Mr. Forgan: yes.

The Secretary of the Treasury: You make no division of the state?

Mr. Forgan: I make no division of the state, because we took it from the figures of the state as the Comptroller gives them in his statement.

Then if we go into Iowa we find four reserve cities there, Cedar Rapids, Des Moines, Dubuque and Sioux City, which would contribute the figures shown there; I do not think I need read them; but the whole State of Iowa would contribute $7,328,000 to the deposits, and $1,963,000 to the capital.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

If we extend then into Michigan we find just the one reserve city there, Detroit, and it would contribute $6,482,000 to the deposits, and $1,379,000 to the capital.

Taking in Wisconsin we would get $6,621,000 added to the deposits, and $1,553,000 added to the capital.

Now we think that there would rest our district probably, if there are to be more than eight banks.

The Secretary of the Treasury: More than eight?

Mr. Forgan: If there are to be more than eight, we probably would not be able to extend beyond that. But we are of the opinion that we should.

The Secretary of the Treasury: But with eight banks you would have this district?

Mr. Forgan: With eight banks we think we should have that district.

The Secretary of Agriculture: In that case would you include the whole of Illinois and Indiana?

Mr. Forgan: Yes, sir, we think that there is not any occasion for dividing either Illinois or Indiana. We are getting letters, two of which I received this morning since I came over here, which came in in the morning mail, from two banks in the southern part of Illinois, which are

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

quite close to St. Louis, saying that they do more business with Chicago than with St. Louis, and urging upon us to urge that the whole state be brought into this district.

The Secretary of the Treasury: Taking East St. Louis, of course that would go to St. Louis naturally.

Mr. Forgan: Yes, that is practically part of St. Louis. Then if Minneapolis or St. Paul is not to have a regional reserve bank, we would think Minnesota should be brought into our district, and in that case we would have 1555 banks, with total deposits of $67,497,000 and total capital of $17,096,000.

Then if there is to be no reserve city in Nebraska, we think we would be entitled to the whole of Nebraska. And we think that both these states, Nebraska and Minnesota, if they are not to have a Federal Reserve Bank for themselves, would agree with us that this would be the natural place for their reserve bank to be located.

If Nebraska was brought in, it would increase the deposits by $5,306,000 and the capital by $1,477,000, on the same line.

If Minneapolis-St. Paul do not have a reserve bank, we would think North and South Dakota should be brought

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

into our district, which would give us 2046 banks with $75,870,000 deposits, and $19,350,000 capital. Then we think that we might have a good claim on at least a large part of Ohio. The figures for the whole State of Ohio would bring up the number of our banks to 2436, and the deposits to $92,826,000 and capital to $24,984,000.

The Secretary of the Treasury: I see you have Kentucky on this map?

Mr. Forgan: I have.

The Secretary of the Treasury: That is still another possibility.

Mr. Forgan: There is another possibility, yes, sir.

The Secretary of the Treasury: Assuming that you had all the states that you have enumerated here, what division did you have in your mind then for the rest of the country?

Mr. Forgan: Well, we thought New York should have quite a large bank established there.

The Secretary of the Treasury: This would take about one-fourth, you see, of the available banking capital of the entire Federal Reserve System, I mean if all these states were included in the Chicago district, so that the remaining seven would have to be divided among the remaining three-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

quarters of the available capital. New York suggested that they ought to have a predominant bank which would take from 45 to 50 per cent. If that were conceded, between New York and Chicago you would have 75 per cent, and that would not give the rest of the country much of a show, would it?

Mr. Forgan: No. Well, that is the difficult problem that you gentlemen have got to solve, and it is pretty hard for us to decide upon it. From our point of view, you know if we are just going to look upon it territorially we are really the centre and New York is on the circumference of the circle.

The Secretary of the Treasury: You would have a branch of Chicago in New York, then?

Mr. Forgan: Yes.

The Secretary of the Treasury: Well, Mr. Forgan, the law of course requires us to divide the country into not less than eight districts?

Mr. Forgan: Yes.

The Secretary of the Treasury: I assume from your remarks that you would prefer the minimum number of banks established.

Mr. Forgan: Yes.

The Secretary of the Treasury: And that your feeling is

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it would be best to establish the minimum number?

Mr. Forgan: Yes.

The Secretary of the Treasury: That being true, it would be of value to us to know just how you would divide the country. Of course, I understand that your suggestion would be tentative, but we like tentative suggestions because they give us information. We should like to have you submit a tentative suggestion, if you will, as to the division of the country into those eight districts, allotting to Chicago what you think in such circumstances would be most advantageous from the point of view of the relation of this district to all the other districts in the country, and at the same time conserving as much as possible the trend of business and exchange in relation to Chicago.

Mr. Forgan: Would you like to have it prepared and submitted later?

The Secretary of the Treasury: We would be very glad to have it while we are here, but if not, just as soon thereafter as you can prepare it. We are not required by the Act to follow ~~xxxxxx~~ state lines, as you know.

Mr. Forgan: No, I know that.

The Secretary of Agriculture: May I ask, Mr. Forgan,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it has been stated repeatedy in these hearings that the movements of business are from west to east, and from south to North. You suggest Ohio. What would be the fact in reference to Cleveland, for instance, and Columbus and Cincinnati? Would that business naturally trend towards Chicago, or does it go east.

Mr. Forgan: I think Cleveland would.

The Secretary of the Treasury: Would go east?

Mr. Forgan: No, I think it would come this way naturally; Cincinnati would be sort of divided. I think it would be pretty hard to determine where Cincinnati should come. Cincinnati banks all keep accounts in Chicago, and of course they all keep accounts in New York.

The Secretary of Agriculture: How about Detroit and Toledo?

Mr. Forgan: I think they would come to this district, I think both of them would come to this district naturally.

The Secretary of the Treasury: Indianapolis also?

Mr. Forgan: Yes, Indianapolis also.

The Secretary of Agriculture: What is the practice here, Mr. Forgan, with reference to the payment of interest on bank balances?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Forgan: We have no combination or rule regulating interest in the banks of Chicago. Every bank acts independently. We have not even a secret understanding, it has been absolutely free. I think, however, that the banks as a rule pay two per cent on country bank balances, and I do not think that that rule is broken except by some of the trust companies, who, when the country banks have a surplus reserve more than they need and have it so they can put it aside for a little time, they put it into one of these trust companies and get two and a half and sometimes three per cent for it, knowing that it is to be a dead balance and not operated with.

The Secretary of Agriculture: What is the practice with reference to collections of checks?

Mr. Forgan: We have a Clearing House rule in regard to that with a schedule prepared by the Clearing House, to which the banks all adhere. I can give you a printed list showing the charges on every point in the United States.

The Secretary of the Treasury: There is no free collection of checks?

Mr. Forgan: There is no free collection of checks for our commercial depositors. We clear checks for outside banks.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Those who keep their reserves here?

Mr. Forgan: Who keep their reserves here, and our rule is to charge them actual cost. If we can collect at a point, for instance, if we get checks on Minneapolis or St. Paul, where they charge on everything, we would not collect that for a country bank, if they sent it to us they would have to pay us what we pay when we send it to St. Paul; but if it was on a city which did not charge us, we would give the country bank the advantage of our facility to collect at par.

The Secretary of Agriculture: We are asking that, as perhaps you know without my stating it, because we are told from time to time that we must take note of the present trend of business, and yet in certain cities we find they pay as much as four per cent.

The Secretary of the Treasury: As indicated by bank clearances.

The Secretary of Agriculture: Yes, and certain cities make these collections free, which has led to a very artificial state of things.

The Secretary of the Treasury: Yes.

Mr. Forgan: Philadelphia did some years ago.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Philadelphia, Pittsburgh and Albany, and we heard of one little city in the southeast that paid as much as four per cent.

Mr. Forgan: And Cleveland. When we started that rule here, I am very frank to say we met with a good deal of opposition from our customers, and we adjusted our original tariffs to meet the views of our customers, as represented by the different commercial associations who appointed committees to confer with us. Even then we found that some of our customers started in to open accounts in these cities that competed, offering to do it for nothing. That did not to any appreciable extent affect the number of items that came through us, nor the volume of our business. We never noticed it, and it very soon practically died out. There may be a little of it left, but very little. The fact is, take the First National Bank, we handle an average of 27,000 country checks a day the year round. Mr. Reynolds' bank must be up somewhere around 40,000, I suppose.

Mr. Reynolds: Yes, 80,000.

Mr. Forgan: I did not know you were so much larger than we, but of course, now I think of it, you have a larger proportion of bank business than we have; your proportion

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

is much larger of bank business. But these figures which I give you about the number of items we handle will be something that if your Committee have not considered, the Federal Reserve Board will have to consider when it undertakes the handling of all these items, because it is a very serious expense.

The Secretary of the Treasury: The Act provides in Section 16, "the Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve Banks and their branches, and may at its discretion exercise the functions of a Clearing House for such Federal Reserve Bank, or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a Clearing House for its member banks."

Now that is a provision of the Act which the Federal Reserve Board will have to deal with, and the purpose of the Organization Committee is acquire such information as we may while we are making those investigations, as will be of value to the Federal Reserve Board in arriving at some conclusions about that feature of the law. We should be very glad if your Clearing House Committee would consider

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that question and make suggestions to us as to what in your judgment would be the best method of handling it, and as to how those Clearing House facilities should be provided by the Regional Reserve Bank, in contemplation of the purposes of the Act. Would you be good enough to go into that and let us have your views on it, I do not mean immediately, but within the next few weeks?

Mr. Forgan: We would want to study it very carefully. There is not a section of the law that is causing the country banks apparently more difficulty to know just how it is going to be interpreted and what is going to be done. We have more inquiries about that section of the law than about any other part of it.

The Secretary of Agriculture: Would not your committee make a report on the matter for us?

Mr. Forgan: We would be very glad to take it up.

The Secretary of the Treasury: We would be glad to have suggestions. We are asking the same information from the Boston Clearing House and the New York Clearing House and other Clearing Houses; because we would like to get a compendium of opinion.

Mr. Forgan: Of course, it is difficult to say what it

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

means when it says that the Federal Reserve Bank will act as a clearing house.

The Secretary of the Treasury: The Federal Reserve Board has the power to regulate that, and it may prescribe a system. We would like to have the views of the Clearing Houses as to what system would be most acceptable and would best accomplish the purpose of the Act.

There is another point here that we should be glad to have as much light on as possible. In Section 13 of the Act, Mr. Forgan, the powers of the Federal Reserve Banks to discount paper for member banks, it is provided, and I will just read this paragraph: "Upon the endorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or decide the character of the paper thus eligible for discount within the meaning of this Act."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Now the definition of such paper is one of the things which the Board will have to deal with at an early stage of its organization; and we should like to have the views of the different clearing houses as to what would be a proper definition of paper to meet the requirements of the Act, and also as to what, if any, uniform practice in the form and tenor of such commercial paper should be prescribed. Because I take it when this Act goes into full operation we will in time create a kind of commercial paper which will be more or less uniform throughout the country, in order to meet the requirements of this Act and the regulations of the Federal Reserve Board, and it is a very important subject.

Mr. Forgan: Yes, it is.

The Secretary of the Treasury: And we should like to have the opinions of the different clearing houses on that proposition.

Mr. Forgan: I can state just in a word, if you care to have me do so now, a general idea of the subject.

The Secretary of the Treasury: Yes. I should say, however, before you start, that there are some provisos there that it is not necessary to read at the moment, relating to this definition; but for the purpose of this discussion you may

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

proceed on what I have suggested.

Mr. Forgan: The Monetary Commission that prepared the Aldrich Bill, had more difficulty with that subject than almost any other; and I think that the Committees of the House and Senate that prepared this bill also ran up against the same difficulties. The fact of the matter is that they, in wording the bill, both the old Aldrich bill and this bill, have taken foreign ideas, what I consider absolutely foreign ideas, such as when I was a foreigner I used to do business under, but which do not exist in this country.

Commercial paper or a commercial note, used to be a note given by a firm or corporation that bought goods from another firm or corporation, and it was discounted by the firm that got it, with their endorsement. And that is the way business was done. The manufacturers gave credit to the jobbers, and the jobbers gave credit to the retailers, and the jobber paid the manufacturer by note and the retailer paid the jobber by a note, and that was extended all through our commercial life. Now that practice still prevails in England. A large concern like one of our large houses here, like Marshall Field & Company, except that they never give anything except checks, I believe, but I mean any concern

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that did have that line of business --

The Secretary of the Treasury: That sounds abnormal, does it not?

Mr. Forgan: yes. Any firm in that line of business doing a businessof that kind that had to use their credit, instead of going to their bank and borrowing their money on their own note, would go to the manufacturers and would arrange for their goods, for the manufacturer to draw on them at 60 or 90 days, and that draft would be made when the goods were shipped, and the firm accepted it. Then if the firm's credit is not sufficiently strong for its paper to go in the market, it goes to its bank and gets it to accept for it, so that there is a regular lot of commercial acceptances which represent goods sold and delivered, and the deliverer of the goods gets the paper, endorses it, and sells it on the market or discounts it at his bank.

Now we eventually developed away from that, and today, to go to the other extreme, if any jobbing house or any manufacturer or pretty nearly any respectable retail house now that has not got credit of its own to go to its bank and discount its own paper and pay cash for its bills is on a blacklist. The poorest paper we have, and we have very

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

little of it in any of our banks in Chicago, is the paper given by the purchaser of goods for the goods. There are a few lines of business where that old system is kept up, but there are very few lines, and such paper is the poorest paper we have in our bank. The best paper we have got is the paper of the strongest houses, who have credit of their own, who make their own paper, go direct to their banks with it, or to a broker and place it on the market and get the cash and use the cash discount. This system of cash discount is the thing which has produced that. The wholesale houses and the manufacturing concerns whose customers do not take the cash discounts, in the exchange of credit information between these houses one with another, the best thing they can say about their customers is that they always take the cash discount, and if they have anything to say against them, they say they do not take the cash discount.

Now that has created an entirely different kind of commercial paper. And when this matter is settled, and you get down to the last analysis, the Federal Reserve Board cannot do anything but make a rule which will apply to business as it is; you cannot upset all these credit

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

arrangements, and it would be folly to attempt it; because it is much better, much more conservative, to have it as it is than to adopt the old way. You can easily see that the expansion of credit is not nearly as great. If the concern that takes the ore out of the ground is going to sell the ore to the furnace on credit and take the furnace's note for it, and the furnace concern is going to sell its iron that it produces to the manufacturing concern and take its note, and if the manufacturing concern is going to sell to the iron jobber and take his note, and the iron jobber is going to sell to the retailer and take his note, you have five or six notes afloat at the same time, representing the same goods. If you reduce all that business to a cash basis and have the ore producer, the miner, only borrowing what he requires at his own bank to carry on his own business, and if you have the furnace concern only borrowing what it requires on its own credit, there is a much less floatation and expansion of credit than there is the other way.

They carry it to such an extent that in England a tailor does not expect to be paid inside of a year by anybody. Now we do not have any such credit system as that. We pay our bills. We are much nearer on a cash basis than any of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

these foreign countries, and that will have to be recognized, and the paper that is issued for commercial purposes must be understood to be used for commercial purposes; if a concern like the International Harvester Company or any of these concerns places its paper on the market and uses its money in its business, it is used for commercial purposes, and it will have to be construed in that liberal line, or the Federal Reserve Board will not get the best paper that is to be had.

The Secretary of the Treasury: That is just the question we are examining into, and that is the kind of light we want, to enable us to determine what, in the light of our practice and experience in this country, is the best definition to apply to commercial paper eligible under the Act.

Mr. Forgan: These foreign bankers will hold up their hands at us in astonishment, that we will lend our customers money on their own name. Such a thing is not known at all over there. They always want more than one name, and if a customer goes to a bank they have to give a bond sometimes with two or three people on it, to get money.

The Secretary of the Treasury: I take it the powers of the Federal Reserve Board under this Act are ample to deal

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with this as these things develop.

Mr. Forgan: Yes.

The Secretary of Agriculture: And is it not better to leave it in this broad way, instead of making arbitrary limitations?

Mr. Forgan: Yes, so it can be construed to include it. I think it covers it when it says can be used for commercial purposes.

The Secretary of Agriculture: I've heard this thing discussed by a number of bankers a year ago when it was up, and they tried to arrive at a definition, and could not do it.

Mr. Forgan: Mr. Vanderlip of New York, and myself, were appointed a Committee at a meeting of bankers at Atlantic City once, when we were revising the Aldrich bill, to draw up a definition, and we drew it as near as we could, but were not satisfied with it ourselves, and we came to the conclusion at that time that the language should be made as broad as possible in order to cover the best paper that is to be had.

The Secretary of Agriculture: It has the advantage of being subject to easy revision if you want to modify it.

The Secretary of the Treasury: The purposes of the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

framers of the Act was to lodge that power where it could be exercised, and then if, as experience developed and showed that changes were necessary, it could be dealt with. It is very much better to have left it in that form, as it is.

Mr. Forgan: I think so.

The Secretary of Agriculture: That covers those two points as to Section 13 and Section 16.

Mr. Forgan: You want the Committee to prepare a brief or a statement?

The Secretary of the Treasury: We should be glad to have a brief from the Committee upon those two points, and if you will also give us the map, giving of course, the capitalization of the banks which they will have under the Act, we should be obliged to you.

Mr. Forgan: You want the map and the Clearing House question and the --

The Secretary of the Treasury: And the definition of commercial paper.

Mr. Forgan: Yes.

The Secretary of the Treasury: You have a copy of the Act.

Mr. Forgan: Yes. May I take one of these maps?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Yes, take several of them, so you will have an opportunity to submit an alternative plan.

STATEMENT OF GEORGE M. REYNOLDS.

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

Mr. Reynolds: George M. Reynolds; President of the Continental Commercial National Bank of Chicago.

The Secretary of the Treasury: You know our problem without our stating it. Will you be good enough to give us your views?

Mr. Reynolds: Well, we of Chicago find ourselves somewhat embarrassed in approaching a discussion of this question for the reason that we find upon investigation that Chicago's supremacy, so far as her trade relations with the rest of the world are concerned, makes her practically a centre of that great area which represents the preponderance of our industrial, financial and commercial relations, aside, perhaps, from what might be denominated as speculative in its character. We recognize, however, that the formation of these Federal Reserve Banks entails a necessity for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

certain things to be accomplished, particularly with reference to the number so formed. And I think after a careful study of the whole situation, the people of Chicago, irrespective of their lines of business, have come to feel that we should approach a discussion of this matter from the standpoint first of desiring the most efficient service when your system has been entirely inaugurated, and is in operating order. We believe that this can be done best through the following of certain general lines, namely, that under certain laws of business, the natural trend of business is from the west to the west, and I think that would apply very generally as a general principle. There are exceptions to that, however, which are created through the building here and there of large cities, unusually large cities, of the importance of Chicago and New York, and so forth. If we were to go into a discussion of this matter with reference to asking for the largest area that we could possibly get, and would undertake to back up our suggestions with facts and figures, we would probably occupy your time an hour or more in explaining to you what we have in Chicago that is the largest of its kind in the world in that class of business. We assume that you do not want that, and that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it is not necessary, and that you are, in a general way, familiar with all those conditions. So in the discussion of this matter we have tried to boil the matter down to the point of taking as little of your time as may be possible, and trying to conform to practical suggestions which, if adopted, would result in the most efficient service, in considering the whole number of banks to be organized.

I think we would all agree upon the point that the smaller the number organized at the start, the better. There are many reasons for that. First of all, the whole thing is somewhat of an experiment. While we have confidence in the outcome of it, yet anything which is a change from old time methods and settled conditions to a new order of things is fraught with more or less speculation, and it is all a change. Therefore we believe that the smaller the number of banks started at the beginning, the better it will be; upon the theory that it will divert from natural channels less business into other and unknown channels, or rather, if I may so express it, as against the tide, than would be the case if a very much larger number were to be established.

Chicago, as has been shown by the gentlemen here in a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

very brief way, covers to quite a large extent the entire country. We serve from Chicago both financially and commercially a very large percentage of business to the whole country. Of course as we diverge and get away from Chicago the proportion to the whole of the business in thise territories is diminished. While you might say on the one hand that the illustration of Marshall Field & Company was not a conclusive one, for the reason that it is an exceptionally large concern and therefore covers the whole country, or you might say the same with reference to Mr. Forgan's bank or our own bank, for example, yet they are only typical of all the other lines of business in Chicago, except perhaps that they represent rather larger figures.

Illustrating the point that you made a short time ago, Mr. Secretary, with Mr. Forgan, as to the natural trend being from the west to the east, I would state that with one exception, I think, we have in our own insitution a larger volume of deposits from correspondents in Pennsylvania, for example, than any other state, I say with the exception of one and possibly two states.

The Secretary of the Treasury: Is that mostly from Pittsburgh or is it scattered?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Reynolds: It is scattered. You take in Pittsburgh and Philadelphia, of course a large proportion comes from those two cities. It illustrates, and I quote it only to illustrate, the point that where a city becomes over large, unusually large, that it, to a certain extent, breaks that general rule of the trend from west to east to a certain extent.

The Secretary of the Treasury: Pardon me for interrupting you, but I would like to know how significant that is, to what extent, how much in volume or what percentage of your total business does that represent, have you any idea?

Mr. Reynolds: I could, of course, give you figures with reference to our own business which would give you exact data on that. I am quoting from figures taken in November, which represents the lowest average balances we have had at any time during the year. Our figures on that date would show that in pennsylvania, for example, we had at that time, during the month of November, $7,400,000 of deposits.

The Secretary of the Treasury: What percentage is that of the total?

Mr. Reynolds: I do not know what the percentage would be,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

but it would be $95,000,000 total and you can get an idea as to the proportion.

The Secretary of the Treasury: About eight per cent.

Mr. Reynolds: Yes. Now the same thing would apply, going to California, in like manner; we would have five millions there. If you go to Texas, we would have not so much, a million and a half there. I only meant to quote any figures to illustrate that one point.

The Secretary of the Treasury: Are those reserves only or entire balances?

Mr. Reynolds: They are entire balances combined national and state banks. We have them divided.

The Secretary of the Treasury: What percentage of those balances represent reserves and how much is not reserve, could you say?

Mr. Reynolds: The major portion of them would be reserve. I do not know exactly what percentage it would be.

The Secretary of the Treasury: 75 per cent?

Mr. Reynolds: Oh, yes, I should say fully 90 per cent would represent the reserves of those banks.

The Secretary of the Treasury: So that the amount kept for exchange purposes is about ten per cent?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Reynolds: Yes, but at the same time they use all of it, because all the balances of those large banks would be turned over every two or three days, and sometimes as often as once a day.

Now we believe that the natural territory which should be given to these various reserve banks, or speaking for myself in this particular, I should say, should be confined more perhaps along east and west lines than they should north and south, because as Mr. Shedd and other gentlemen have shown you, the natural trend is more east and west.

The Secretary of Agriculture: That would apply more to the northern half?

Mr. Reynolds: Yes, because the trend is from the south to the north and the northeast, probably more northeast than north, because while our relations with the extreme south, Texas and the southwest, is growing rapidly, yet New York has greater relations with them financially than we do.

The map which Mr. Welton has brought to your attention and which you will see later in finished condition, creates what we might designate as two districts there. In the discussion of it locally here some of us regarded it as creating what we might call an inner district comprising

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the territory which Mr. Forgan indicated as belonging properly to Chicago, and we should feel that however large a number or small a number of banks should be established, that that ought to be by all means in our territory. Now assuming that the Twin Cities should not have a bank, that territory would be extended and would create what they will show on that map, when it comes to you, as a secondary or outer territory. Probably 80 per cent as many people of the Association of Commerce are comprised in the whole territory as they are in the inner territory.

So that summing up our territory under those rules, it might probably be regarded to consist of Indiana, Illinois, Iowa, Michigan, Wisconsin and possible a little of the southern part of Minnesota. Now we would probably have to give all of southern Illinois to Missouri, and we would get from Missouri or should get probably some of northern Missouri, so that while we have made these lines state lines, we think in the adjustment of the differences in the various states they will break about even with the other places.

The Secretary of the Treasury: It would be decidedly useful to the Committee if in considering that question you

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

would indicate just what part of these states should be divided between given cities. You gentlemen know, for instance, about southern Illinois better than we do. That is one of the purposes we have in mind in having these hearings, to see what would do the least violence to the ordinary course of business and exchange and commerce in the different parts of these states, in creating this system.

Mr. Reynolds: I might say for your record, and I would like to have it in the redord, that the banks of Chicago have not sent out any letters or circulars soliciting any assistance from their correspondents that could in any wise be meant to wield any influence in the location of a Federal Reserve Bank in this city. Many cities that have been making efforts to secure these banks have done so. We have been sent many of them from various sections of the country but we have adhered to the theory that we believe the commercial and industrial supremacy of Chicago is sufficiently great, that the people outside of this district, when they find they cannott get banks in their localities, and they cannot all get them, their preference for Chicago would probably be more influential with you than if we should undertake to put up a showing

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

here which would be selfish in its purpose.

The Secretary of the Treasury: I might say in that connection that any campaign for any particular city, of course, will have no influence with the Committee, but the only thing that is going to determine the boundaries of these districts or the location of these Reserve Banks is the facts which determine them, and it is those facts which we are trying to bring out, to reach a just conclusion.

Mr. Reynolds: I would not be able at the moment, but before leaving here I think I could prepare a recommendation which you understand would be measured by our own experience more than by a guess, because a guess means nothing unless it is backed up by figures.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Brady
fol Ph
12 m

George M. Reynolds.

We have hundreds of letters from various sections of the country, and if you will allow me, I would like to introduce one or two things here that would illustrate this very forcibly.

Here is a letter addressed to me from a correspondent of ours in Evansville, Indiana, carrying with it a resolution passed by the Clearing House Association, -- Evansville as you know is in the extreme southern part of Indiana —in which they pray your committee to give serious and careful consideration to the appointment, or rather the designating of that city in the Chicago district.

The Secretary of the Treasury: That may be filed.

Mr.Reynolds: I will file that. I have another telegram that will bear upon the general subject that I would like to present for general information.

I can bring to you hundreds of letters from our correspondents, located at various places, who have written us , most of them,because they have had letters from other cities soliciting their co-operation in the establishment of banks, but this comes to me from Helena, Montana:

"Geo. M. Reynolds, President:

Replies received to inquiries from National Banks in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

George M. Reynolds.

Montana representing total capital and surplus of eight million dollars show that eighty per cent select Twin Cities and twenty per cent select Chicago as first choice for location of Federal Reserve Bank. No other cities mentioned. For second choice eighty per cent select Chicago and thirteen per cent select Twin Cities, all other points seven per cent. Replies from state banks of Montana representing capital and surplus ten million dollars expressing first choice location of reserve bank eighty-three per cent select Twin Cities, nine per cent Pacific Coast, five per cent Chicago, three per cent Denver, and for second choice sixty-four per cent select Chicago,eight per cent select Twin Cities, six per cent select Pacific Coast, four per cent select Denver, eighteen per cent no choice."

The crux of that telegram is that it represents what everything that we get represents. For instance, in these western and northwestern and southwestern cities, I think the feeling pretty generally is that if they do not get a Federal Reserve Bank in their own city, that their purpose, like these people, is to come into the Chicago district.

We have believed that we ought to be allowed to have a district from Chicago practically to the Rocky Mountains,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

George M. Reynolds.

between the lines, we will say, of a line running through the northern part of Missouri up to possibly a line taking in a small portion of Minnesota, and that we ought to run to the Rocky Mountains, and furthermore that we think that we ought to extend east to a point taking in at least the northern half of Indiana, and as I believe, the western half of Ohio and Michigan. I believe those territories, if there is no bank located in Cleveland, for example, would much prefer coming to Chicago, because the greater per cent of their business comes here.

The secretary of Agriculture: You think Cleveland would prefer to come to Chicago to going east?

Mr. Reynolds: I think so, yes sir.

The Secretary of the Treasury: How about Cincinnati?

Mr. Reynolds: I should think that would be about an even break, Mr. Secretary.

The Secretary of Agriculture: Mr. Reynolds, this territory that you have just mentioned any point is within comparatively easy reach of Chicago.

2 Mr. Reynolds: Yes, sir, just a few hours.

The Secretary of Agriculture: About what time would you say?

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

George M. Reynolds.

Mr. Reynolds: Over night, any of the territory that I have mentioned would reach Chicago, with the possible exception of Nebraska or Colorado.

The Secretary of the Treasury: The Dakotas would not be?

The Secretary of Agriculture: You did not mention those in this last territory.

Mr. Reynolds: I said to the Rocky Mountains.

The Secretary of Agriculture: Suppose you take Montana, the Dakotas, Wyoming, Colorado and Nebraska, you would be perhaps 24 to 36 hours, or more?

Mr. Reynolds: Yes, sir; that is right. We are assuming, Mr. Secretary, that there would be a bank established in the Twin Cities.

The Secretary of Agriculture: But waiving that assumption, what should you say as to the convenience or inconvenience of handling that business at that distance?

Mr.Reynolds: I would say that the convenience would be favorable to them, rather than St. Louis, for the reason that practically all their product comes this way.

There is one point in connection with the consideration of this matter that it seems to me is very important. The necessity for the use of money at the time crops are raised

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

is very urgent, but only for a short time. The real requirement for the money during eleven months of the year at least is in the center where the markets for those things are created, and we have in Chicago a situation where we have large warehouses, cold storage warehouses, grain elevators, and we havelarge packing concerns here. I will be followed a little later by a gentleman or two, who will give you some figures representing what the stock yards territory of Chicago means in dollars and cents in the turn-over of our business, therefore, I will not undertake to discuss it.

The Secretary of Agriculture: I want to emphasize and just bring out one or two points in this connection. What should you say as to the convenience or inconvenience of handling business where it would take from 24 to 36 or 45 hours to reach the regional bank?

Mr. Reynolds: I don't think it would make any difference how long it takes to reach it, provided the trend of their product was in the same direction, these things that we have the turn-over on.

The Secretary of Agriculture: Just one point. So far you have said nothing about branches.

Mr. Reynolds: No.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

George M. Reynolds.

The Secretary of Agriculture: Suppose a branch bank were established at the Twin Cities or Denver, or any other place out here, how would that relieve the situation?

Mr. Reynolds: If I understand the bill correctly, it would serve the same purpose that the bank itself would. That is my interpretation of the bill.

The Secretary of the Treasury: The bill is mandatory in that respect. You must establish branch banks.

Mr. Reynolds: I am assuming there will be some branch banks established. Of course, the same recommendation would apply to that as to the other. I should like to see the fewest number established to begin with, until we are sure that we can use them, until we are sure they will be self-
3 supporting.

The Secretary of Agriculture: You want evolution?

Mr. Reynolds: I think this whole plan should be developed along lines of self-support after they are organized, and that can be done.

The Secretary of Agriculture: So far as the law goes, the only difference would be in the selection of directors.

Mr. Reynolds: Yes, sir.

The Secretary of Agriculture; One other point. Some gen-

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

tlemen discuss this question as if the whole character of ordinary banking transactions and inter-relations were going to be changed. Your bank will continue to do business just as before with any part of the country.

Mr. Reynolds: We hope so.

The Secretary of Agriculture: This establishes reserves, and perhaps makes the places for holding reserves, and perhaps changes in the clearings, and a number of other things that are not immediately germane to this particular subject, but I just wanted to bring out and call to your mind the fact that--

Mr. Reynolds: I think, Mr. Secretary, there is a great deal of misapprehension in the minds of the people with reference to the importance of these banks, as to size, and so forth.

The Secretary of the Treasury: There is a great deal more misapprehension as to their function.

Mr. Reynolds: Yes, but what I was going to add is this. I don't think it is so vital, that it seems so vital to the bankers themselves, whether the Federal Reserve Bank in any community gives a larger service, as it does the general business interests of that community. They want it to be so

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that the institution established in their territory, or the territory to which they are contiguous shall be sufficiently large to justify all their requirements.

The Secretary of the Treasury: Doesn't that idea become less important when you consider that all these units are coordinated very effectively through the Federal Reserve Board; also because these banks have the right, under certain conditions, to get currency from the Federal Reserve Board for the benefit of the member banks?

Mr. Reynolds: I think I can answer that better by saying that in going into a discussion of the bill, it did not seem to me it made so much difference there as it would on the interpretation put on the law. The Federal Reserve Board has a very wide latitude, and you indicated that here this morning, but I do not believe it is going to seriously interfere with credit relations between business houses and with banks anywhere, I don't believe it is, we hope not, at least.

The Secretary of Agriculture: I thought I caught a suggestion in your mind on this point. What is there in the establishment of one of these banks in any community, the community as such . Some communities seem to look upon it as they would getting a great corporation for public building.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Reynolds: Local pride, I think, more than anything else, probably. I do believe, however, that an equitable adjustment of the matter would be to follow the lines of commercial and industrial supremacy, as in anything else. If the convenience and customary course of trade can be observed in this, and these banks can be located, there would be more activity for every city involved than if you merely limit the bank --

The Secretary of the Treasury: Have merely an arbitrary preferential.

Mr. Reynolds: I would say so.

The Secretary of Agriculture: I did not mean to interrupt you.

Mr. Reynolds: I am only here to answer such questions as you want as best I can, and I only have in mind making these suggestions. I have no specific recommendations to make at all, they are only suggestions.

We, as Chicago bankers, carrying accounts of bankers in every city of importance over the country, have been solicited repeatedly to do what we could to help other communities, and as I have already pointed out, we are in a little embarrassment as to a free expression of our opinion; but I am

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

going to waive the chance of our being criticized, and make a few points on this so far as I see it, if I may do so, upon the theory that that which is best for the whole country, if you can arrive at that, will be best for all of us.

The Secretary of the Treasury: As a matter of fact, Mr. Reynolds, we are all performing here a patriotic duty in to establish a new system, and we must disregard purely local considerations, as I said before, or anybody's feelings, get at the facts and get the wisest possible results. In that spirit, we will be glad to have the subject discussed at all times.

Mr. Reynolds: I took a map, took a small map to the boys in ouroffice whose duty itis to handle our business from banks, both with reference to incoming items and outgoing items, and asked them to mark upon it the different points which they thought would be proper places to have located sight of these banks, and I am going to give them to you for discussion, without recommending them, because I do not agree with the points as they make them, but on the figures showing how we arrive at conclusions, they may be a little helpful to you in the study of the general situation.

They brought that to me with the cities of Boston, New

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

York, Chicago, St. Louis, New Orleans, Denver, Seattle and San Francisco marked.

Now, just taking a survey of the map, it would seem to me that that might be a pretty fair distribution geographically, but when you take into consideration the capitalization of the banks in this territory, it is very disappointing.

5 You will see by that that New York is allowed all of that eastern territory down to the line of Georgia.

Georgia, Alabama, Mississippi, Louisiana, and a part of Texas, and a little off of the south of Arkansas are put in to the New Orleans district with a view of creating a territory there sufficiently large to start a bank in that territory.

Those points when you come to figure, disclose the fact that to establish banks along that line, the New York district would have a capitalization of $374,000,000, and a surplus of $367,000,000, and with that capital and surplus, it would give them a bank of about $28,700,000.

Boston would be given a bank of about $11,000,000 capital on that basis.

Chicago would be given a bank of about $24,000,000 capital.

St. Louis would be given a bank of about $11,000,000 capi-

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

tal.

And New Orleans, with all that territory in it, would have only about $5,000,000 capitalization.

When you get to Denver, it would only give them $2,110,000 capital, and when you got to SanFrancisco they would have $5,400,000. When you get to Seattle they would only have $2,400,000, neither one of which would be large enough.

It seems to me that the effort to put a reserve bank in Denver must entail either one of two things, either that the territory must be made large enough to take in Omaha and Kansas City, and make a very large area and send their business up stream, or you have got to give them a territory that will extend over almost to the Coast; and it seems to me that if you are governed by capitalization, possibly, that you are going to establish for the present, at least, only one bank on the Pacific Coast, probably at San Francisco, as that is the most central point.

The Secretary of the Treasury: What would you do at New Orleans?

Mr. Reynolds: New Orleans is the most difficult point to handle that I know of.

Kansas City and St. Louis, just across the state from each

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

other, taking care of a very large area geographically, and very different territory, too, as a rule. If it were not for the creation of a bank in New Orleans, if you allow the St. Louis district to go down to New Orleans with a branch down there, then another bank could be put in at Kansas City very profitably that would serve all that southwestern territory, and it seems to me it would solve that problem very
6 much better than by putting one at New Orleans, perhaps.

The Secretary of the Treasury: You think that New Orleans would be well served by association with St. Louis in that way, I mean with a branch of the St. Louis bank?

Mr. Reynolds: I am assuming, yes, that the branch banks will do in their communities exactly the same thing that the banks themselves will do.

The Secretary of the Treasury: My question had reference more to the courses of business, with what city would New Orleans have a more intimate relationship?

Mr. Reynolds: It has a scheme of relationship with St.Louis and Chicago, of course, but a more intimate relationship even with New York than either of these.

The Secretary of Agriculture: This map as it is drawn here raises another problem that I would like to present.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

It includes the whole south. That is a distinctly borrowing community, isn't it?

Mr. Reynolds: Well, yes, particularly that section of it which still adheres to one crop, of cotton particularly.

The Secretary of Agriculture: Do you think it is a good idea to create a district that is almost exclusively a borrowing district?

Mr. Reynolds: I think, Mr. Secretary, that that is a difficult problem that you gentlemen have to solve.

The Secretary of Agriculture: Let me proceed with this a little more fully. We had a suggestion the other day for the formation of a district from the Potomac to the end of Florida. I raised the same question there, and asked whether or not it would not be really better for those states in the south to be connected with communities like Maryland and Pennsylvania, where you would have a combination of a lending community and a borrowing community, and also of an industrial and agricultural. That shows the provisionis important in this direction, isn't it?

Mr. Reynolds: I think it is. I think that our district here would come more nearly following the line of averages, the law of averages, if we could have a little of the south, for

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

example, but I realize that it would be almost a physical impossibility to work that out.

The Secretary of the Treasury: The district as you read it out here lacks diversification, doesn't it?

Mr. Reynolds: It lacks diversification in some respects, lacks of diversification for borrowing from the west, especially, because you have taken in Ohio and Michigan and Indiana, and there are very large financial transactions in the manufacturing lines that require large amounts of capital, which would offset the lack of borrowing a great deal of the
7 time during the year from these western agricultural sections, and I have had that in mind somewhat in the recommendations which I have made.

The Secretary of Agriculture: In this map here you have another district that is wholly borrowing, and you would naturally suggest that that be related to these districts that are stronger financially and of a different character.

Mr. Reynolds: My recommendation was that we should go from Chicago to the Rocky Mountains. We do not take in large sections over the width of the territory, which would give us here, for example, you can see if a bank is established in the Twin Cities as we assume there will be, and as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

we believe there should be, that would follow the lines east and west the same way clear to the Rocky Mountains, and should do so.

The Secretary of Agriculture: You do suggest the establishment of a Reserve bank in Minneapolis?

Mr. Reynolds: Or St.Paul.

The Secretary of the Treasury: You are careful to say one or the other?

Mr. Reynolds: I am going to allow them to settle that with you gentlemen as best they may.

The Secretary of the Treasury: Mr.Reynolds, if you extended Chicago as far as the Rocky Mountains, taking in Denver, you would do that upon the theory that Minneapolis or St. Paul should have a bank, and that would take the rest of the territory in the northwest only as far as the Rocky Mountains, or through to the Coast?

Mr. Reynolds: I think they are asking for a territory through to the Coast. I have not myself had any idea of their territory extending out there, but it does seem to me that a division of the territory along this line, with a possible solutionof the matter, so that Kansas City and St. Louis might both have banks, would be a very good one. I know

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

there is a great deal of criticism from the outside because they are so close together.

The Secretary of the Treasury: They are not as close together as Boston and New York, are they?

Mr. Reynolds: No, I don't know the exact distance. I will expose my ignorance of geography if I answer this question. If a larger number of banks are to be established, and the sphere of activity of the New York and Chicago banks is to be restricted, there is the possibility of the establishment of a bank in Pennsylvania or possibly Ohio, some place that would serve very satisfactorily the area in there. On the other hand, I should think that Philadelphia or Baltimore, particularly Philadelphia, could serve as you have suggested, Secretary Houston, that whole Atlantic Coast, if you want to restrict New York. We are only talking about possibilities.

The Secretary of Agriculture: I know, but there are certain ideas that we want to bear in mind, and that was what I
8 had in mind in my question in reference to that south Atlantic Coast section, and Philadelphia.

I suppose you would think that so far as possible in normal times, each of the districts should be self-sufficient?

Mr. Reynolds: I think that is one of the principles that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

should be followed as nearly as can be.

The Secretary of Agriculture: That is what I am trying to get light on, whether or not if we were to establish such districts as you suggest here, or a south Potomac district, we should be acting wisely, in view of the fact that they are normally borrowing communities?

Mr. Reynolds: I don't see howit could be made to maintain itself profitably and normally, because—

The Secretary of the Treasury: You mean on that basis because of the proportion —

Mr. Reynolds: About six months in the year there would be no borrowing, and six months of the year every bank would want to borrow a great deal more than they could furnish.

The Secretary of the Treasury: Mr. Reynolds, inthis connection, Louisville seems to be included in your map there in the Chicago district. It is a very important city, and you have Louisville, Cincinnati and Cleveland, I believe, in your map.

Mr. Reynolds: Yes.

The Secretary of the Treasury: Where does Louisville do most of its business, with Chicago or with New York, would you say?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Reynolds: I would say that they do more business with Chicago. I had a little conversation within three or four days with two or three Louisville bankers here, who said they were applicants for the location of a bank in their city, but failing in that, they wanted by all means to get in this district.

This map that I have here is a map made by my boys in the office and does not represent my views, as I have already pointed out, because I do not believe these banks could be placed where they have been placed on this map, but I brought it out and showed it for thesake of discussion.

The Secretary of the Treasury: Mr. Reynolds, wouldn't you be good enough to review this matter yourself very thoroughly. You don't have to do it today or tomorrow, but later on, as Mr. Forgan is going to do, or perhaps you gentlemen may agree in the suggestions.

Mr. Forgan: I proposed to do it for our Committee.

Mr. Reynolds: Perhaps do it as the clearing house committee.

The Secretary of the Treasury: That will be better.

Mr. Reynolds: I would say I would have no objection to giving an opinion as to where it seems to me there should be

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

banks located. It seems to me that there are certain--

The Secretary of the Treasury: You mean cities?

Mr.Reynolds: Yes. There are certain points -- I believe, for instance, Boston and New York and Chicago and San Francisco and Minneapolis and St. Paul -- I will qualify that in
9 the record,-and St. Louis and Kansas City, with one over in Baltimore or Philadelphia serving that east coast.

I probably have failed to mention in that recommendation towns in which we have many friends, many correspondents, all of whom we would be very glad to serve if we could, but we realize that the line will have to be drawn somewhere.

10 The Secretary of the Treasury: And upon the assumption further that that can be taken care of --

Mr. Reynolds: It has seemed to us, Mr. Examiner, from what we have heard on this matter from outside communities, many of whom are here to express their own opinions for themselves later, that they nearly all wanted to get in this district if they could not get a bank of their own. You take Kansas City and St. Louis, for example, many people say, well, they could not think of having banks so close together; but when you take into consideration that three dollars, probably, of Kansas City business comes to Chicago to one to St. Louis, you

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

can understand that the Kansas City bankers, if they do not have one of their own, would prefer to come here, and we would like to have them.

The Secretary of the Treasury: Kansas City and St. Louis serve a rather distinct territory, do they not?

Mr. Reynolds: They do, yes; and they both serve large areas, particularly so when it is considered that if New Orleans is not to be given a bank, that the St. Louis territory will be extended to the Gulf,

I do not know that I have anything else especial. The gentlemen who have preceded me have covered the ground pretty fully.

The Secretary of the Treasury: We are very much obliged, Mr.Reynolds. Is there anyone else from Chicago to be heard?

Mr. Reynolds: Mr. Fletcher and Mr. Heath, from the stockyards would like to be heard.

The Secretary of the Treasury: Mr.Fletcher.

Mr. Forgan: Mr. Secretary, I have a telegram from Memphis asking me to put in a claim for Memphis, and particularly so on account of its geographical position and the fact that it originates more foreign exchange than any other southern city.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John Fletcher.

The Secretary of the Treasury: Would you file that, too, Mr. Forgan?

STATEMENT OF JOHN FLETCHER.

The Secretary of Agriculture: Please give your name and occupation, Mr. Fletcher?

Mr. Fletcher: John Fletcher, President of the Drovers National Bank, Union Stock Yards.

The Secretary of Agriculture: Mr.Fletcher, you have heard this discussion, haven't you?

Mr.Fletcher: Yes, sir; I have.

The Secretary of Agriculture: We would be very glad to have any information you can give us.

Mr.Feltcher: It was suggested, Mr. Secretary, by the clearing house, that Mr. Heath and myself prepare some figures that would give your Committee an idea of the volume of business transacted through the yards. It is a proposition that in the opportunity of presenting one does not need to feel any embarrassment, it is rather hard to be modest with
11 the figures that I have.

During the past year, to make it brief, we have handled through the Union Stock Yards 16,452,000 head of livestock,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John Fletcher

in round numbers, with a value of $409,000,000. That means two million and a half cattle, 375,000 calves, 7,570,000 hogs, 5,900,000 sheep and 90,000 horses.

The value, to put it in a form that would be such as could be remembered -- I might suggest to you that since 1900, since the year 1900, there have been handled in the Union Stock Yards over sixteen million head of livestock annually, with an annual average value of $300,000,000. That means an average of over one thousand carloads per day, with an average value of over a thousand dollars per carload, or over a million dollars worth of animals sold, delivered, and paid for in cash on every business day, from January 1, 1900, to the present time. In the handling of that business of a million dollars a day, an average of a million dollars a day, it means a turn-over in the two banks at the Union Stock Yards of something like four billions and a half a year, or $15,000,000 a day. It means that we have a section of land in practically the heart of this city known as the Union Stock Yards, which provides a market for cattle,hogs, horses, sheep and grain all over this territory, which has been discussed here this morning, and provides a cash market which enables us, without the use practically of currency -- enables

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the farmers to run this stuff into the yards in trainloads and have it handled, settled, and the money back in their home banks on the following morning, the returns for it.

The Chicago market, of course, as you undoubtedly know, is the center, the chief distributing point of the animal food products of the world. We run over there in the Union Stock Yards a great soap industry, hide tannery and leather industries; fertilizer products are handled, and it is a large wool market.

The soap industry amounts to over $20,000,000 annually; the fertilizer business runs 110,000 tons annually from this market or over $2,200,000 at the present market value, and the wool runs something over $10,000,000, about half of it territorial wool, while the other halfis such as is taken from slaughtered sheep. Territorial wool is such as is sheared and brought into the market. The leather and tannery business is something like $13,000,000.

Now, the packing industries, a number of the large packing industries there, of course, run up in excess of a billion dollars annually. The livestock industry, of which the center is in the Union Stock Yards here in Chicago, represents something over $300,000,000 head of livestock with a value

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

according to the figures I gave you of five billion dollars,
12 and that will give you an idea of what it means to finance through this western country that sort of an industry.

I would just like to make this suggestion along with the remarks that I have made, showing something of the volume of business there, and that is that the range proposition is practically a thing of the past; that the packers and others interested in various markets of the country; but the Texas range is practically a thing of the past; that we are now preaching to the corn belt farmer the importance of raising cattle in this section, and it is very important that that be done, in order to maintain the price of land in this section.

That is all I have to say.

The Secretary of Agriculture: Thank you, Mr. Fletcher.

STATEMENT OF W. A. HEATH.

The Secretary of Agriculture: Will you give your full name for the record?

Mr. Heath: W. A. Heath, President of the Livestock Exchange National Bank.

I question whether I can add very much to what Mr. Flet-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

cher has already stated. I have similar figures in regard to comparisons herewhich may be interesting to you. The bill itself makes an exception or specifies certain livestock industries, and certainly justifies the figures that I will give you.

Here is our livestock territory around Chicago, which covers — for instance, one large commission house told me this morning they had in one day a shipment from Alabama and one from Washington, so that you can see how wide the territory is.

The Secretary of Agriculture: The state of Washington?

Mr. Heath: Yes, state. In the handling of this livestock industry, there are six or seven principal markets other than Chicago, what they call the river markets, St. Louis, Kansas City, St. Joe, Omaha, Sioux City and St. Paul. There are certain territories there that are directly tributary to those other cities, and there is ground which is called ~~xxxx~~ fighting ground, common to all of us.

I have statistics here covering the receipts of cars in detail for the ten months of 1913. It is fair to assume that the other two months would run in about the same proportion.

The total receipts of cars at all markets, these six or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

seven markets that I mention, run into 528,088 cars of livestock. Of that, Chicago handled direct shipments, direct to Chicago 39.5 per cent.

The Secretary of the Treasury: What does that represent in money? the turn-over ?

Mr. Heath: That would represent--

The Secretary of the Treasury: I mean Chicago.

Mr. Heath: You might multiply that by $1,000 to $1,500.

The Secretary of the Treasury: I am talking about Chicago's proportion.

Mr. Heath: Chicago's proportion would probably run larger in dollars than it did in the proportion of cars, because I think that the larger per cent of the finished product is marketed in Chicago. That proportion would be increased to a little bit over forty per cent, when you consider that there are probably seven or eight hundred cars that have come through the other markets, unloaded there probably for feeding or other purposes, and then come to Chicago; so that out of all this territory which Chicago serves, together with the other markets, perhaps over a total of forty per cent of the total product is marketed here in Chicago.

Perhaps one other thing might interest you. The state

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

which shipped the largest number of cars in these ten months to Chicago was Iowa, over 100,000; Illinois shipped 61,000; Indiana, 8,700; Minnesota 10,244; Montana, 7,485.

The Secretary of Agriculture: How about Kansas and Nebraska?

Mr. Heath: Kansas had 1,176 and Nebraska 2,187.

The Secretary of the Treasury: How do these figures compare with the previous year?

Mr. Heath: Sir?

The Secretary of the Treasury: Have you made any comparison with the previous year?

Mr. Heath: A comparison with these other markets?

The Secretary of the Treasury: No, have these figures been compared with the record of the previous year, and have you got them?

Mr. Heath: These figures I introduced are for ten months only.

The Secretary of the Treasury: I understand, but take merely the same period in the preceding year, and what does that show?

Mr. Heath: That would probably show about the same proportion, perhaps.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mr. Fletcher: May I give you the figures, I have them right here?

The Secretary of Agriculture: You might let them go in as an exhibit, Mr.Fletcher.

Mr. Fletcher: Yes sir; I will do so. There is just one point I want to call attention to, that in 1912, in spite of the reduction in price in 1913, the valuation of the total livestock cominginto Chicago was $375,000,000 as against $409,000,000 in 1913. Do you want that filed?

The Secretary of Agriculture: You can file it as an exhibit to Mr. Heath's testimony.

Mr. Heath: This is a ten months statement, and the other one that I have there is for the year.

aphil
olws

12;30

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Is there anyone from Chicago who desires to be heard in addition to those who have already been heard? That completes the list we have. I understand Peoria is here, and wishes to be heard.

STATEMENT OF GEORGE W. CURTIS.

The Secretary of the Treasury: Give your occupation and state who you represent.

Mr. Curtis: I am a banker, and represent the Peoria Clearing House Association, and the Associated Banks of Peoria.

The Secretary of the Treasury: Will you state briefly what it is you want to present to us?

Mr. Curtis: We want to present to you, Mr. Secretary, the request of the Peoria banks that they shall be assigned to the regional bank which we assume is to be established at Chicago. When the Federal Reserve Law became an established fact, I think it was generally assumed that a regional bank would be established at Chicago. The Peoria banks have felt, if they thought anything about it, that it was so logical that we should be attached to Chicago that they probably gave little thought to any other position.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: How far are you from Chicago?

Mr. Curtis: We are 150 miles by the shortest railroad and 161 miles by the longest.

The Secretary of the Treasury: Well, the bulk of your transactions are with Chicago, of course.

Mr. Curtis: Yes. May I read this statement?

The Secretary of the Treasury: If you please.

Mr. Curtis: (Reading) The Honorable, The Reserve Bank Organization Committee, of the Federal Reserve Act.

Gentlemen:

The undersigned, all members of the Peoria Clearing House Association and comprising all of the banks doing business in the City of Peoria, Illinois, respectfully but urgently request that the territory contiguous to Peoria be assigned and placed within the district to be covered by a Regional Reserve Bank, which it is assumed will be located at Chicago, Illinois; this choice is not only unanimous, but without reservation as to any other city where a Regional Reserve Bank might be located. In the natural trend of the business affairs of trade and commerce and the ordinary flow of exchange, a vastly larger proportion of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the present business of Peoria, and the territory immediately contiguous thereto, is with Chicago as compared with a small proportion with other centers within an approximately equal distance.

Sixteen lines of railroad enter Peoria; eight of these, or one-half the total number, communicate with and reach Chicago. Upon two of the lines operated between Peoria and Chicago there are eight through passenger trains each day, while three sleeping cars are operated between the points daily on night trains. The express and mail facilities are frequent and ample between the two points, and inadequate between Peoria and other points in comparison. Peoria is located nearer Chicago than any other large commercial center, is in almost the geographical center of the corn belt of Illinois, and the class of paper used by Peoria Banks deserves and commands a lower rate of re-discount at Chicago than in any other city in the Mississippi Valley.

Inquiry by the Peoria banks having country bank correspondents as to their preference in the location of their regional Reserve Bank has been made, and with the exception of one reply which expresses a preference to another city and four which express no preference, probably

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ninety per cent of replies have been received, and such correspondent banks express a decided desire to be located within the Chicago district.

The natural trend of general business here, commercial and manufacturing as well as financial, has for many years largely favored Chicago, and on this account it seems to us that our preference and request in this behalf should meet your favor.

We earnestly ask that Peoria and the territory contiguous to it be located within the Chicago district and not be assigned elsewhere.

Respectfully yours,

FIRST NATIONAL BANK of Peoria,
By W. E. Stone, V.Pt.& Cashier

ILLINOIS NATIONAL BANK of Peoria,
By Wm. C. White, Pres't.

COMMERCIAL GERMAN NATIONAL BANK of Peoria,
By John Finley, Vice-Pres.

SAVINGS BANK OF PEORIA,
By H. Hedrick, Pt.

MERCHANTS NATIONAL BANK of Peoria,
By Ferd. Luthy, President

HOME SAVINGS & STATE BANK of Peoria,
By Charles O. Ulrich, President

CENTRAL NATIONAL BANK of Peoria,
By F. F. Blossom, Vice-President.

STATE TRUST & SAVINGS BANK, of Peoria,
By E. Nimrod, Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

DIME SAVINGS & TRUST CO. of Peoria,

By G. W. Curtiss,
president.

The Secretary of the Treasury: That may be filed as an exhibit, since it has been incorporated in the record.

Mr. Curtis: There has been some discussion as to whether Peoria, in the central part of the state, might not go to a regional bank which might be located at St. Louis. There is a large section of southern Illinois which, if a regional bank were to be established at St. Louis, might seem, by reason of railroad and express facilities, more naturally tributary to St. Louis than to Chicago. On the other hand, that section which we know as the corn belt of Illinois is largely contiguous to and is served by Chicago. There is a vast difference in the price of the lands and in the wealth of the different sections. What is generally regarded as the corn belt of Illinois extends from the southern part of the northern portion of the state to what we know as the old Indianapolis & St. Louis Railroad, now the Big Four; and that section seems to be divided off naturally by nature along the line of the I. & St. L. Railroad. The country north of it is generally corn country and south of it it is

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

grass and wheat. The soil is neither so strong nor so productive, consequently the territory is less rich.

Peoria is situated, as we say in the memorial, in almost the geographical centre of that corn belt section, and because of the fact of the wealth of the section and of the farms and the people there, the paper which they use is naturally very much better than in the southern end of the state -- excuse me for making the comparison -- but it does command a lower rate of discount in Chicago than in St. Louis. St. Louis has always been able, I think, to obtain higher rates than we needed, either in Peoria or Chicago.

The Secretary of the Treasury: Your point is that as your relations are almost entirely with Chicago, that it would be a serious dislocation of business if you were assigned to the regional bank at St. Louis rather than Chicago.

Mr. Curtis: We feel so.

The Secretary of the Treasury: All right. We will give it consideration. Now that is all that Peoria wants to say, I assume. I do not suppose anything could be added to that.

The Iowa Bankers Association is here, represented.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Is Mr. Epperson here? There is also a committee from Des Moines, I believe.

Mr. Epperson: Would you rather hear us before lunch?

The Secretary of the Treasury: How many of you are to be heard?

Mr. Epperson: There are five.

The Secretary of the Treasury: Do you all want to speak, or will some one represent you?

Mr. Epperson: It will be very short from each one.

The Secretary of Agriculture: But each one desires to speak?

Mr. Epperson: Yes, we would like to, and we would like to have them come in the order named on our list.

The Secretary of the Treasury: Then we will hear you after lunch. We will now take an adjournment until 2:15.

Whereupon, at 12:45 o'clock P. M. a recess was taken until 2:15 o'clock P. M.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

G-1

AFTER RECESS. 2:30 P. M.

The Secretary of the Treasury: The Iowa Bankers Association, I believe, are to be heard first. Is Mr. Rounds, of Des Moines, here?

Mr. Rounds: Yes.

STATEMENT OF J. G. ROUNDS.

The Secretary of the Treasury: Kindly give us your full name and address and occupation?

Mr. Rounds: J. G. Rounds, President of the Citizens National Bank, Des Moines, Iowa.

The Secretary of the Treasury: Mr. Rounds, the Committee is required to divide the country into not less than eight nor more than twelve districts, and to locate a Federal Reserve Bank in each of those districts. Have you some ideas on this problem that you would like to present to the committee?

Mr. Rounds: Yes, sir.

The Secretary of the Treasury: Will you proceed.

Mr. Rounds: The Bankers Association of Iowa is represented by a Committee of five gentlemen. I inferred from a telegram that I received Saturday that the Des Moines

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Clearing House Association was also to be granted a hearing, and a committee was appointed; but in conference with the other bankers of the state we soon learned that the sentiment of the state was unanimous as to their relations to the Reserve Bank, and therefore the Des Moines Clearing House has merged its interests with the State of Iowa, and this committee represents the unanimous sentiment and wishes of the 1740 banks of the state.

The Secretary of Agriculture: How do you gather that impression, Mr. Rounds?

Mr. Rounds: We gathered it first by correspondence with bankers in the leading towns. A little later the Executive Council of the Iowa State Bankers Association had a meeting at Des Moines, last Tuesday, and we submitted the matter to them, and this Council represents the eleven group districts into which Iowa is divided, and there was a representative present from each group, and they were all unanimous in their decision on the question.

The Secretary of the Treasury: You mean the Council was?

Mr. Rounds: Yes, sir.

The Secretary of the Treasury: To what extent do they reflect the views of the 1700 banks?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Rounds: The Council appointed a committee to take it up with the bankers in their respective districts; that is, the member of the Council representing each district took it up with the members in his district, and in that way --

The Secretary of the Treasury: Did they get a unanimous expression of opinion from all the banks?

Mr. Rounds: So far as we have heard. We have not heard any dissenting opinions.

The Secretary of the Treasury: But you have no exact data as to the number of banks which actually have been consulted?

Mr. Rounds: No, I have not.

The Secretary of the Treasury: So you do not know whether you have authority to speak for the whole 1700 or not, except through the action of the Council, I mean.

Mr. Rounds: Well, I have so far as any information to the contrary. There are about 50 bankers here today from the State of Iowa representing every part of the state, from the extreme northwest corner, Sioux City, to Shenandoah, in the extreme southwest, and there is no dissenting opinion.

The Secretary of the Treasury: What is the opinion of your bankers there about this matter?

Mr. Rounds: As to where we want to be located?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Yes.

Mr. Rounds: It is in the reserve district of Chicago.

The Secretary of the Treasury: What do you think that district should embrace?

Mr. Rounds: That is a pretty hard question to answer offhand, but I should say it ought to embrace some territory east of Chicago and the territory west of Chicago along the main lines of traffic.

The Secretary of the Treasury: How far west?

Mr. Rounds: I would say to the Rocky Mountains.

The Secretary of the Treasury: Will you take a map here, Mr. Rounds, and call out the names of the states you think should be included in the Chicago district?

Mr. Rounds: I should say that the larger part of Illinois and of Wisconsin, all of Iowa, Nebraska, the south part of South Dakota, or possibly all of South Dakota, Colorado and Wyoming.

The Secretary of the Treasury: How about Minnesota?

Mr. Rounds: Well, if the regional bank is located with reference to the provision in the law, that due consideration shall be given to the convenience and customary course of business, Minnesota and the north half of South Dakota and

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

North Dakota, Montana, and perhaps Idaho, the states that are on the three Trunk Lines in the northern territory, would naturally be in one district, that is, the ordinary course of business passes back and forward between Minneapolis and St. Paul and through those states.

The Secretary of Agriculture: Did you mention Michigan, Mr. Rounds?

Mr. Rounds: No, sir, I did not. I did not mention anything east of Chicago. I should think perhaps Michigan and Indiana might properly be in the Chicago district.

The Secretary of Agriculture: Have you any resolutions or letters that you desire to file with the Committee, or any maps?

Mr. Rounds: I have a table here, or a statement showing the percentage of business of the railroad lines in Iowa showing Chicago, Minneapolis, Kansas City and St. Louis. I also have a map of each separate line and a combined map showing all of the lines in the state. The separate map shows the relation of that particular road to the state.

The Secretary of the Treasury: Those may be filed as exhibits to your testimony.

Mr. Rounds: Yes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Those are the maps of the transportation lines?

Mr. Rounds: Yes. Here is No. 1, the Rock Island System, and there is No. 2, the Northwestern --

The Secretary of the Treasury: These might be filed as exhibits to your testimony.

Mr. Rounds: Yes, I brought them for that purpose.

The Secretary of the Treasury: Will you read your remarks, Mr. Rounds, or will you file them?

Mr. Rounds: I have not any remarks typewritten to read. This is simply a synopsis.

The Secretary of Agriculture: Just give us your leading points.

Mr. Rounds: The information contained in the table comes from railroads that represent 8,339 miles of road in Iowa, of which 1,058 is double track, and these roads have other independent lines with a mileage of 575 miles as feeders. The lines that we do not have reports from, the Illinois Central, Minneapolis & St. Louis, and the Wabash, have an aggregate mileage of 1785 miles, with two independent lines of only 32 miles as feeders. The Illinois Central is an east and west line and lies between the Chicago, Milwaukee

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

& St. Paul Railroad and the Northwestern; and while they did not furnish any report, it is fair to assume that their traffic with Chicago is about the same as those two lines.

The Minneapolis & St. Louis Railroad is a north and south line that did not report, and it possibly has more business with Minneapolis and St. Paul than with Chicago.

The Wabash business we concede will go to St. Louis.

Now, with that explanation I will give you the information. The first road is the Rock Island. The authority there is the Vice-President, who is traffic manager of the freight department. Their business to Chicago is 87 per cent; to Minneapolis and St. Paul 4.7 per cent; to Kansas City 8 per cent; to St. Louis .03 of one per cent. The mileage of this road is 2,449 miles.

The North Western Railroad, the president is the authority. The traffic to Chicago is 85 per cent; to Minneapolis and St. Paul 10 per cent; to Kansas City 5 per cent; to St. Louis nothing. Mileage 1689 miles.

The third is the Milwaukee and the division traffic manager is the authority. To Chicago it is 80 per cent, to Minneapolis and St. Louis 10 per cent; Kansas City 10 per cent; to St. Louis nothing. Mileage 1913 miles.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The fourth is the Chicago, Burlington & Quincy, and the auditor is the authority. To Chicago it is 52 per cent; to Minneapolis and St. Paul one per cent; to Kansas City 13 per cent, and to St. Louis 34 per cent. Mileage 1509 miles.

The next is the Chicago Great Western and the division freight agent is the authority. To Chicago it is 70 per cent; to Minneapolis and St. Louis 20 per cent; nothing to Kansas City; to St. Louis 10 per cent. Mileage 779 miles.

As previously stated, the Illinois Central, Wabash and Minneapolis & St. Louis did not answer our inquiry.

Now the combined percentage of the lines reporting is as follows: To Chicago 74.8 per cent; to Minneapolis and St. Paul 9.1 per cent; to Kansas City 7.1 per cent; and to St. Louis 9 per cent.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

.ady
rol Ph
2;45

J. G. Rounds.

The Secretary of Agriculture: What is the part of the state that the Wabash serves?

Mr.Rounds: I can best illustrate that by showing a map. That will tell the story very graphically.

The Secretary of Agriculture: Very little of it?

Mr. Rounds: Very little of it. The mileage of the Wabash is 209 miles. Perhaps I ought to correct that, or add to that statement that I made as to the Illinois Central, no report, mileage 739; Wabash, no report, 209; Minneapolis and St. Louis, 837.

The Secretary of Agriculture: You might file that, Mr. Rounds.

Mr. Rounds: The passenger trains on these roads are as follows: There are nine trains scheduled daily between Iowa and St. Louis. Four start from Burlington on the east line of the state, two from Des Moines, two from Council Bluffs.

There are nineteen trains to Kansas City scheduled daily. Over half are trains starting from Chicago or Minneapolis and St. Paul, and crossing portions of the state.

There are thirty-two trains from Iowa to the Twin Cities daily, that is, Minneapolis and St. Paul. Seventeen of these start from St. Louis, Kansas City or Chicago and cross only

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

portions of the state. There are 62 passenger trains daily that start from the Missouri River, or interior Iowa points, and run to Chicago.

The Secretary of the Treasury: Do you feel that to attach the state of Iowa to a district of which Chicago would be the headquarters, would be serving the natural course of business in the state?

Mr. Rounds: Yes sir; we feel that the business of the whole state of Iowa would be better served by being attached to the Chicago district, and that all relations with each other — our railroad connections with the different towns throughout Iowa, we want to be in one district.

The Secretary of the Treasury: Suppose a bank were located at St. Paul or Minneapolis, would it do violence to the ordinary course of business in the state, or would you be equally well served if you were connected with that district?

Mr. Rounds: No, sir.

The Secretary of the Treasury: You would not?

Mr. Rounds: I would like to state this in this connection. This that I have already given refers to the course of business outside of the banking business. Taking a broad view of that provision, that it don't limit it to banking entire-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. G. Rounds.

ly, but limits it to the general commerce and business of the country, it isn't any use to state to you gentlemen that the banking business follows in parallel lines with the other business, commercial business; and confirming that, I will say that the business of the bank that I represent, of its total business, 67.2 per cent went to Chicago; 25.5 to New York; 3.7 to Minneapolis and St. Paul combined; 2.1 to Kansas City; and 1.5 per cent to St. Louis. In other words, 95 per cent of our business went east, and the other five per cent was distributed amongst the other four cities named.

The Secretary of Agriculture: There is no request from Iowa for the location of a bank, is there?

2 Mr.Rounds: No, sir. I make that clear to the Committee, that Iowa is not asking anything.

The Secretary of the Treasury: That is rather excessive modesty,isn't it?

Mr. Rounds: Except for a good home outside of the state.

The Secretary of the Treasury: Mush obliged, Mr. Rounds.

STATEMENT OF JOHN McHUGH.

The Secretary of the Treasury: Mr. McHugh, will you give your full name to the Secretary, and your occupation and re-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John McHugh

sidence?

Mr. McHugh: John McHugh; President of the First National Bank of Sioux City.

The Secretary of the Treasury: Have you anything to add to Mr. Round's statement, Mr. McHugh?

Mr. McHugh: I would like to preface what I have to say by remarking that the representation of Iowa bankers here this morning was practically and fairly representative of the entire state, for this reason, that a large number of those here today are group chairmen of the Iowa Bankers' Association, and in each case these chairmen sought the opinions of the bankers in their respective groups before coming here. They then met here this morning, and delegated a committee of five to present Iowa's case to you this afternoon; so in saying that they are unanimous for being in the Chicago District and putting the state into the Chicago District, we are voicing the sentiment of the large majority of the Iowa bankers.

I think it is safe to say that of eighteen hundred bankers in the state, with a total capitalization and surplus of about $80,000,000 and total resources of about $600,000,000, there is scarcely a bank that has not got a Chicago account,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and in fact in a great many cases their principal account is in Chicago.

The Secretary of the Treasury: How many of those banks are national?

Mr. McHugh: I think about four hundred, although I have not got the exact number.

Mr. Rounds: 340.

The Secretary of the Treasury: 341.

The Secretary of Agriculture: Mr. McHugh, you are nearer to Minneapolis than you are to Chicago, aren't you?

Mr. McHugh: We are nearer in one sense, but not in the other.

The Secretary of Agriculture: Have you more direct communication?

Mr. McHugh: Well, we have direct communication and we have good rail facilities into Minneapolis, but a large portion of our business goes to Chicago.

The Secretary of the Treasury: That is your largest market?

Mr. McHugh: That is our largest market, that is the market for our jobbing and livestock, and our financial affairs. It is our principal headquarters, and in urging your consideration to the end that Iowa be put into the Chicago District,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

I think that the best interests of the business of banking and agricultural interests, will be served by doing so.

I would like to say a word, if I may, in regard to a portion of the territory in Nebraska and South Dakota that is peculiarly and particularly Sioux City's territory. Sioux City has two national banks, with a total capitalization and surplus of upwards of $2,000,000.

THe Secretary of Agriculture: You are right on the line, aren't you?

Mr. McHugh: We are on the western boundary of the state, and we serve South Dakota, northeastern Nebraska and Northwestern Iowa, more particularly than any other part of the territory. We have upwards of a thousand bank accounts carried in Sioux City from the surrounding tributary territory, and a great many of the smaller banks carry their principal account in Sioux City. For that reason, I wish to call your attention to the fact that it would seem to me and to the
3 other bankers in Sioux City, who are appearing before you here, not only representing the banking interests, but the commercial interests of the city, that if any plan were contemplated that would put South Dakota off into the Minneapolis district, if such a district were proposed, and Nebraska

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

off into another district, it would prove very disadvantageous to the business and banking interests of Sioux City, as we see it; and it would seem to us that we would like to have your consideration of that fact.

We are a livestock market, we are a financial center, to a certain extent, and we are a jobbing center for that portion of Nebraska, South Dakota and northwestern Iowa.

The Secretary of the Treasury: What interest do you pay on bank balances?

Mr. McHugh: Two per cent.

The Secretary of the Treasury: What is your practice about checks collecting? Do you collect checks free for your correspondent banks?

Mr. McHugh: That depends altogether. In some cases we have an arrangement with other banks throughout the territory, and where we have that arrangement, we make no charge.

The Secretary of the Treasury: Is that the general practice that prevails?

Mr. McHugh: Yes, sir.

The Secretary of the Treasury: What do you consider that in regard to the interest rate, as an addition to the interest rate? Is it worth one per cent?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John McHugh.

Mr. McHugh: No, about half of one per cent.

The Secretary of the Treasury: So you have been paying about two and one-half per cent?

Mr. McHugh: Total interest and cost of collection.

The Secretary of the Treasury: What amount of reserve do you carry in Sioux City?

Mr. McHugh: Well, I think the bank deposits of Sioux City -- I haven't got the figures -- they are upwards of eight million dollars.

The Secretary of the Treasury: Upwards of eight million dollars?

Mr. McHugh: I think they are, yes sir.

I would like to call your attention also to this fact, that the trend of business being to the east in financial and jobbing and livestock affairs, it would seem to me that we would like to urge, and we would like to have your consideration to the end that Nebraska, as well as Iowa, be considered for the Chicago territory. Any other step I believe would be disadvantageous, not only for the Nebraska territory, but to Sioux City, on account of the territory we serve in Nebraska.

The Secretary of Agriculture: What about western Nebraska?

Mr. McHugh: Western Nebraska particularly is a cattle country.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John McHugh.

It is not an agricultural country when you get out to the western line. At the same time, I believe that the entire state of Nebraska ought to be in the Chicago territory, from what I know of the business of the state.

The Secretary of Agriculture: What would you say of southeastern Nebraska?

Mr. McHugh: I think it ought to be in Chicago territory.

The Secretary of Agriculture: Rather than in the territory to the south or southeast?

Mr. McHugh: By all means, very emphatically.

The Secretary ofAgriculture: Do youthink it would be unfortunate if it were included in a district of which Kansas City might be the center.

Mr. McHugh: I don't think it ought to be. I don't think the business interests would be served.

The Secretary of Agriculture: The same would be true of Iowa.

Mr. McHugh: Absolutely , yes sir.

The Secretary of Agriculture: It would be reversing things to send it to Denver.

Mr. McHugh: Absolutely, it would be backing up.

The Secretary of the Treasury: Do you pay the same rate of

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

John McHugh.

interest on the balances of state banks as you do on national banks?

Mr. McHugh: Yes, sir.

The Secretary of the Treasury: I see, according to the Comptroller's statement of October 21, you held about

4 $3,101,000 of the reserves of other national banks?

Mr. McHugh: That is shown there?

The Secretary of the Treasury: Yes, and about $4,500,000 of state bank and trust company balances.

Mr. McHugh: Our deposits are low now at this time of the year, so that my estimate of eight million dollars would be approximately correct.

May I read a letter that is addressed to Mr. Reynolds? This is from the Vermilion National Bank of Vermilion, South Dakota, which is located close to the south line of South Dakota. It is addressed to Mr. George M. Reynolds, President of the Continental & Commercial National Bank, Chicago, and reads:

"Dear Mr. Reynolds:-

It is greatly desired by the banks located in the southeast corner of South Dakota, that that part of the State be included in the boundaries of the district, in which the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John McHugh.

Federal Reserve Bank of Chicago will be located. Chicago is the natural market for this section and in point of convenience and customary course of business is far ahead of any other likely Reserve City.

You will confer a great favor upon us, if you can and will present this fact to the Organization Committee, when it is in session in your city.

Thanking you in advance for any effort you may make in our behalf,

Yours very truly,

C. H. Barrett, President."

The Secretary of the Treasury: Let that go in as an exhibit.

The Secretary of Agriculture: You suggest then that the southern part of South Dakota and all of Iowa, and all of Nebraska be --

Mr. McHugh: In theChicago District.

The Secretary of Agriculture: Yes.

Mr. McHugh: Yes; I would certainly suggest that much territory, but I would like to include the whole of the state of South Dakota, because in our city we have bank accounts from the northern part of the state, as well as the southern

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

part of the state. Of course, that depends largely on how many banks you have, whether you limit it to the minimum or the maximum.

The Secretary of Agriculture: What is your population, about?

Mr. McHugh: Of Sioux City?

The Secretary of Agriculture: Yes.

Mr. McHugh. It is fully 60,000.

The Secretary of Agriculture: Anything else?

Mr. McHugh: I think of nothing else.

The Secretary of the Treasury: Mr. Davis.

STATEMENT OF WALTER M. DAVIS.

The Secretary of the Treasury: Mr. Davis, state your full name, and your occupation.

Mr. Davis: Walter M. Davis; Iowa City, Iowa; President of the Johnson County Savings Bank, Iowa City, Iowa.

The Secretary of Agriculture: What bank do you represent?

Mr. Davis: The Johnson County Savings Bank, of Iowa City.

The Secretary of the Treasury: Before you begin your testimony, will you tell us whether or not the state banks in Iowa have authority under the incorporation Act, to take

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

stock in these reserve banks, and to become members?

Mr. Davis: My own judgment is that they have not. However, we have not had any opinion from our Attorney-General as yet.

The Secretary of the Treasury: Has such an opinion been sought?

Mr. Davis: I understand that it has, not by myself.

The Secretary of the Treasury: Will you please give us such information as you desire to submit?

Mr. Davis: The only information that I care to suggest is this. Of course, I want to preface my remarks, by saying that I do not know whether the state banks, savings banks, and trust companies, can come within the new law or not, or whether they desire to do so later on. Second, of course, I do not know whether it is the intention of the new law to make it policy that they should, in other words, to encourage them to come in.

5 My thought was that it was the policyof the law to so establish these reserve banks as to create as little as possible of business disturbance. By that I mean, that a reserve bank should be so established that it would take care of the natural commercial business that went into that locality heretofore.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Walter M. Davis.

If that is the policy of the law, it would seem to me that Iowa should be included in Chicago territory, for the reason that Chicago, as it is not necessary for me to state, is the point where the great bulk of the Iowa business comes to, it being a corn and a hay producing state.

The Secretary of the Treasury: The bulk of your business is with Chicago?

Mr. Davis: The great bulk of our business is with Chicago.

The Secretary of the Treasury: Is that true of the business that you do, including banking?

Mr. Davis: Decidedly so.

The Secretary of the Treasury: As well as of the ordinary farm products and commercial business in the State.

Mr. Davis: Decidedly so.

The Secretary of Agriculture: How far are you from Chicago?

Mr. Davis: 220 miles, I think 225 miles.

The Secretary of Agriculture: How far from Minneapolis?

Mr. Davis: I think it is 300 and something miles. I am not exactly sure as to the distance.

The Secretary of Agriculture: Kansas City?

Mr. Davis: I would not undertake to give the mileage to Kansas City, I go there so seldom I do not know.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Walter M. Davis.

The Secretary of Agriculture: That is all.

The Secretary of the Treasury: Thank you. Mr.Hamilton.

STATEMENT OF JOHN T. HAMILTON.

The Secretary of the Treasury: Mr. Hamilton, will you please give your full name, address and occupation?

Mr. Hamilton: John T.Hamilton; Merchants National Bank; Cedar Rapids, Iowa.

The Secretary of the Treasury: If you will give the Committee such information as you wish to submit.

Mr. Hamilton: I have no special information to give the Committee, except to say that my judgment is that we ought to be with theChicago regional bank.

The Secretary of the Treasury: Do you concur in the views which have been expressed by the other gentlemen who just preceded you?

Mr.Hamilton: As far as I could hear what they said.

The Secretary of the Treasury: You are willing to take chances on them, anyway?

Mr. Hamilton: Yes sir; I would be; I know the men. Our train service comes from Chicago. We have all the main roads going west that pass through our entire state. Take the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John T. Hamilton.

C. B. & Q., The Chicago, Rock Island and Pacific; Chicago & North Western, and the Chicago, Milwaukee & St. Paul, they have direct lines, traversing our whole state from the Mississippi to the Missouri River, and the Illinois Central has a line --

The Secretary of the Treasury: Yes, we have got all that.

Mr. Hamilton: And the Great Western lines. With the number of trains that radiate from Chicago through Iowa, it makes our service -- our passenger service, our mail service, and everything of that kind, we can come here quicker than we could to any of these other places that have been mentioned by reason of the increased number of trains we have and the increased speed of those trains on the main lines. Most of them are double-tracked, and two or three of them send out
6 special mail trains that carry nothing but mail.

The Secretary of the Treasury: The customary course of business in your state is with Chicago?

Mr. Hamilton: Yes, sir.

The Secretary of the Treasury: Throughout the state?

Mr. Hamilton: Yes, sir; very largely so.

The Secretary of Agriculture: You think it would be unfortunate to include it in a district connected with any other

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

city?

Mr. Hamilton: I really do, because I think it would change the entire course of the whole business of the state, you would have to establish new relations all around, and we prefer the quick and reliable service that we get from Chicago.

The Secretary of Agriculture: Is the greater part of the business of your institution done there?

Mr. Hamilton: The greater part of ours is with Chicago, and our next with New York City. The great bulk of the business, however, is with Chicago.

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

STATEMENT OF FRANK EPPERSON.

The Secretary of the Treasury: Mr. Epperson, will you please give your full name and your residence and occupation?

Mr. Epperson: Frank Epperson; Vice-President of the Manning & Epperson State Bank, Vice-President of the Iowa Bankers' Association.

The Secretary of the Treasury: Mr. Epperson, give us your opinion as to where Iowa should be put in the formation of these regional districts?

Mr. Epperson: Mr. Secretary, by all the laws of trade

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and commerce, Iowa should be aligned with Chicago. There is no portion of the state even remote that does not look to Chicago as its financial and commercial center. I feel that, to align Iowa with any other city would be to retard our agricultural activities.

The Secretary of the Treasury: You have heard the views of your associates here, and you concur in all that they have said, do you?

Mr. Epperson: With respect to aligning the entire state of Iowa with Chicago, I do.

The Secretary of Agriculture: Have you any opinion to express about the other states that have been mentioned?

Mr. Epperson: The Chicago district, do you mean?

The Secretary of Agriculture: Nebraska and South Dakota. Are you familiar with the conditions there?

Mr. Epperson: I am. I will include the south half of South Dakota, that part of South Dakota especially that is tributary to Sioux City, in the Chicago District, the states of Nebraska and Iowa, Wisconsin, and the northern peninsula of Michigan; and that portion of Indiana north of a line drawn due east from Cincinnati.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Frank Epperson.

Mr. Epperson: In the Kansas City district.

The Secretary of Agriculture: Have you studied this question for the entire country? Have you made out in your own mind districts?

Mr. Epperson: Yes, sir.

The Secretary of Agriculture: Have you made a map?

Mr. Epperson: I have it in my mind. I just got this map a few minutes ago, and I left my other one at the hotel.

The Secretary of the ~~Treasury~~ How would you divide the country, Mr. Epperson?

Mr. Epperson: I don't care to express an opinion on the division of the New England states. I am not familiar with conditions there at Boston and New York.

The Secretary of Agriculture: Suppose you take the country west of Chicago, Chicago and west of Chicago.

7 Mr. Epperson: I would establish a reserve bank at Chicago and include in Chicago's territory that portion of Indiana north of a line drawn due west from Cincinnati. That portion of Illinois -- that line from Cincinnati is to go to the Mississippi River -- that portion of Illinois north of that line, Michigan, Wisconsin, Iowa, that portion of South Dakota that is tributary to Sioux City, and all of Nebraska.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Frank Epperson.

The Secretary of Agriculture: What other districts?

Mr.Epperson: In the Kansas City district I would put Kansas, Colorado, New Mexico, Oklahoma and Texas.

The Secretary of the Treasury: The whole of Texas?

Mr. Epperson: I think so.

The Secretary of the Treasury: What would you do with Arizona and New Mexico?

Mr. Epperson: I included New Mexico, I think.

The Secretary of the Treasury: I beg your pardon.

Mr. Epperson: And Arizona.

The Secretary of the Treasury: You would put Arizona in there?

Mr. Epperson: Yes, sir.

The Secretary of the Treasury: What would you give to St. Louis?

Mr. Epperson: I would not have one at St. Louis.

The Secretary of Agriculture: What other districts?

Mr. Epperson: I would have one at Minneapolis, extending from Wisconsin, taking in Minnesota, and North Dakota, Montana, Idaho and Washington.

The Secretary of Agriculture: Where is the center of that?

Mr. Epperson: At Minneapolis or St. Paul.

The Secretary of Treasury: Which is your preference?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Frank Epperson.

Mr. Epperson: Well, now, I would put it on the line between the two cities.

The Secretary of the Treasury: What would you do with St. Louis?

Mr. Epperson: I would leave that in the Kansas City territory.

The Secretary of the Treasury: You would annex St. Louis to Kansas City. How about Arkansas ?

Mr. Epperson: Louisiana and Arkansas can be handled from Cincinnati, with branchbanks at Memphis and New Orleans.

The Secretary of the Treasury: How about California; that part of the country?

Mr. Epperson: One at San Francisco, for California, Nevada, Oregon and Utah.

The Secretary of Agriculture: You put Washington in Minneapolis, did you, or St. paul?

Mr. Epperson: How is that?

The Secretary of Agriculture : Where did you put Washington?

Mr. Epperson: Washington is with Minneapolis.

The Secretary of the Treasury: You might outline that map and submit it to us as an exhibit to your testimony, Mr. Ep-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

person. You can do that a little later, you need not do it at the moment.

The Secretary of Agriculture: If you would send it to us later--

The Secretary of the Treasury: yes .

Mr Epperson: Send it to you?

The Secretary of Agriculture: Yes, at Washington.

The Secretary of the Treasury: Or if you can have it done today, you can send it here, and it will be attached as an exhibit to your testimony.

Mr. Epperson: I have just one other matter that I want to present. I have a petition here. Petitions and resolutions are usually of a stereotyped form and easily gotten, but this one is one a little bit out of the ordinary:

"To The Reserve Bank Organization Committee.

Gentlemen:

The financial and business interests of Iowa having always been tributary to Chicago, we, the undersigned, representing the financial and commercial interests of every section of the State, respectfully petition your honorable body to place the entire State of Iowa in the district to be served by the Federal Reserve Bank of Chicago, thereby

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

carrying out the intention of the Act providing that districts shall be apportioned with due regard to the convenience and customary course of business."

This petition is signed by every man that is here today from Iowa present, and as I say, it is not an ordinary petition. These men have come to Chicago, being interested enough in this matter and this petition, which shows the sincerity of purpose that is behind it.

The Secretary of Agriculture: It can be filed as an exhibit. Thank you. Mr. Russell.

Mr. Reynolds: Mr. Secretary, before Mr. Russell takes the stand, may I take time to read a telegram, which I have been requested to present to your committee today? It is dated at Houghton, Michigan, and is as follows:

"Existing business relations and facilities of transportation and communication make it imperative that north Michigan be attached to Federal Reserve district with Chicago as center. Will you please make every effort to that end.

Houghton National Bank, Houghton Citizens National Bank, Houghton, First National Bank Hancock, Superior National Bank, Hancock Michigan, First National Bank, Calumet, First National Bank, Lake Linden, First National Bank Laurium, First National

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bank, Hubbell, With resources of over thirteen million dollars."

Mr. Russell is going to represent Michigan, and I would like to call his attention to that as he takes the stand.

STATEMENT OF GEORGE H. RUSSELL.

The Secretary of the Treasury: Kindly give your full name, residence and occupation, Mr. Russell.

Mr. Russell: George H. Russell; President of the Peoples' State Bank, Detroit; and Chairman of the Detroit Clearing House Association.

The Secretary of the Treasury: Mr. Russell, you know the problem confronting this Committee, of dividing the country into not less than eight nor more than twelve districts, for the location of a Federal Reserve Bank in each?

Mr. Russell: Yes, sir.

The Secretary of the Treasury: We would like particularly to know what the views of Detroit are as to what district the state of Michigan should be embraced in, and your views generally on this question, this problem?

Mr. Russell: I represent the Detroit Clearing House Association, who have invited me to appear before you, although I

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

~~Frank Epperson.~~

George H. Russell.

am the President of a state bank, and under our law there is still a prohibition against our going into the Federal Reserve Association, for the reason that we cannot invest in any kind of stocks, but that of course, will be removed in the session of the next Legislature in January, and we will probably with others be very glad indeed to come under your system. But Detroit we think is of sufficient importance in cities andin business, to apply for a regional Reserve Bank if more than eight would be established in the start.

But giving up that idea, for the reason that we are a border city, we wish to express on behalf of Detroit, which is the reserve city for the whole state, our decided preference to be annexed to the Chicago district. The business wisdom of this is right here. Our reserve accounts are largely in Chicago, and it is either Chicago westward, or New York eastward with us. My own bank with forty millions of deposits maintains nine branches in the city, and we have others in construction. Each of those nine banks has two outside accounts, one in Chicago and one in New York. They are the only ones that the branches use in the different parts of our growing city.

Our clearings of this year have shown the greatest of all

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

cFrankxFrrrxsrx

George M. Russell.

increases in the country. We are 18.1 per cent larger than last year, whereas the whole is something less than four per cent less, and we have to maintain relations with Chicago for the entire west.

The business of Michigan, as you may know, is largely State banks. We have almost four to one state banks as against national.

The Secretary of Agriculture: How would the capital and deposits compare?

Mr. Russell: Unfortunately I have not the statistics with me, but the deposits in the state banks are very largely in excess of the national banks. We hage had a good law, and it has been generally used.

The Secretary of the Treasury: What per cent ofyour reserve do you keep in Chicago and what in New York?

Mr. Russell: I should think of our reserve, sometimes it runsmore in the west, sometimes more in the east, but nearly half and half of that that we keep here. Under our laws the reserves are counted for us in the different states of the union.

end
Ph fol
12-30

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Is that true of all the banks, national as well as state, that their reserves are about equall y divided between NewYork and Chicago?

Mr. Russell: I should think the national bankswould keep more in New York than in Chicago, something more. Mr. Gray is here, representing the national bank system, and he will know better how to answer those questions.

The Secretary of the Treasury: What inducements are held out by the banks of Detroit for the accounts of other banks?

Mr. Russell: We are holding a large ~~number~~ part of the deposits of the State of Michigan, and we are dividing it principally with Chicago, Chicago having, by reason of rail communication, the best call on the Northern Peninsula; and they have a good deal of the western part of the Michigan, and we divide that with them and have probably the majority of the eastern part of the Lower Peninsula.

The Secretary of the Treasury: Well, is it your opinion that the view of the bankers and business men of the Lower Peninsula of Michigan is that the whole of Michigan should be attached to the district of Chicago, if a regional bank should be located here.

Mr. Russell: Absolutely, no question about it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: You think the whole state would want to come to Chicago?

Mr. Russell: The whole state would want to come to Chicago.

The Secretary of the Treasury: You think there is practically a unanimity of sentiment on that question?

Mr. Russell: I am positive of it.

The Secretary of the Treasury: Are the customary courses of business to and from Chicago?

Mr. Russell: Yes, sir.

The Secretary of the Treasury: More than with any other city?

Mr. Russell: I would say our business with Chicago, and they clear for us largely for the west and southwest, would be five to one to what it would be to an Ohio or an easterly region.

The Secretary of the Treasury: Where should Toledo be put? Do you know anything about the conditions in Toledo, as to whether her interests would be best served by Chicago or by some other point?

Mr. Russell: I cannot say. I am not here to discuss their situation. I never wanted to live there, and never

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

will.

The Secretary of the Treasury: And for that reason you are not familiar with any facts concerning the situation?

Mr. Russell: I do not care where they go to.

The Secretary of the Treasury: Just so they do not go to Detroit?

Mr. Russell: They are our principal competitor in southern Michigan in paying higher rates of interest than we seem to be able to afford.

The Secretary of the Treasury: Your information is accurate, I think. We thank you very much.

STATEMENT OF WILLIAM J. GRAY.

Mr. Gray: I am Vice-President of the First National Bank of Detroit, and I am here for the purpose of representing that bank and also some of the other banks in the City of Detroit. The banks there, of course, would like very much, like every other city in the nation, to have a regional bank there. They recognize all the advantages to the other banks in the city of having a regional bank there; but we recognize our geographical limitations, and therefore we are not here for the purpose of applying for a regional

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

bank. It, therefore, is of the utmost importance for us to know in what district we shall be located. There is not the slightest question in my mind that Detroit should be attached to the Chicago district, because I assume that your Committee will appoint Chicagoas one of the regional districts. Under the Act the Committee is required to suit the convenience of the business public, and if you do that, so far as Detroit is concerned, there is not any question but what Detroit should be attached to this district here, because the bulk of the business that we do is more with Chicago than it would be with one of the smaller eastern cities that we might be located with.

The Secretary of Agriculture: Do you agree that it is larger with Chicago than with any other city, and in more intimate touch?

Mr. Gray: I should say so. We perhaps might do more business with New York, but there is no other place that touches it; and so far as the other cities which have been spoken of as regional cities in the eastare concerned, there is no question but what our business should be done here; it would suit the convenience of our people much more to have it here. I have talked with the other bankers in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Detroit and know just how they feel about it, and I speak for them.

The Secretary of the Treasury: In view of the fact that this bill provides for parring of exchanges between these different regional banks after the system is established, do you think you would find it necessary to carry such large balances in New York for exchange purposes?

Mr. Gray: Mr. Secretary, like yourself I havebeen a lawyer, and I have not been a banker so very long, so that I do not know how --

The Secretary of the Treasury: You and I are not alike in that respect. I have only been a one-horse lawyer and never a banker at any time.

Mr. Gray: I will try to get you in some time.

The Secretary of the Treasury: The law forbids.

Mr. Gray: What I mean, to be serious, Mr. Secretary, is that I do not know how much value my opinion is in that regard, but I would say it would be necessary for the banks to carry certain balances in New York anyway, in order to have convenience of business, and I think that is a matter that has to be worked out slowly, and it just depends how business goes along, whether we can do as you suggest or not.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: I was only speaking of the provision of the Act, and was wondering to what extent the parring of exchange would make it necessary or even desirable to carry such large balances in New York purely for exchange purposes, or in any other city, for that matter.

Mr. Gray: I would not think if there was parring of exchange between regional banks it would be necessary to carry so large a abalance, because instead of paying a man with New York exchange, if he wanted it, we could pay with San Francisco exchange.

The Secretary of the Treasury: You could pay him in any kind of exchange on these banks.

Mr. Gray: Yes, if it would work out, and that is what I mean, you would have to see how it would work out.

The Secretary of Agriculture: Do you feel you can speak for the entire state?

Mr. Gray: Only in this way, that Detroit is the metropolis of Michigan and the business is moved through Detroit and we do a large portion of the Michigan business with Chicago, and in that way I think I could speak for Michigan. But I mean I have no direct authority from any of the other banks in the state.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Your best judgment is that the customary course of business of the entire state would be conserved by attaching Michigan to a regional district of which Chicago was the centre.

Mr. Gray: There is not the slightest question about it in my opinion, Mr. Secretary.

The Secretary of the Treasury: We thank you very much, Mr. Gray.

Now is Minneapolis here?

Mr. Fiske: Minneapolis is here.

STATEMENT OF DOUGLAS A. FISKE.

The Secretary of the Treasury: Kindly give us your full name and residence and occupation?

Mr. Fiske: Douglas A. Fiske; Minneapolis, Minn.; lawyer, and president of the Minneapolis Civic & Commerce Association. This association--

The Secretary of the Treasury: Are you identified with any banks?

Mr. Fiske: I am identified with no banks, nor will I enter into that matter at all. I simply want to make a preliminary statement as to the documents which we intend to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

present, which will be the basis of all the talks you will hear this afternoon, and in order to amplify and simplify it, we thought we would tell you about these data and follow it up by th speakers as announced.

The Secretary of the Treasury: You may proceed.

Mr. Fisker: The Civic & Commerce Association represents 3000 business men, citizens of Minneapolis. We have prepared, Mr. Secretary, a brief, which is not as ponderous as it looks, which sets forth in a brief and concise way the importance of the northwest and why a regional bank should be located in that territory and why the location of the bank should be at Minneapolis, the financial centre of that territory.

There is no useless language in that book, only such as was necessary to bring together and hitch together the figures which we have presented. We feel it our duty to assist you gentlemen in every way possible to get absolute data of the northwest in your possession in such shape, by charts and maps, that upon simply looking at it you would become intelligent at once upon our condition.

These charts have been prepared by Mr. Hess of the

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

University of Wisconsin, which stamps them with reliability and accuracy.

With the indulgence of the Secretaries, at a later time in the hearing, I will take up the explanation of a few of these charts, showing the relative importance of Minneapolis and some other cities which we will mention at that time. At this time I simply wish to present this book to the Secretaries, and to introduce Mr. Joseph Chapman of Minneapolis, who represents the Minneapolis Clearing House.

The Secretary of the Treasury: Very well. We would be obliged if you could give us a few extra copies of this book.

Mr. Fiske: We have some, and when I am called the second time I will bring the additional copies and will also explain these charts, as to the relative importance of the cities.

The Secretary of the Treasury: We should like to have half a dozen copies if you can let us have them.

Mr. Fiske: Very well.

STATEMENT OF JOSEPH CHAPMAN.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Chapman: Joseph Chapman; Vice-President of the North Western National Bank of Minneapolis, Minn.

The Secretary of the Treasury: I see that you have laid out here a district, accordng to this diagram, embracing a large part of the State of Wisconsin and the northern part of Iowa, all of Minnesota, including Minneapolis and St. Paul, part of North Dakota, South Dakota, Montana, part of Idaho and also the State of Washington. Have you figured the bank capital that such a bank would have, and the resources which would be available for it.

Mr. Chapman: No, sir, because I do not intend to speak about that particular district. That map does not refer particularly to what I am going to say. I am not going to advocate the location of a regional bank in any particular city. I would like to say just a few words on this district, the States of Minnesota, North and South Dakota, Montana and Washington --

The Secretary of the Treasury: And of course the northern part of Idaho.

Mr. Chapman: And the northern part of Idaho.

The Secretary of the Treasury: You exclude in your argument here part of Wisconsin?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Chapman: I only exclude it because of the language of the Act itself, which says there shall be not less than eight nor more than twelve banks. This district very properly includes the northern half of Wisconsin, as that is directly tributary to the Twin Cities, and we would be delighted to have that country figured in that territory. But for the purpose of our presenting this matter by states, we have eliminated Wisconsin and northern Iowa, which also does a great deal of business with Minneapolis.

This section of the country that I refer to, Minnesota, North and South Dakota, Montana and Washington, comprises 447,070 square miles, or one-fifth of the entire area of the United States. It also contains one sixth of the arable lands of the United States. This is a territory nearly three times the size of New York, Pennsylvania and all of the New England States. Traversing this country from east to west are four great trans-continental lines, the Minneapolis, St. Paul & Sault Ste. Marie, the Great Northern Railroad, the Northern Pacific, and the Chicago, Milwaukee & St. Paul.

The Secretary of the Treasury: How long does it take the fast mail trains to go from Minneapolis to Seattle?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Chapman: About 60 hours.

A Voice: 47 hours.

The Secretary of the Treasury: How much is it?

Mr. Chapman: 47 hours, the gentleman from St. Paul said.

The Secretary of the Treasury: That is the quickest route, is it?

Mr. Chapman: That is the quickest route.

The Secretary of the Treasury: That is the mail, or is that your limited train?

Mr. Chapman: That is the fast mail.

The Secretary of the Treasury: I see. proceed.

Mr. Chapman: Every pound of freight, every express package, every mail package, every letter that comes from the Puget Sound territory into this district passes through Minneapolis and then St. Paul and then on to final destination, if the final destination is not the Twin Cities. The trains reach Minneapolis about 30 to 35 minutes earlier than they reach St. Paul, and leave Minneapolis for this entire western country from half to three quarters of an hour later. Those lines of railway in this district have grown since 1900, from 19,706 to 29,642 miles on June 30th, 1911, all with terminals at Minneapolis and St. Paul.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The two cities of Minneapolis and St. Paul had a population at the last census of 516,152 people, of which Minneapolis had 301,408. Minneapolis gained in the ten year period from 1900 to 1910, 47 per cent, and St. Paul 31 per cent in population. At that same rate of increase the population of Minneapolis at the time of the next Federal Census will be 450,000, while that of St. Paul will be 280,000 people. I am not going to speak particularly of Minneapolis and St. Paul. I wish to call your attention to the development of this wonderful agricultural territory from 1870 to the time of the last Federal Census of 1910.

In 1870 the total value of the farm products of the State of Minnesota was $27,440,000 and in 1910, $270,000,000.

The territory of Dakota produced in 1870, $400,000 of agricultural products, wealth. In 1910, North Dakota produced alone $200,000,000, while South Dakota produced $173,000,000, a growth from $400,000 to $373,000,000 in a period of 40 years.

Montana produced $1,376,000 in 1870, and $60,500,000 in 1910.

The State of Washington produced $2,000,000 in 1870, and $101,300,000 in 1910.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Or a total growth from $31,216,000 to $804,600,000 in a period of 40 years.

If you will look on the map, Minnesota, and North and South Dakota have only from 27 to 35 per cent of their tillable soil under cultivation, according to the reports of the Department of Agriculture at Washington. The Department of Agriculture at Washington in 1909 gives these three states 146,000,000 acres capable of cultivation out of a total under cultivation in the United States of 311,000,000. Judging from the tremendous increase in the production in these states in the last years, it is hardly impossible to over-estimate the probable production in the next 20 years.

The population of these three states in 1900 was 2,350,022, and in 1910, 4,654,695, a gain of nearly 100 per cent.

The increase in business, agricultural products and banking capital and deposits is many times greater than the incr ease in population, as will be shown by the following figures.

In 1898 the total deposits of the 216 banks in Minnesota were $59,370,000; in South Dakota the deposits of the 190 banks were $9,713,000; the deposits of the 111 banks in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

North Dakota were $9,109,000; or a total for the three states of $78,192,000. In 1913, the deposits of the 1046 banks of Minnesota were $379,013,000; the deposits of the 625 banks in South Dakota were $90,530,000; and of the 751 banks in North Dakota $90,000,000 , ar a growth in 15 years from $78,000,000 to $559,000,000.

It is not possible to take any similar area in the United States and show any increase even approximating this.

Now in the district itself there are 2,978 banks with a combined capital of $109,000,000 --

The Secretary of the Treasury: Are you speaking of national banks?

Mr. Chapman: National and state.

The Secretary of the Treasury: Both?

Mr. Chapman: Yes.

The Secretary of the Treasury: How many national banks have you?

Mr. Chapman: I have them all separated here for you. A total combined capital of $109,944,000, and surplus of $61,711,000 with deposits of $858,660,000, and loans to customers of $765,220,000. 652 of the 2,978 are national banks and the balance, of 2,326, are state banks. In round

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

numbers $80,000,000 of the capital and surplus, of a total of $170,000,000 in that district is held by the national banks and $90,000,000 by the state banks.

The Secretary of the Treasury: What is the surplus of the national banks?

Mr. Chapman: The surplus of the national banks?

The Secretary of the Treasury: $80,000,000 capital, and how much surplus?

Mr. Chapman: About $26,300,000.

The Secretary of the Treasury: That would give you a bank there with about $6,000,000 capital?

Mr. Chapman: yes, a /little less than $6,000,000.

The Secretary of the Treasury: What would its resources be?

Mr. Chapman: Well, the deposits which could be furnished to a federal bank would be a little short of $20,000,000, about $19,000,000.

The Secretary of Agriculture: That is from the national banks?

Mr. Chapman: yes, from the national banks.

The Secretary of the Treasury: Alone?

Mr. Chapman: Yes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

G-18 Joseph Chapman

The Secretary of Agriculture: What is the law as to the state banks in that section joining this system?

Mr. Chapman: I think the law would have to be amended to allow a state bank to own stock in this Federal Reserve Bank.

The Secretary of the Treasury: You mean in all these states?

Mr. Chapman: I think so. I know we are looking that matter up in Minnesota now, and the matter is up before the Department to see if it can be arranged.

The Secretary of the Treasury: You may proceed.

Mr. Chapman: On the map you have before you we show the distances between the Twin Cities and various supply centres for the northwest; also the distances between Chicago and these centres.

The Secretary of the Treasury: May I ask you a question just here: If a bank were established at Minneapolis, where should Duluth go?

Mr. Chapman: Duluth would go to Minneapolis.

The Secretary of the Treasury: Is the great bulk of its business with Minneapolis or with Chicago?

Mr. Chapman: Yes, it is grain and ore.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: It is more with Minneapolis than with Chicago?

Mr. Chapman: Well, I should think so.

The Secretary of the Treasury: But you do not know the facts about that.

Mr. Chapman : I do not know, but my judgment would be most certainly they do more business with Minneapolis than they do with Chicago.

The Secretary of the Treasury: Proceed.

Mr. Chapman: The only possible inducement that could be offered these 2,326 state banks to join this system would be the convenience and usefulness of such a bank to them, and that convenience and usefulness lies in making it possible for them to use the system along the lines of present established relations.

In all this district that we have been speaking about, 25 years at the most, and for a large part of it 10 years, shows the period of greatest development.

I am going to turn back and call your special attention to these figures, which are marvelous. From 1900 to 1910 the agricultural wealth of Minnesota increased 68 per cent; of North Dakota 211 per cent; South Dakota 162 per cent;

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Montana 112 per cent; and Washington, 191 per cent. That is in a period of time from 1900 to 1910. Those percentages, Mr. secretary, will give you some idea of why this region that we are speaking about now particularly is known as the bread basket of the world.

A leading miller in Minneapolis made the statement two years ago that Montana alone is capable of raising wheat enough to feed the entire United States.

As enhancing the importance of this district, we may mention the fact that within the last few days the local Parliaments of the provinces of Manitoba, Saskatchewan and Alberta have unanimously passed resolutions to be forwarded to the Dominion Parliament at Ottawa, in favor of removing the Canadian tariff on wheat, and the present Premier of Manitoba, who strenuously opposed xxxx reciprocity, and one of the conservative members of the present Cabinet, have come out strongly in favor of such removal. It is confidently predicted in Canada that it is only a question of a short time when this tariff will be removed, and when it is removed, Minneapolis is bound to be the cash market for a large amount of the wheat to be grown in those provinces, in western Canada. With diversity, variety and

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

volume of production from the soil, the forest and the mines, no other district of simiar area in the United States can begin to equal it.

In conclusion I wish simply to say that in my opinion one of the greatest perils of our country is the very rapid growth of our great cities at the expense of the rural communities. The problem of the future is going to be to feed the people of America. Gentlemen, the strongest argument we can present for the location of a Federal Reserve Bank in this district is that such a bank would be of the greatest assistance in the development of the richest agricultural section of the United States. I desire to thank you for your attention.

The Secretary of the Treasury: What is the practice in Minneapolis about the payment of interest on bank balances?

The Secretary of Agriculture: Is somebody else going to speak on the banking feature?

Mr. Chapman: Yes, Mr. Chamberlain will speak on the banking features.

The Secretary of the Treasury: Is he better informed about the reserve question up there and all these banking problems than you are?

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mr. Chapman: No, I think I can answer the questions, and if I can, I will be glad to do it.

The Secretary of the Treasury: What I want to know is what the practice is about the payment of interest on bank balances and reserves in Minneapolis.

Mr. Chapman: Two per cent.

The Secretary of the Treasury: Two per cent?

Mr. Chapman: yes.

The Secretary of the Treasury: How about the collection of checks?

Mr. Chapman: You heard what Mr. Forgan said this morning about the exchange charges of Minneapolis and St. Paul? There are no free collections of checks. On account of that rule of the Clearing House in the Twin Cities, whereby the banks make an exchange charge on all checks coming into that territory, the banks in both Minneapolis and St. Paul lost considerable business from Illinois, Indiana, Ohio and other states, which were not directly tributary to us, but which kept accounts there on account of collecting checks; so that the balances in the banks in Minneapolis and St. Paul are as nearly legitimate banking balances, held there on account of Minneapolis and St. Paul being a market, as

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

any two cities in the United States.

The Secretary of the Treasury: The practice is the same in St. Paul as in Minneapolis?

Mr. Chapman: Yes.

The Secretary of the Treasury: Because you have a Twin Cities clearing house?

Mr. Chapman: Yes.

The Secretary of the Treasury: Have you in this brief here any facts or figures which will show what percentage of the business of this territory is done at Minneapolis and St. Paul as against Chicago.

Mr. Chapman: No, sir, not as against Chicago.

The Secretary of the Treasury: How much of it passes through Chicago, for instance, and how much stops there?

Mr. Chapman: No, we can find the argument in that book showing the superiority of Minneapolis over St. Paul as a banking centre and market.

The Secretary of the Treasury: And nothing else?

Mr. Chapman: No, sir, nothing else.

The Secretary of the Treasury: You do not give us any light on the question of having this territory served by a regional bank in Chicago with a branch at Minneapolis or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

St. Paul?

Mr. Chapman: Yes, I think we do.

The Secretary of the Treasury: You have dealt with that also?

Mr. Chapman: Yes. Our entire argument is based on that, that there must be a regional bank in this vast territory which I have described.

The Secretary of the Treasury: Well, I say as against having the headquarters at Chicago, with a branch at Minneapolis, attaching Minneapolis and St. Paul and that territory to the Chicago district; have you any information here which would give us any light as to which arrangement would be the most advantageous in this territory?

Mr. Chapman: Yes, that is for the shipment of currency for the purchase of grain. The principal point we make is that in the purchase of grain the local elevator buyer must be near a ready source of currency supply.

The Secretary of the Treasury: Now, assuming that you had a branch of the Federal Reserve System which, of course, would be capable of supplying all your necessities, would you not be about as effectively served as if you had a Regional Reserve Bank there itself?

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mr. Chapman: No, sir.

The Secretary of the Treasury: Why not?

Mr. Chapman: Well, the only branch banks that I am acquainted with are in Canada. In those banks the manggers of the local branch have not the authority that the head office has.

The Secretary of the Treasury: But do you understand the provision of this bill about the branches? A branch bank is composed of seven directors, and you have practically local management.

Mr. Chapman: Yes.

The Secretary of the Treasury: Four of those directors are chosen by the Regional Bank for the district.

Mr. Chapman: Yes.

The Secretary of the Treasury: Of course, they are chosen with respect to their knowledge of local conditions; and three are chosen by the Federal Reserve Board; so you have an actual working organization there under the general supervision and oversight of the Reserve Bank of the district.

Mr. Chapman: Yes.

The Secretary of the Treasury: Now with such facilities as those provided, you certainly would be able to get all

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the currency you needed, and probably with the same effect as if you had the headquarters bank itself.

Mr. Chapman: That would depend entirely on how you worked that system out. I know of no place where a branch has the same authority as the central institution.

The Secretary of the Treasury: Well, you have telephone connections with Chicago?

Mr. Chapman: Yes.

The Secretary of the Treasury: And quick telegraphic communication; and of course, a very large amount of discretion is lodged in the local Board.

Mr. Chapman: The question of service is the question we have in mind in the location of that bank in Minneapolis. Minneapolis has always been a city that served an agricultural territory. The officers in the banks in Minneapolis have been in those institutions none of them less than 25 years, and they are intimately acquainted with the conditions.

The Secretary of the Treasury: Yes, we know that, but there is a point in connection with this particular district that you have laid out there, which is quite important, and that is that you have practically little diversification

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of industry.

Mr. Chapman: No, that is not so at all.

The Secretary of the Treasury: You have, as I understand it, a very large amount of farming in this district?

Mr. Chapman: yes.

The Secretary of the Treasury: Your argument was directed very largely to that, and that is the reason I am proceeding on this assumption, that your demand must come at one season of the year; that is, you have your peak demands then. Now is that not rather an unfortunate situation? Would not that be largely a borrowing district all the time and have to rely upon outside districts for assistance whenever the extreme demand came.

Mr. Chapman: No, sir, I do not think so. We are getting so we do not rely upon anybody now.

The Secretary of the Treasury: What were your re-discounts last fall, for instance?

Mr. Chapman: you mean in my own institution?

The Secretary of the Treasury: No, I am talking about this district. Have you figured that up at all?

Mr. Chapman: No, there would be no way of finding that out. But I know there has been a remarkable change in the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

last ten years in the re-discounts in that territory.

The Secretary of the Treasury: It is rather a simple matter to figure it out, because the returns are now made so that the re-discounts are known, and your indebtedness to other banks is shown by the Comptroller's reports, and I thought you might know those figures.

Mr. Chapman: The only question is, being interested in a stock holding bank under this system, whether there would be enough demand for the money all the time to use it. We have not only grain which we must furnish money for in the fall, but our business is peculiar. The mills in Washington ship lumber to the 1200 or 1300 yards in Iowa, which have headquarters in Minneapolis. They ship it to these yards in Minnesota, North and South Dakota, and Montana, and that business is centred in Minneapolis. The farmer borrows the money from the local lumber yard from the spring until he gets his returns from his crop in the fall. About the time that lumber man is paying off, we are loaning money for grain. It is not what you would call a one-crop country at all.

Now Minnesota alone furnishes 53 per cent of all the iron ore manufactured in the United States. The State of

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Montana, which is in this district, is the largest copper producing state --

The Secretary of the Treasury: How much of that iron ore is financed through Minneapolis?

Mr. Chapman: Very little, if any.

The Secretary of the Treasury: That is what I thought. It goes down the lakes.

Mr. Chapman: It goes down the lakes and is financed either in Chicago, New York or Pittsburgh. But the money that is paid to those miners, hundreds and thousands of of dollars to the employes in those mines, is all spent in Minnesota. That is cash.

The Secretary of Agriculture: When is your extreme demand for money?

Mr. Chapman: Our extreme demands for money would come in about November.

The Secretary of the Treasury: How long does it last?

Mr. Chapman: Not over 60 days.

The Secretary of the Treasury: That is practically for grain, is it not?

Mr. Chapman: Yes, sir.

The Secretary of the Treasury: And the rest of your time

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

you can take care of yourselves, generally?

Mr. Chapman: Yes, sir, we can.

The Secretary of the Treasury: But at that time you have to re-discount, do you not?

Mr. Chapman: Yes, sir.

The Secretary of the Treasury: A great deal?

Mr. Chapman: No, I would not say a great deal; not as much as we did ten years ago.

The Secretary of the Treasury: Naturally not.

Mr. Chapman: Not half.

The Secretary of the Treasury: But what does it amount to now? If we could get any light on that, it would be of interest.

Mr. Chapman: I will get those figures for you, as to what the re-discount was at the time of the last statement, or October, the October statement would be better, as showing the highest.

The Secretary of Agriculture: Do you suppose it would be possible for you to get any data bearing on the question which the Secretary asked, as to what part of this trade is handled through St. Paul and Minneapolis and what part through Chicago, directly? Is there any way to get any line

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

on that.

Mr. Chapman: Those figures as regards grain will be presented by the gentleman who will follow me at this time.

The Secretary of the Treasury: But I mean as to the general production of this district. I suppose the railroads could give you that data without much trouble, as to how much stops at Minneapolis and how much proceeds beyond.

Mr. Chapman: We have our tonnage figures here, and Mr. Fiske will illustrate that point when he comes to it further along. We would like to have that grain market situation taken up by Mr. McHugh, Secretary of the Chamber of Commerce.

The Secretary of Agriculture: We are just trying to bring out your argument and get all the light we can against the establishment of a branch bank there and a parent bank somewhere else.

Mr. Chapman: In the language of the Act itself, I cannot determine just what authority these directors of the branch banks are going to have. The only thing I have to go by is my experience of what branch bank manager's authority in other institutions is. We would prefer to be a centre and have that authority lodged there and distribute it from there on to the branches to the west of us. Outside of that, we only --

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: Of course, under the Act it is possible for every function discharged by the parent bank to be discharged by the branch.

Mr. Chapman: Yes.

The Secretary of Agriculture: The only difference would be possibly some slight difference in the constitution of the Board, but even in the case of the Board of the Reserve Bank, you understand, of course, that is not made up from a particular locality, except the member banks decide it that way. You might have a representative on the Board of the Regional Bank no matter where it was located.

Mr. Chapman: Yes.

The Secretary of Agriculture: And on the other hand, if it were in Minneapolis you might not have any or might only have one.

The Secretary of the Treasury: They have to be chosen from the entire district by the banks which are classified under this Act into three classes, and as the Secretary says, you might not have any representative on the Board, because the banks in the district might not happen to elect one. And on the other hand, with the local branch bank you would be sure of representation. Now, as I understand

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the situation, what you need is currency promptly supplied at the time of extreme demand.

Mr. Chapman: Yes.

The Secretary of the Treasury: Now the presumption is that with a properly managed bank, of course you would secure just the same benefits as you would through the headquarters bank itself.

Mr. Chapman: I could not figure how you could put a branch in Minneapolis and serve that territory to the west of us without making such a large bank of Chicago that it would be out of proportion to the rest of the United States.

The Secretary of the Treasury: You might have branches in other parts of the territory. They are not limited to one.

Mr. Chapman: But there must be a headquarters somewhere?

The Secretary of the Treasury: Yes, naturally. But there is one point I should like very much to have you bring out. You can supplement that by examining the Comptroller's reports, and of course we can do that ourselves. But take the last Comptroller's report and make up data showing what the borrowings of the banks were in this district at the time of extreme demand last fall, and contrast that with

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the available resources of such a bank as you have laid it out. We should like to have that data.

Mr. Chapman: I will get that for you and I will say that the banks of Minneapolis did not have any re-discounts and we did not take any of the government money offered for assistance in moving the crop. That shows the independence in a financial way in which this centre I am speaking about has grown in the last ten years.

The Secretary of the Treasury: Was that due to the shorter crop or did you have more money this year and did not need it.

Mr. Chapman: Well, it was both.

The Secretary of the Treasury: What was the crop shortage in this district?

Mr. Chapman: Oh, there was a shortage, and there was not as much money required to handle it, on account of the excellent weather we had to handle it, and it was gotten in in better shape.

The Secretary of the Treasury: You had an application for assistance?

Mr. Chapman: yes, and we did not use it.

The Secretary of the Treasury: I understand, but it was

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

reserved for you.

Mr. Chapman: Yes.

The Secretary of the Treasury: But the fortunate circumstances of which you speak made it unnecessary for you to use it?

Mr. Chapman: yes.

The Secretary of the Treasury: But you had it in reserve?

Mr. Chapman: We had it in reserve, and that is why we figure that this system we are going into is going to be very valuable. Whether we use it or not, we have it.

The Secretary of Agriculture: You extend your district to the coast?

Mr. Chapman: Yes.

The Secretary of Agriculture: Have you consulted with these people out there?

Mr. Chapman: Well, not as far west as Seattle. We have consulted with our friends in Montana. Mr. Reynolds read a telegram this morning that the Helena Clearing House -- I will introduce that again. You had it once, it is the same telegram, addressed to Mr. Chamberlain of the Clearing House, the same telegram as Mr. Reynolds read this morning:

"Replies received to inquiries from National Banks in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Montana representing total capital and surplus of eight million dollars show that eighty per cent select Twin Cities and twenty per cent select Chicago as first choice for location of Federal Reserve Bank, no other cities mentioned, for second choice eighty per cent select Chicago and thirteen per cent select Twin Cities, all other points seven per cent. Replies from state banks of Montana representing capital and surplus ten million dollars expressing first choice for location of reserve bank, eighty/three per cent select Twin Cities, nine per cent Pacific Coast, five per cent Chicago, three per cent Denver and for second choice sixty four per cent select Chicago, eight per cent select Twin Cities, six per cent select Pacific Coast, four per cent select Denver, eighteen per cent no choice.

Helena Clearing House Ass'n."

The Secretary of Agriculture: Have you any information from Idaho?

Mr. Chapman: No, I have no special information. The principal reason we attach those states to the Minneapolis bank is that the trade channels are east and west. There is not another section in the United States that is as unique and composite in one district as this particular

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

district I am speaking about.

The Secretary of Agriculture: You are aware of the existence of Spokane, Seattle and Portland out there?

Mr. Chapman: Yes, Spokane and Seattle banks both carry heavy balances with Minneapolis, due to trade relations.

The Secretary of the Treasury: Will you file with us a statement showing to what extent those banks carry their reserves in Minneapolis?

Mr. Chapman: Yes.

The Secretary of the Treasury: Have you any idea of the extent to which they do that?

Mr. Chapman: I could make an estimate, but I think the banks in Seattle alone or Tacoma --

The Secretary of the Treasury: All of them. You are embracing the whole state.

Mr. Chapman: Yes, but we are not asking for Oregon.

The Secretary of the Treasury: I understand, but take Tacoma, Seattle and Spokane.

Mr. Chapman: I should say the banks of Seattle and Tacoma carry on deposit with the Twin Cities banks $2,000,000.

The Secretary of the Treasury: Do you think they carry more of their reserves there than in any other city?

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mr. Chapman: No, because we are not a reserve city. There is an artificiality connected with some of this proposition by reason of the fact that three cities in the United States are central reserve cities and balances, count as reserves with them, and balances carried by Seattle with Minneapolis would only be as large as the actual business requirements call for, because it would not count in their statement as reserve.

The Secretary of Agriculture: That is perfectly normal.

Mr. Chapman: Yes, sir, that is normal. As I stated, I do not think there are any two cities in the United States where the bank balances are more normal than in Minneapolis and St. Paul.

The Secretary of the Treasury: With the parring of exchanges between these Federal Reserve Banks, Mr. Chapman, do you not think that the necessity for carrying these artificial balances in different cities for exchange purposes is going to largely disappear any way.

Mr. Chapman: Yes, I think it will.

The Secretary of the Treasury: We are going to have greater equality and uniformity of exchange throughout the country because the exchange of that Federal Reserve Bank

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

district would pass at par everywhere.

Mr. Chapman: Yes.

The Secretary of the Treasury: And that will materially alter some of the present methods?

Mr. Chapman: There is no question in my mind at all about that.

The Secretary of the Treasury: New York exchange is now more in demand than any other exchange, for perfectly obvious reasons.

The Secretary of Agriculture: What was your thought about Wyoming?

Mr. Chapman: That depends on what you are going to do with San Francisco and Denver. If you have a bank in San Francisco, Wyoming would certainly go in there. But I should agree with the gentleman this morning from Chicago, that the trade territory of Chicago should go west to the Rocky Mountains and include portions of Colorado, if not all of it, and Wyoming. Utah, Nevada and Arizona belong to San Francisco, as well as does Oregon. New Mexico and Oklahoma probably belong to Kansas City, if you establish a bank in that city.

The Secretary of Agriculture: Have you thought or

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

interested yourself much in the general question of the division of the whole country?

Mr. Chapman: Only in this way, that the banks should be located in natural markets, and what I mean by natural markets is both in finance and the movements of trade. The financial capital of the New England States is Boston. They would probably have to have a bank there anyway. New York would have to have a bank, and in order to serve as a protection or buffer to the rest of the United States, I think New York should have as much territory and as large a bank as you possibly can give it. They stand there as a bulwark between the rest of the United States and Europe, in case Europe should have trouble and have to sell our securities, and there ought to be a bank in New York City of sufficient size to command the respect of these European countries.

The Secretary of Agriculture: Do you think it is going to fall upon New York in its entire aspect, in case such a trouble arises?

Mr. Chapman: Yes, I think they always have looked to New York.

The Secretary of the Treasury: You are talking about

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the present system?

Mr. Chapman: Yes, sir.

The Secretary of Agriculture: Do you think the foreign banks will look to New York entirely under this system, or look to the whole power of the Federal Reserve Bank which is co-ordinated through the Central Reserve Board.

Mr. Chapman: I think until you get this system working and it works out by evolution, that those gentlemen over in Europe are going to be more impressed by a large bank in New York City than by a system of co-ordinated banks throughout the United States which they do not understand, as to how it will work.

The Secretary of Agriculture: What do they look upon in the case of the Bank of England?

Mr. Chapman: They look to the old established Bank of England as being as strong as the Rock of Gibralter.

The Secretary of Agriculture: For controlling the rate of discount, is it not?

Mr. Chapman: Yes.

The Secretary of Agriculture: What controls the rate of discount in this system?

Mr. Chapman: What controls the rate of discount in this

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

system that we are talking about?

The Secretary of Agriculture: Yes.

Mr. Chapman: The Federal Reserve Board in Washington.

The Secretary of Agriculture: Won't they look to that, then?

Mr. Chapman: Not on the start. The Federal Reserve Board in Washington will have to demonstrate to the people in Europe that they are going to run that bank and are masters of it, first. It is an experiment. I believe it is going to work out all right, and we are glad to be a stockholder in it, but the system is not going to be a success right from its inception. We will make some mistakes in it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Joseph Chapman.

Brady
fol Ph
4 15

The Secretary of Agriculture: You mean it is going to be a failure?

Mr. Chapman: No sir; I do not.

The Secretary of Agriculture: Then it will be a success?

Mr. Chapman: Yes sir; eventually, it will.

The Secretary of Agriculture: If it is going to be a success from the start, it won't be a failure from the start.

Mr. Chapman: I say it has got to be demonstrated to these gentlemen in Europe that it is a success.

The Secretary of the Treasury: The gentlemen of Europe to whom you refer are pretty keen citizens of their country, and I think they are about as keen on banking as any people in the world.

Mr. Chapman: Yes, sir.

The Secretary of the Treasury: Would it surprise you if I said to you that throughout the course of the discussion at Washington concerning the provisions of this bill, these people were exceedingly well informed about it?

Mr. Chapman: Yes, sir.

The Secretary of the Treasury: And that they already understand this system?

Mr. Chapman: Yes, sir; I know they do.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Joseph Chapman.

The Secretary of the Treasury: And the expression of opinion which have been rendered about it would indicate that they consider the strength of the different units here as being based very largely upon their co-ordinatede power with our Federal Reserve Board?

Mr. Chapman: I don't doubt that is so, and that it is going to work out, but I am only giving you my opinion that I think a large bank would be more impressive, because they are used to dealing in large figures, the Bank of Germany; the Bank of England; the Bank of France; immense totals, they stand there like the Rock of Gibraltar, and my idea in making that statement was that in the beginning it was very important to impress the people in Europe that everything was absolutely safe and sound on this side of the Atlantic, and that we had a strong bank located in our financial capital, in New York City.

The Secretary of the Treasury: The Bank of England, as you know, has less capital than some of the private banks.

Mr. Chapman: But they have had experience for generations to back them up.

The Secretary of the Treasury : We are going to start this system off with bankers with experience, as well.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mr.Chapman: Yes, sir.

The Secretary of the Treasury : And I think that we can match our bankers against some of the others in the world.

The Secretary of Agriculture: Perhaps you will take the trouble to make a map expressing your idea of these districts. Would you base it on the minimum or maximum?

Mr.Chapman: Mr. Secretary, I should base it on the minimum, and allow room for expansion. You have about the hardest work to do in this connection of any two men I know of anywhere. You have got to satisfy,—

The Secretary of the Treasury: We are getting a lot of assistance.

Mr.Chapman: Some of it may not be just what you are looking for. There are five cardinal points that I would have in mindin these banks, New York, Boston, Chicago, San Francisco and Minneapolis, and then I would begin putting the "ors" in, because — Minneapolis is going to be the financial Gibraltar between this country and the great Dominion of Canada. We are going to do an immense trade with that country. There is not a man living today that can begin to ~~xxx~~ estimate the possibilities of the development of Western Canada, flowing down through this gateway into the states.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Then I would suggest a bank in either Kansas City or St. Louis, in either Philadelphia or Baltimore, in either New orleans or Atlanta.

The Secretary of the Treasury: How large would you make the territory around New York? Have you in your mind the extent of territory you would cover there?

Mr. Chapman: No sir; I have not. There is the hardest problem I think you will have to face, in New York.

The Secretary of Agriculture: Suppose you take one of those maps and send us your views.

Mr. Chapman: I would be glad to do it.

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

Mr. Chapman: We appreciate the time you have given us, Mr. Secretary.

The Secretary of the Treasury: Let us have Mr. McHugh.

Mr. Forgan:Will you let me read a telegram?

The Secretary of the Treasury: Yes, sir.

Mr. Forgan: This telegram that I have just received is addressed to the Federal Reserve Bank Organization, sent to the Care of the First National Bank:

"Existing business relations and facilities of communication and transportation make it imperative that Northern Michigan

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

be attached to Federal Reserve District having Chicago as a center. We trust you will give this careful and favorable consideration. Houghton National Bank; Houghton Citizens National Bank; Houghton First National Bank, Hancock Superior National Bank, Hancock First National Bank, Calumet First National Bank, Lake Linden First Natl Bank, Laurium First Natl Bank, Hubbell, With resources of over thirteen million dollars. Houghton National Bank."

They telegraphed their different correspondents here asking them to place this strongly before you, but that has already been done, and we appear here on behalf of all correspondents.

STATEMENT OF JOHN G. McHugh.

The Secretary of the Treasury: Give your full name, your occupation and residence, please.

Mr. McHugh: JohnG. McHugh; Secretary of Chamber of Commerce, Minneapolis, Minnesota.

The Secretary of the Treasury: Have you any facts in addition to those which have been presented, Mr. McHugh, that you want to present to the Committee?

Mr. McHugh: Mr. Secretary, I have been asked to prepare and present to you a very brief statement calling attention

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G. McHugh.

to the importance of the territory outlined generally by Mr. Chapman, and to present to you tables and charts illustrating it, which we will leave with you.

The Secretary of the Treasury: Is that covered in that printed volume?

Mr. McHugh: In that brief argument.

The Secretary of the Treasury: You don't call this a brief argument, do you?

Mr. McHugh: The argument is briefer than might appear. The reading matter is an insignificant portion of the total. Three fourths of it —

The Secretary of the Treasury: I was not objecting to it, but I just wanted to be sure about the correctness of the term.

Mr. McHugh: Terms, of course, are relative. Three-fourths of the volume consists in graphic charts, and probably one-half of the balance in tables for reference purposes, so that the argument itself is comparatively brief, and the tables that have to do with the development and growth of that section of country from an agricultural standpoint are all attached. This statement is on about three and a half pages, and only refers to material points of most striking importance

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

shown in the tables, and has to do in a general way with calling your attention to the following features.

The Secretary of the Treasury: If you desire to read that, we will, of course, permit you to do it, but if it is all printed here and ready, we will read it anyway.

3 Mr. McHugh: The point is that I do not think it is necessary for me to read it. I believe that it is the desire of the representatives from Minneapolis that I bring your attention, however, to a few features, in order that you shall see the theory on which we present this.

The Secretary of the Treasury: Suppose you bring that out.

Mr. McHugh: First, as Mr. Chapman outlined to you, from a grain producing standpoint, and from the distribution of that product, these states of Minnesota, North and South Dakota, and Montana, especially, are peculiarly co-ordinated, and Minneapolis is peculiarly the distributing center, and your attention will be called in this printed matter to the relative growth of those four states from an agricultural standpoint, as compared, for instance, with the relative growth of the states tributary to the southwestern markets, such as Omaha, Kansas City and St. Joe. In other words, the first has a total production of grain and flax seed and hay and

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

potatoes in those four states which represent something like $441,000,000 a year. That is lower somewhat than the total of the same things produced in Missouri, Oklahoma, Kansas, Nebraska and Colorado, five states, practically connected with the three southwestern markets, Omaha, Kansas City and St. Joe. But in this statement your attention will be called to the fact that the rate of development in the four northwestern states is five or six times as rapid as the rate in the southwestern states, although at the present time those five great states in the southwest still produce a greater total on account of their being older than the northwestern states.

Another important factor which Mr. Chapman has touched upon is the immediate possibility of the boundary line being eliminated as a barrier to the incoming grain, and the great probability that if this barrier is removed, that the distributing centers, Minneapolis and Duluth will be very greatly affected by the inflow of grain from this section. In fact, even today perhaps a million and three-quarter bushels of grain were imported, roughly, into Minneapolis during the past year, and duty paid, and perhaps five or six million bushels into Duluth, both inbound, and duty paid; so that notwithstanding the tariff boundary, there is a move-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ment from Western Canada into the States, and it is at the present time.

Western Canada will produce probably this year 400,000,000 to 450,000,000 bushels of grain, and we figure that probably Fort William and Port Arthur, the Canadian ports on the lake will receive 200,000,000 bushels of that. If the boundary line should be eliminated by the elimination of the tariff, even if so small a percentage as 20 per cent of the grain which flows into Fort William and Port Arthur should be diverted to Minneapolis and Duluth, it would mean an increase of about 40,000,000 bushels, or possibly $30,000,000 increased flow.

In speaking of this territory, the previous speakers have spoken of the fact that some portions of South Dakota are
4 tributary to points in Iowa such as Sioux City; and in that connection in this argument or brief we have discussed Minnesota, North and South Dakota and Montana as the four states that were tributary to Minneapolis and Duluth; but your attention should be called to the fact that a large portion of the grain from northern Nebraska and northern Iowa is distributed through and received at the center of Minneapolis, and a very large portion of the elevator interests

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

buying this grain direct, are in Minneapolis; in fact, every year a very large quantity of winter wheat is brought up from Nebraska and Kansas and as far south as Oklahoma to Minneapolis, om account of its enormous importance as a milling center, and this grain brought from the southwest to Minneapolis will carry from five to fifteen million bushels a year, but it is a very considerable portion.

In the Chicago statement something was said of Southern Minnesota, about a certain portion of grain being brought from Southern Minnesota into Chicago. It is difficult to estimate the exact movement of grain in Southern Minnesota or in Northern Iowa; but I think it is very probable that the quantity of grain received from northern Iowa in Minneapolis is quite equal to the amount of grain from southern Minnesota that is received in Chicago, especially if the amount of grain received in Nebraska, Kansas, and Oklahoma is eliminated, because it shows Oklahoma, North and South Dakota, Montana and Minnesota as being directly and peculiarly tributary to Minneapolis and Duluth.

Minneapolis and Duluth are, ofcourse, among the very first grain markets in the country, Minneapolis being outside of Chicago altogether the leading grain market in the country.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The grain is, as is well known, the small grain or wheat crop and is marketed with unusual rapidity, and it is a strain upon the financial resources of the section that is quite different from corn.

In other words, the demand for money in the movement of the grain crop to Dakota, Montana and Minnesota, puts a strain for a certain period upon the financial resources of the country, greater than that occasioned by the corn crop, which tends to move with greater evenness through the year.

In the fall, in the beginning of the movement, about the first of September, the terminal elevators at Minneapolis and Duluth and the country elevators are practically empty in ordinary normal years. This last summer, owing to a very large crop the preceding year, and some general conditions, an unusual quantity of grain was carried over in the terminal elevators at Minneapolis and Duluth. This represented perhaps for both about $13,000,000 in value, and for the four months from September 1st to January 1st, this stock on hand
5 in those two centers increased by about $20,000,000, or to about $37,000,000.

At the same time, the country elevator stock in the five thousand odd local country elevators rose from nothing to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

about eighteen to twenty million bushels, or dollars worth. In other words, there is today probably in the country elevators tributary immediately to Minneapolis and Duluth and in the terminals at Minneapolis and Duluth about fifty-three to fifty-five million dollars in value in grain.

The Secretary of the Treasury: That is, there is now, you say?

Mr. McHugh: There is now, today. In other words, that vast stock of grain has increased at the country stations and in the terminal markets during the four months, from September to January first, and that growth in value in stocks in price will represent from fifty to fifty-five million dollars value, all of whichis a cash proposition.

In addition to that, a certain amount of grain is also stored by the purchaser in the country elevators, and the outstanding storage tickets represent a liability that at times puts quite a strain upon the banks. For instance, in 1907 the storage tickets outstanding ~~xxxx~~ probably represented about eight million dollars, and these were presented on account of the panic of that fall attached to drafts for payment, which, on account of the general situation could not be made. The point being that the movement of the grain crop

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

John C. McHugh.

of the northwest puts a relatively greater strain during the crop moving period upon the financial centers, than is the case where the crop is distributed with more evenness over the entire year.

Second, Minneapolis and Duluth, as the statement will show receive a very much larger percentage of the total crop and actually distribute it, than is the case in the southwest. Take, for instance, the percentage of the crops of Nebraska, Kansas, Oklahoma, Colorada and Missouri distributed through the three southwestern grain markets, it is much less in proportion to the total amount raised than is the case in the northwest, Minneapolis.

The Secretary of the Treasury: It seems to us that that data that you are elaborating there is all included here.

Mr. McHugh: Yes, it is.

The Secretary of Agriculture: We cannot carry it in our heads.

The Secretary of the Treasury: We think it would be very much better if we were to simply take the figures here and give them careful consideration at the proper time.

The point that is in our minds principally is as to whether or not this district could be better served from Chicago

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John G. McHugh.

with the necessary branches, than to have a separate dis-
6 trict at Minneapolis or St. Paul, as they are asking for, and the facts that have been brought out here in the statements that your associates have made, together with the submission of this, will give us pretty nearly what we want.

Mr. McHugh: That was my only purpose here, was to lay before you in very concise form the facts concerning our situation at Minneapolis. You will find in these tables the manufacturing processes that go on at Minneapolis, both in the flour mill and linseed oil manufacture, and the distribution of that product in the raw form, as well as in the manufactured form.

The Secretary of the Treasury: This matter, however, as you say, is all here concisely stated, and we will give that consideration. We can really digest it better that way. I think there is one other gentleman from Minneapolis, is there, or are there more?

Mr. Chamberlain: There are several.

The Secretary of the Treasury: Then we will adjourn until ten o'clock in the morning. We will resume at that time.

Whereupon, at 4:40 o'clock P. M., the Committee adjourned to Tuesday, January 20, 1914, at ten o'clock A. M.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Chicago, Ills., January 20, 1914.

The Organization Committee met pursuant to adjournment at 10:00 o'clock A.M., in Room 603 Federal Building, Chicago, Ills.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

Minneapolis:

F. A. Chamberlain, Pres. Security National Bank, Minneapolis.

J. E. Phalen, Pres. First National Bank, Bowman, N.Dak.

Douglas A. Fiske, Pres. Civic & Commerce Assn., Minneapolis.

J. C. Bassett, Pres. Aberdeen National Bank, Aberdeen, So.Dakota.

St. Paul.

John R. Mitchell, Pres. Capital National Bank.

George H. Prince, Chairman, Board, Merchants Nat'l.Bank.

John J. Flannagan, Pres. So. St. Paul National Bank.

J. W. Wheeler, Pres., Capital Trust Co.

Wm. Magivny, Prest., St. Paul Union Stock Yards Co.

C. W. Gordon,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Phil. W. Herzog,

Charles W. Ames,

Henry A. Merrill, Ogden, Merrill & Greer, Importers,

John A. Swenson, The Scandanavian American Bank,

Charles H. F. Smith, American National Bank,

E. H. Bailey, Pres. First National Bank.

Davenport, Iowa.

A. F. Dawson, Pres. First National Bank,

Frank B. Yetter, Cashier, Iowa National Bank.

Springfield, Ill.

H. K. Weber,

Edw. W. Payne,

Edward D. Keyes, President, Farmers National Bank.

St. Joseph, Mo.

E. Zimmerman, member Committee from Clearing House Association.

H. T. Forbes, First National Bank, and Clearing House Association.

Lincoln, Ill.

Joseph A. Tabke, Logan County, Ill. Federation of Bankers.

Philip E. Kuhl, Logan County, Ill. Bankers Association.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

STATEMENT OF F. A. CHAMBERLAIN.

The Secretary of the Treasury: Mr. Chamberlain, will you state your full name and occupation?

Mr. Chamberlain: President of the Securities National Bank of Minneapolis, and member of the Minneapolis Clearing House Association.

The Secretary of the Treasury: You know our problem. If you can shed any light on it, we would be glad to hear from you.

Mr. Chamberlain: Well, Mr. Secretary, I have been commissioned by the Clearing House Association of Minneapolis to present our argument for the location of a Regional Reserve Bank at Minneapolis.

I wish to say that in the preparation of our case, every member of the Clearing House has had a part. We have representatives here today from every member of the Minneapolis Clearing House Association, and this paper that I have is the concensus of opinion of the entire membership. We have written it, it is not very long, and we have felt it our duty to give you the facts on which we base our claim, and I would consider it a favor if you would allow me to read the paper. It is not long.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Chairman and gentlemen of the Federal Reserve Organization Committee:

If your Committee shall designate the territory embracing Minnesota, North and South Dakota, Montana and Washington as a Federal Reserve District, you will be charged with the further duty, second only in importance to the first, of designating with such territory, a Federal Reserve city.

Section 2 of the Act requires: "That the Federal Reserve districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states." The real purpose and spirit of this requirement, with respect to the reserve districts, is peculiarly applicable in designating the reserve cities. It is especially the convenience of the people within the district and the usual and customary course of business therein which must necessarily be controlling in the selection of a reserve city. Merely geographical, educational, social, sentimental, governmental or political reasons should have little, if any, weight in the selection of such a city.

By the census of 1910 Minneapolis had a population

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of 301,408, while St. Paul was given 214,744. Total Twin Cities, over 516,000. Minneapolis 60%, St. Paul 40%.

The Secretary of the Treasury: In so far as you are reviewing facts which are already incorporated in the printed brief that has been submitted here, I suggest that you pass over those and simply file those, because the time of the Committee is so limited that there is no necessity for repetition. If you have any additional data which is not covered in this printed brief, I suggest that you pass on to that.

Mr. Chamberlain: Our entire argument is embodied in this paper, and in order to do our duty and present it to you as we see it, it has been the wish of the Clearing House membership that --

The Secretary of the Treasury: I just want to say this. We have, of course, all that data about the population and know it perfectly. We know about your railroad facilities and your commerce and industry. We have all that here in excellent form. And while we do not want to cut anybody off, we also do not want to repeat the same thing, because it is difficult to carry this statistical data in our heads. But if you will address yourself more particularly to the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

banking relations, and your relation to other parts of the country, we should be obliged.

Mr. Chamberlain: Anything you wish, although I am satisfied I can save your time if you will allow me to read this.

The Secretary of the Treasury: Very well, you may proceed.

Mr. Chamberlain: This lead in population of Minneapolis over St. Paul of 86,664 in 1910 (and now in all probability considerably greater) tells but a small part of the real story. The constantly increasing prestige and precedence of Minneapolis over St. Paul as the commercial, manufacturing and banking centre of the Northwest is so marked and indisputably proven by the facts and figures of official records as to leave no room for doubt or discussion.

St. Paul had the advantage of being the older city and the capital of the state, which, in the days of small things, gave it an artificial lead over Minneapolis, but commencing with 1880, a decade of real rivalry and competition set in, at the end of which Minneapolis was well in the lead of St. Paul in practically all the lines of activity in which these cities were engaged, and every year since has but emphasized and increased this lead.

That city should be selected which, by reason of its

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

location, the extent and variety of its business, the volume of itsbanking capital and surplus, its resources in available deposits, as well as its size and commercial and general importance, is most intimately connected with, and most closely touches, the various activities of the whole district.

We wish to show the supremacy of Minneapolis as the location for a regional bank over any other point which would properly serve the district.

First: In reference to its banking capital and surplus at the present time:

Minneapolis -	Capital	$10,680,000.00	$7,500,000.00
	Surplus	9,723,000.00	6,210,000.00
	Total	$20,403,000.00 63%	$13,210,000.00 58%

as against

St. Paul -	Capital	$ 6,750,000.00	$ 5,900,000.00
	Surplus	5,241,000.00	3,700,000.00
	Total	$11,991,000.00 37%	$ 9,600,000.00 42%
	Total	$32,391,000.00	

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

SECOND: Deposits:

Minneapolis -	$112,244,000.00 - 66%	October 21 - $83,543,216.00
St. Paul -	58,403,000.00 - 34%	
	$170,647,000.00	

THIRD: Bank clearings for 1913:

Minneapolis -	$1,312,412,257.00 - 71%
St. Paul -	530,515,562.00 - 29%
	$1,842,927,819.00

This makes a total clearing for the year 1913 for the two cities of $1,842,927,819.00 of which Minneapolis' proportion was 72% and St.Paul 28%.

Compared with the bank clearings of Minneapolis for the year 1913, those of New Orleans were - $980,683,973.00

Atlanta -	725,604,192.00
Seattle -	664,857,448.00
Denver -	425,607,021.00
Spokane -	219,265,776.00

The clearings of Minneapolis exceeding by over $100,000,000 those of St. Paul and Seattle combined.

Just in what degree the beginning of the crop movement annually affects Minneapolis may be seen in Table No.28 presented herewith, which shows that weekly clearings rose

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

from $17,766,000.00 in August, 1913, to $37,616,000.00 in October, 1913, and in St. Paul from $9,790,000.00 in August, to $12,588,000.00 in October. Comparisons for a period of years show that these changes always occur at crop moving time and that Minneapolis always carries the load of providing money and credit for the Northwest. It is during this season we normally have the greatest demand for credit with which to handle this great agricultural production.

Elevator capacity nearly 40,000,000. In this connection, we would call your attention to the fact that the lowest average weekly clearings of Minneapolis exceeded by about $4,000,000.00 the highest average weekly clearings of St. Paul for the year 1913.

Minneapolis banks handled in 1913, $217,909,000.00 worth of grain drafts, and shipped out for the purchase of grain in the way of currency, $34,358,000.00, of which $20,782,000.00 was shipped during the months of August, September, October and November. Chart No.1.

The Secretary of the Treasury: While you are dealing with those figures, Mr. Chamberlain, can you tell us how much money was borrowed in Minneapolis, how much re-discounting you did there for the purpose of handling the crop movement

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

last fall.

Mr. Chamberlain: Mr. Secretary, the banks of Minneapolis did no re-discounting.

The Secretary of the Treasury: This year?

Mr. Chamberlain: Not at all, neither did we have any Government money.

The Secretary of the Treasury: You re-discount, do you not?

Mr. Chamberlain: No.

The Secretary of the Treasury: Heretofore have you not been required to do that?

Mr. Chamberlain: No, sir, it is very seldom that the banks of Minneapolis have done any re-discounting. It has been years since the leading banks of Minneapolis have done any re-discounting. Your idea, of course, is to get the amount of credit required in this crop moving season, and I wish to explain what I have just stated in this way, that the grain men of Indianapolis, the men who own the terminal elevators and who own the line elevators extending all over the northwest, are very large borrowers; they borrow to their limit of the banks of Minneapolis and then the vast amount more which is necessary is borrowed by reason of their connections

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

in the east, and by reason of their selling papers through brokers.

The Secretary of the Treasury: You have no idea what that amounts to, have you?

Mr. Chamberlain: I cannot give you, of course, the exact figures, but I should say that in the height of the crop movement, at least $60,000,000.

The Secretary of the Treasury: Where is that financed mostly, in Chicago, or New York?

Mr. Chamberlain: It is financed from Maine to California. The brokers sell this paper all over the United States. Chicago banks furnish a good deal. But the fact that Minneapolis has been a leading grain market for so many years, and the fact that the grain paper of that centre is so well known, I assert makes it true that there is no class of what we call commercial paper in the country that has a higher standing than that of the grain men of Minneapolis.

The Secretary of the Treasury: You spoke of not using Government money. There was a reservation of crop moving money made at the request of Minneapolis, but you did not have occasion to use it.

Mr. Chamberlain: It was very comforting, indeed, sir,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that that reservation was there, but we thought as long as we could get along without it, it might be used for better purposes where they might need it more.

The Secretary of the Treasury: That is exactly right, but I was only bringing it out for this purpose, that with the Federal Reserve Banks holding a similar reserve, you would have the same com forting situation; I mean the theory of the Act is that the reservation would be made by that means.

Mr. Chamberlain: It was very comforting indeed.

The Secretary of the Treasury: You may proceed, Mr. Chamberlain.

Mr. Chamberlain: There are 2,978 banks in Minnesota, North Dakota, South Dakota, Montana and Washington, and the number of accounts carried in the Minneapolis banks during December 1913 was 3,329. This exceeds the number of banks in the district of which we are speaking and is accounted for by the fact of our having accounts from banks in Wisconsin and Iowa and the further fact thatmany banks keep more than one account in Minneapolis in order to obtain more money and credit for crop moving purposes.

The total out-of-town checks handled by the banks of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Minneapolis during 1910 was $1,328,274,000.00.

The process of growth in national bank capital and surplus of the two cities from 1872 to the present time is strikingly illustrated by Table No.2.

In 1872 the capital and surplus of national banks in St. Paul was two and one-half times that of Minneapolis.

In 1872:		$542,000.00
	Surplus	41,585.00
	Total	$583,585.00
In 1880:		
St. Paul	Capital	$1,077,900.00
	Surplus	249,021.00
	Total	$1,326,921.00
Minneapolis:		
	Capital	$1,250,000.00
	Surplus	105,588.00
	Total	$1,355,588.00
St.Paul	Capital	$2,200,000.00
	Surplus	505,000.00
	Total	$2,705,000.00

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In 1890:

Minneapolis.	Capital	$ 4,500,000.00
	Surplus	602,000.00
	Total	$ 5,102,000.00
St. Paul.	Capital	$ 5,200,000.00
	Surplus	$ 1,290,000.00
	Total	$ 6,490,000.00

In 1900:

Minneapolis.	Capital	$ 4,000,000.00	
	Surplus	697,000.00	- 51%
	Total	$ 4,697,000.00	
St. Paul	Capital	$ 3,800,000.00	
	Surplus	667,000.00	
	Total	$ 4,467,000.00	- 49%

This table shows that it was between 1890 and 1900 that Minneapolis passed St. Paul in the amount of its banking capital and surplus. From 1900 on to 1914 the banking capital and surplus of Minneapolis have increased so rapidly that at the present time it is nearly twice as great as that of St. Paul. It took Minneapolis almost thirty years to equal and pass St. Paul in these respects, and now, in a period of fourteen years, it has become in a banking

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

way both as to capital and surplus, deposits, and bank clearings, the superior of St. Paul in a proportion of almost two to one.

Nothing could possibly present more graphically the almost inevitable certainty that this lead will not only be maintained in the future, but greatly increased. This lead is not artificial, it results and could only result from the greater substantial growth of Minneapolis in a commercial way, and from that even greater growth of that vast territory lying westward to the Pacific Coast directly tributary to and depending upon Minneapolis as its natural marketing, distributing and banking centre in almost every line of its material development.

Banking Resources of Minnesota, North and South Dakota, Montana and Washington.

As showing the banking resources of the states of Minnesota, North Dakota, South Dakota, Montana and Washington, the following figures are significant. (I have these figures in detail but will not weary you with them, simply stating that the total capital and surplus of State and National Banks of these states is $171,655,000.)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Capital of State and National Banks in Minnesota					$ 45,426,000.
Surplus	"	"	"	"	$ 30,315,000.
Capital	"	"	"	North Dakota	$ 14,015,000.
Surplus	"	"	"	"	$ 6,585,000.
Capital	"	"	"	South Dakota	$ 12,644,000.
Surplus	"	"	"	"	$ 5,470,000.
Capital	"	"	"	Montana	$ 13,591,000.
Surplus	"	"	"	"	$ 7,262,000.
Capital	"	"	"	Washington	$24,268,000.
Surplus	"	"	"	"	$12,079,000.
Total capital of the states named					$109,944,000.
Total surplus " " "					69,711,000.
Total of both capital and surplus -					$171,655,000.

The total deposits of the banks of the states above enumerated are $858,666,000.00, with loans of $765,220,000.00.

The business of the two cities, Minneapolis and St. Paul, is undoubtedly well reflected in the receipts of their respective offices. For 1913, the total receipts of Minneapolis' Post Office were $2,150,185.00; of St. Paul, $1,278,597.00. The total receipts of both cities for that year were $3,428,782.00. Expressed in terms of percentage, Minneapolis furnished sixty-three per cent. of this total,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and St. Paul thirty-seven per cent.

It is the combined effect of all these various statistics which point with unerring certainty to the constantly increasing supremacy of Minneapolis in every matter which it at all material or relevant to the requirements of this Currency Bill.

Within a few months all of the post office business and departments will be moved from the Old Federal Building in Minneapolis to the new one which is now almost completed and ready for occupancy. This removal will leave at least two floors, ground and second, in the old building, unoccupied. The old Federal Building is a substantial one, is ideally located in the very heart of the business and banking centre of Minneapolis. It is within an average of a block and a half from the leading banks of our city. If a Federal Building is desired, here is the ideal building for that purpose. Chart No.35.

The Secretary of the Treasury: You are making an argument here as to the relative merits of St. Paul and Minneapolis for the location of a Regional Bank. I understand your purpose, of course, but the point in my mind, speaking for myself at least, is this: Where will a bank, if one should

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

be located there, best serve the purpose of the district, not the local purpose of St. Paul or Minneapolis. Now if one or the other of these cities has a superior advantage for the purpose of serving the elongated district which you gentlemen have suggested, that might be brought out -- is

Mr. Chamberlain: I can bring that out very clearly, Mr. Secretary.

The Secretary of the Treasury: But I assume that a Regional Bank for this district located in either city would be --

Mr. Chamberlain: Every passenger coming from North Dakota --

The Secretary of the Treasury: We have got that point, that there is a saving of 35 minutes in coming in.

Mr. Chamberlain: No, that is not the point.

The Secretary of the Treasury: Go ahead.

Mr. Chamberlain: Every passenger coming from North Dakota to either of the Twin Cities on any line of railroad must passthrough Minneapolis before he can get to St. Paul.

The Secretary of the Treasury: Yes, we understand that.

Mr. Chamberlain: That is absolutely the fact, with the exception of two stations. Now when you come to think that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that is true of every pound of express and of every letter and of every car of freight, it would seem to establish the fact that for convenience, which is one of the purposes of this bill, Minneapolis has the greater claim.

The Secretary of the Treasury: What is the difference in time?

Mr. Chamberlain: Between the two cities?

The Secretary of the Treasury: Yes.

Mr. Chamberlain: About 35 minutes.

The Secretary of the Treasury: Yes, I so understood. You may proceed.

Mr. Chamberlain: Right on that point, if I may be allowed, I would like to explain to you one situation. Supposing that a bank in North Dakota sends to the Minneapolis grain market $10,000 worth of drafts to be presented to our grain buyers, if those drafts were sent from any point in North Dakota, the afternoon before, they would be in Minneapolis in the morning. If they were sent to St. Paul they would be in St. Paul a half an hour or so later, but there is a day lost in the matter of presentation of that amount of drafts. If you will remember, I stated to you the amount

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the grain drafts handled by the Minneapolis banks last year.

The Secretary of the Treasury: Yes.

Mr. Chamberlain: Can you realize what a difference that makes to the grain producing population of this entire west?

The Secretary of the Treasury: Well, the point is this, Mr. Chamberlain. Those practices and operations are not going to be interferred with by the establishment of this bank.

Mr. Chamberlain: But they would be greatly interfered with by the establishing of this bank in St. Paul.

The Secretary of the Treasury: This Federal Reserve bank is going to exercise a re-discounting function for the banks of Minneapolis and St. Paul and all the banks of this district. Now it is only when the banks in these cities were having transactions with the Federal Reserve Banks, which of course, are not limited solely to re-discounting, there are other things that happen -- but it is only with respect to those operations that there is any change.

Mr. Chamberlain: Let me tell you how that will work out, if I may be allowed. These banks, 3300 of them, mind you, that keep accounts in Minneapolis; why have they been keeping

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

these accounts in Minneapolis of late years to a greater extent than in our sister city? It is simply because of our facilities in this respect that this lead has been increased and maintained. Now that has resulted during that 20 years in the increasing of the acquaintance between the Minneapolis bankers and these bankers in the northwestern country. And this acquaintance is an invaluable thing in banking. Are you going to ask these men that have their personal acquaintance with the Minneapolis bankers, where they have been doing their business for years, where they have come to get their re-discounts, and where, in my opinion, they will continue to come--for instance, the small banker sends the paper at the present time, according to the definition that I would consider the correct one as to commercial paper, which is not the paper.--

The Secretary of the Treasury: Which is not eligible paper under this Act?

Mr. Chamberlain: No. Now he is going to go to his friends, to those with whom he has done business for 20 years, to help him out when the crop movement comes. That is going on for a number of years. I hope and believe that this bill, as it works out, is going to solve all these problems, but

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

for the next few years we will have the burden of financing for these country banks. There is no question about that at all. We have with us a number of bankers from this region, and I would like, if you care to do so, to have them tell you as to this circumstance.

Minneapolis has long financed the Northwest crop movement. The interests of its people in grain elevators, line lumber yards, branches of produce firms and in numerous country banks, have made banking records that afford immediate access to the credit situation in the Northwest.

The personal acquaintance of the Minneapolis bankers with the bankers of the entire Northwest and their intimate knowledge of the territory i n wh ch they are operating would be quite indispensable to the Federal officers in charge of the management of a Federal Reserve Bank in this territory, and these services and facilities will be readily extended.

It is the peculiar merit of this bill which has so generally commended it to the intelligence and conscience of the American people that it is to be the especial handmaid of the legitimate industries of the whole country, be they agricultural, commercial or manufacturing. These speculative activities which are, and always have been essentially para-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

essentially parasitical are, with rare wisdom, not fostered by this bill and are only recognized by it to be expressly excluded from any of the benefits of its provisions.

The Federal Reserve districts, except possibly in minor particulars, and the Federal Reserve cities which your Committee will designate, will, in all human probability, remain unchanged for five, ten, fifteen or perhaps twenty-five years. The important and far-reaching effect of your work in these respects cannot well be exaggerated. You are charged with the duty of meeting not merely the necessities of the present but also of providing for the probable requirements of the future. The designation of this territory as a Federal Reserve district and of Minneapolis as the reserve city will best serve the interests of that portion of the country and fully meet the requirements of the Currency Bill.

The Secretary of the Treasury: If a Federal Reserve Bank were established at Minneapolis or St.Paul, and another one at Chicago, what district should Duluth, for instance, be assigned to?

Mr. Chamberlain: To Minneapolis, without question.

The Secretary of the Treasury: There is no question about

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

that in the minds of anybody?

Mr. Chamberlain: Not in my Mind. Well, now--

The Secretary of the Treasury: Now about these people themselves, what do they think about it?

Mr. Chamberlain: The Duluth affiliations are here and can speak for themselves. But I will state this to you, that every bushel of grain that goes to Duluth, of all kinds, all kinds of agricultural products which go to Duluth--now I do not want to make that too strong, but I will say that in my opinion the preponderating bulk of that grain is bought by Minneapolis people, is financed by Minneapolis people, goes through the elevators belonging to the Minneapolis people. Duluth is a great terminal for it, you understand, but in moving the grain from the farm to the terminal elevator, Minneapolis does the business, whether it goes to Minneapolis or Duluth.

The Secretary of the Treasury: Now about Superior?

Mr. Chamberlain: Superior is a warehouse.

The Secretary of the Treasury: Would it naturally go to Chicago or to Minneapolis or St. Paul?

Mr. Chamberlain: The same proposition comes in there exactly. Minneapolis does the financing of the grain until

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it gets there, and that is the time that it requires the money. When the grain gets to Duluth and is put in a Duluth elevator--

The Secretary of the Treasury: That is the purpose of my inquiry, whether they would be best served by being in that district or in this one, if one was created.

Mr. Chamberlain: In my judgment undoubtedly Minneapolis.

The Secretary of the Treasury: Which should dislocate the ordinary courses of exchange and of business the least?

Mr. Chamberlain: My opinion is Minneapolis.

The Secretary of Agriculture: What percentage of the trade in this district is handled directly in Minneapolis and what percentage in Chicago, should you say?

Mr. Chamberlain: I have not the exact figures, but I will make this as a broad statement, that all the business until it gets to Duluth is financed at Minneapolis.

The Secretary of the Treasury: I mean in this whole territory you have laid out, what percentage is handled directly at Minneapolis and what percentage in Chicago?

Mr. Chamberlain: That is given very fully in Mr.McHugh's figures, which he has given you.

The Secretary of the Treasury: That is covered there, is

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it?

Mr. Chamberlain: Yes, it is covered fully.

The Secretary of the Treasury: What reason have you for thinking that Washington would be served well from Minneapolis?

Mr. Chamberlain: The great trans-continental lines, the Northern pacific, the Great Northern, the Milwaukee Extension all come -- that is the Great Northern and the Northern Pacific come directly through Washington, and the Milwaukee runs to Seattle and of course the line runs right from the Pacific to the Lakes.

The Secretary of Agriculture: That is true, but to what extent does it bring the products and commerce of that state to Minneapolis, and to what extent --

Mr. Chamberlain: The entire products of Washington are either from the soil in the way of agriculture or from the forests in the way of lumber.

The Secretary of Agriculture: Yes.

Mr. Chamberlain: The prairies between Washington and the Lakes are the markets for this entire product of lumber; very little of it goes anywhere else.

The Secretary of Agriculture: Do you know that it is

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

handled at Minneapolis?

Mr. Chamberlain: The lumber products?

The Secretary of Agriculture: Any of it.

The Secretary of the Treasury: Is the bulk of that business financed or handled at Chicago or Minneapolis or elsewhere?

Mr. Chamberlain: So far as I know, I do not know of any of it being handled in Chicago.

The Secretary of Agriculture: Do you know of its being handled at Minneapolis?

Mr. Chamberlain: I know Minneapolis is the centre for the entire lumber distributing business of the northwest, what I mean is the line lumber man.

The Secretary of the Treasury: To what extent do the Seattle banks keep their reserves in Minneapolis and St. Paul?

Mr. Chamberlain: I think Mr. Chapman made a guess at that yesterday, and that is all I could do. The Seattle banks all keep accounts in Minneapolis.

The Secretary of the Treasury: Now you can collect those figures very easily?

Mr. Chamberlain: We would be glad to do it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: And we would be very glad if you would analyze that and tell us how much is kept in Minneapolis and St. Paul and how much in Chicago and how much in New York.

Mr. Chamberlain: I would be very glad to do that for you.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: I would like to ask you one more question, Mr. Chamberlain.

Considering the fact that under this bill, when it goes fully into effect there will be a parring of exchanges between these Federal Reserve Banks, how far do you think that is going to reduce the necessity for banks within the districts keeping accounts in present reserve centers, continuing to keep accounts -- I don't mean reserve accounts, but I mean exchange accounts/ All exchanges passing at par between these banks, will there be any necessity for that?

Mr. Chamberlain: For instance, if a bank in North Dakota at Fargo, say, it now carries, of course, an account in New York, and a large account in Chicago, and the rest of its business is done in St. Paul and Minneapolis. If I understand your question, there is a possibility that if they should belong to a reserve city in Minneapolis, that they could check on the Reserve Bank, and that that check would be good in New York or San Francisco or New Orleans. Of course, if that was absolutely the case, there would be no occasion for an account anywhere else that I see.

The Secretary of the Treasury: That is the point I want to bring out.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Chamberlain: The whole matter would then amount to this, that of course, New York has always got to be, in my opinion, the main reservoir for the final payment of the products of agriculture, and all that.

The Secretary of the Treasury: That would then be a matter of clearances?

Mr. Chamberlain: It would be a matter of expressing the money, that would be about all. Whether that is done by the Government, or the Government sends the money to New York, where it has got to be used, or done by the accumulation of money in that center, as has heretofore been the case, would be a matter --

The Secretary of the Treasury: It would be a question of the settlement of balances, that is all.

Mr. Chamberlain: Yes, sir.

The Secretary of the Treasury: That is about what it would come down to, wouldn't it?

Mr. Chamberlain: Yes, sir, although if you will permit me to state my opinion of that, I cannot understand -- it has been a matter to which I have given considerable though, and I cannot see how it is possible to alter the flow of money to these great eastern centers.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

It is just as inevitable that the money from these crops shall accumulate where it is needed to pay for the goods, which are returned for it, as it is for the credits themselves to go to these markets.

The Secretary of the Treasury: This bill does not seek to interfere with the fundamental flow of anything. It only seeks to provide superior means of regulating and controlling that flow, also for facilitating these transactions.

Mr. Chamberlain: Mr. Secretary, the banks of Minneapolis have every one of them signified their intention of going into this system.

The Secretary of Agriculture: The national banks?

Mr. Chamberlain: The national banks. They did it very quickly.

The Secretary of the Treasury: I recall your telegram.

Mr. Chamberlain: They did it whole-heartedly, and with the idea that they are going to do everything in their power to make this system a success, and we earnestly hope that our fondest wishes will be realized. We are going to do everything that we can to help it along.

The Secretary of the Treasury: The bankers throughout the country have shown that spirit.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: Mr. Chamberlain, if a bank were not established in Minneapolis, what would be your second choice?

The Secretary of the Treasury: St. Paul?

Mr. Chamberlain: There could only be one second choice, and I wish to show you why even that is not possible.

You yesterday asked that Mr. Chapman -- I think it was Mr. Chapman -- to prepare a map showing the area in the country that would be required if Minnesota, North and South Dakota and Montana were added to the Chicago regional bank -- this section were added to Chicago.

Chicago, allowing for their inner circle that they talk about, Wisconsin, Michigan, Ohio, Indiana, Illinois and Iowa, these states that I have named have an area of 305,000 square miles, with a population of 20,000,000. They have a banking capital of $372,000,000 and bank deposits of $1,270,000,000. These are national banks. In other words, in percentage that central area would be 22 per cent of the population of the country in that central area; it would be 18 per cent of the banking capital, the national banking capital, and 21 per cent of the entire bank deposits of the United States.

Now, if you include this larger area which we are hoping

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

to have as our district, you would have these figures. You would have an area that would include Montana, Wyoming, North Dakota, South Dakota, and Minneapolis -- you would have an area of over one million square miles of territory, a population of 28,000,000, a banking capital of $503,000,000 and bank deposits of $1,785,000,000.

The Secretary of Agriculture: Yes, but that is not the necessary alternative. Something might be excluded from that district.

Mr. Chamberlain: You could not exclude it if you did not have it at Minneapolis.

The Secretary of Agriculture: You could exclude something here (indicating on map).

The Secretary of the Treasury: You could exclude Ohio, for instance, and Indiana, and a large part of the State of Illinois, if such a district as that were created.

The Secretary of Agriculture: We are not bound to the consideration of that district. All I want to know is what would be your second choice, in a case a bank were not located there. We are not bound by these figures, they do not signify anything.

Mr. Chamberlain: No.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Nor by that suggested district.

Secretary Houston's question is, assuming a reserve bank were not established for this northwestern district at Minneapolis, what would be your second choice for such a bank, what city?

Mr. Chamberlain: That is a very difficult question for me to answer. You are getting right back to the central bank's idea. This would be a central bank then.

The Secretary of the Treasury: If you cannot answer it, we will excuse you, Mr. Chamberlain. Thank you.

STATEMENT OF J. E. PHELNA.

Mr. Phelan: My name is J. E. Phelan. I am President of the First National Bank of Bowman, North Dakota.

The Secretary of the Treasury: Mr. Phelan, if you can add something new to what we have already drawn out here, we should be glad to have it.

Mr/ Phelan: Mr. Secretary, I am not going to make a speech, because I could not if I wanted to, but when I get over being scaredto death I may be able to say something.

The Secretary of the Treasury: I hope you don't mean that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the Secretary here looks savage.

Mr. Phelan: Mr. Secretary, I look upon him to be my friend, because I have sat here all day yesterday and so far today, and I have listened to the tale of the millionaire, bigger business, commerce, and there has not been a word about humanity nor the people.

Now, I live 950 miles west of Chicago, and 550 miles west of Minneapolis, in an extreme and the newest part, little developed, of southwestern North Dakota. I live from choice in town not over six years old, and with less than one thousand inhabitants. I have lived in the northwest for 34 years, and I have been on the frontier most of the time, that is, I have been out in active life, and spend most of my time outdoors.

Now, the thought has been striking me in this confusion of figures and statistics that you are losing sight of the human element. I contend everything is considered, what has been and is, but I believe, gentlemen, it is your duty to consider what is to be.

In our part of the country, nobody who has not traveled that country by team or auto or railroad can conceive of the magnitude of it and what has been done there in the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

last thirty-five years, and I am especially desirous, and I believe I represent -- I am a member of the North Dakota Bankers' Association, and I would not say anything that I believed or thought our people would not approve of, but the thought in our part of the country is that a regional bank should be located in the Twin Cities.

The secretary of Agriculture: Which one?

Mr. Phelan: Preferably Minneapolis. When it comesto Chicago, and the splendid men that are in charge of the banking system of Chicago, they are simply splendid, and that is all you can say about it. They have done a marvelous work for the northwest. You can say the same thing about St. Paul, and the bankers there, the same thing of Minneapolis.

Now, the Minneapolis bankers or the St. Paul bankers, with two or three exceptions are not millionaires, they are not rich men. They are men such as you people here, serving the people in your capacity, because you cannot help it. You cannot tell what leads you on there; you cannot tell what leads me on to stay in the country. It is part of my life. I believe in it.

When it comes to the magnitude of our country, I would

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

like to impress on you the fact that in our state -- and I will say before going any further, there is no doubt in my mind about the intelligence back of this new banking system, and there is no doubt in my mind about its success. It all depends upon the men that you select to run those banks, and to be successful you have got to have men in touch with the people, who have got level-headed judgment, who know the country, know the risks they are taking, and know the credits in that country, and hence who come in personal contact with it.

And the greatest necessity that will come, and why there should be a regional bank in the northwest, from that vast expanse of territory there, and leading men who know that region and can serve it --

The Secretary of Agriculture: Mr. Phelan, you remember that the member banks themselves select six of the directors of this bank, they do not come from any one locality.

Mr. Phelan: I should say then for that reason that the location of a bank in the northwest should be so fixed in order that they could do their selecting and get the best men in the country to serve it.

The Secretary of the Treasury: Mr. Phelan, you are sat-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ified that a regional bank at Minneapolis or St. paul would best serve the interests of your district, or that part of the district?

Mr. Phelan: There is no doubt of it.

The Secretary of the Treasury: Is the view of everybody with whom you have come in contact the same on this point, or is there any substantial difference of opinion about it up there?

Mr. Phelan: Well, there are peculiar conditions up there. For instance, there is one genius in our northwest, who personally manages his property, and I know that from having been on the Railroad Commission four years, and in the most trivial matter that would come up regard Mr. Hill's system, it could never be passed on without his taking personal cognizance of it and approving or disapproving.

That genius has accumulated or developed a property in my time since I was a young man 34 or 35 years ago, capable of being capitalized at six hundred millions of dollars.

Now, that is only a part of the property of that country, that has been developed inside of a generation.

The future that I want to impress on you, is not only this vast extent of territory that I am familiar

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

with and have gone over a number of times, to the west of the Twin Cities, but the idea of that vast Canadian territory.

You are making commerce, and you people in this administration are removing the resistance from commerce in that district. You are going to make it possible for it to flow across the line. You go up into that district, even at Manitoba, and it surprises a great many people that there are seven or eight parallel lines of railroad running east and west in that territory. They are 25 or 30 miles apart, and they are built with intelligence. Only in the last three or four years have they gone crazy up in Manitoba in the matter of developing and getting beyond their limit, and ahead of the times.

When I was up there two years ago I read in some immigration literature, and it is correct, that you take a compass and put one point on the American boundary and the other to the northern limit of the wheat producing area andswing it around, and it will come to Tampa, Florida.

When it comes to the possibilities of commerce, there is over one hundredmillions, and I don't know how much more, American capital in that Canadian country. That has got to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

come back, and there is a lot more going to go there before that can come back. That country has got to be served.

You go up to Winnipeg, and when you go in the Chamber of Commerce you don't know whether you are in Minneapolis or Winnipeg. Now and then you come in contact with a typical Englishman, and that is the main reason in my mind that I want to impress upon you the importance of this thing.

Take it back early 35 years ago, when they were commencing to develop at St. Paul, they leveled hills, and that was before they got the hydraulics system of leveling hills. They took out hills that were as high as the third story of buildings, in order to develop -- I was twenty-two years old then -- and going to Minneapolis you can see that development there was along the point of least resistance.

The Secretary of the Treasury: Your argument is, Mr. Phelan, that we ought to take into consideration the possibility of the future growth of this section, and not be controlled by the present element.

Mr. Phelan: That is right. There is another point in that. What has been and is should not be disturbed, should not be sacrificed, but it should be served and protected, and yet we should have the possibility of what must be in

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

our country provided for.

The Secretary of the Treasury: Exactly, that is what we are going to try to do.

Mr. Phelan: Another thing, the people that we deal with in the country, we live with these people, we know what they want, and we know at times that there has been drastic liquidation that ought not to be, and the remedy is very simple. Every tendency of the currency law and the present legislation now is to relieve those people. It is a natural thing, going back to one of the big cities, but the big cities, they are good places to visit, but people that want to live, they ought to go to the country and they ought to stay there.

The secretary of the Treasury: We are very much obliged, Mr. Phelan.

Mr. Fiske: Mr. Secretary, I would liketo file four more copies of our brief.

STATEMENT OF DOUGLAS A. FISKE.

Mr. Fiske: My name is Douglas A. Fiske; I reside at Minneapolis and am President of the Minneapolis Civic Congress Association. I am going to be brief and take a very few minutes. As I represent three thousand citizens of Minneapolis, I hope you will let me talk to you about five or ten

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

minutes at the longest.

What I have got to say may not add anything to what has been collated and amassed in this book, but with all the mass of testimony you are taking, and all the figures that are being presented, we feel that there are certain features and facts that should be brought en masse at this time, in a very few words.

The Secretary of the Treasury: Mr. Fiske, will you kindly address yourself very briefly to those points. We have given Minneapolis so much time, we must give St. Paul a chance.

The Secretary of Agriculture: Just give new facts.

The secretary of the Treasury: Unless you have new facts, it will not be necessary to go into any of these old ones.

Mr. Chamberlain: Mr. Secretary, I just received a telegram that answers your last question. (Reading)

"Mr. F. A. Chamberlain,

Congress Hotel, Chicago.

At Clearing House meeting today you, Jaffray and Chapman were fully authorized to represent our Association in such manner as your judgment dictates. The unanimous feeling of the members of the Association being that a Federal Reserve Bank be locatedhere, otherwise in Chicago."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: All right.

Mr. Fiske: There is one point that you brought out yesterday, Mr. Secretary, about this being entirely a one-crop district. The census of 1910 -- that is Minneapolis and St. Paul.

The Secretary of Agriculture: I merely asked the question. I understood it was covered in that book.

Mr. Fiske: I just simply want to make the statement, if I may be allowed, that the Minneapolis-St. Paul industrial center was the twelfth center of the entire United States according to that census, with an annual output in value of nearly two hundred and fifty millions of dollars, which would establish in your minds the fact that we are one of the great industrial centers up there in this entire country.

The only reason that any facts have been quoted as to the comparison between the two cities, is in order to assist you gentlemen in determining the place where the regional bank should be located, provided a regional bank be given to the northwest.

We thought that was a perfectly proper thing to do. We have a very friendly feeling towards St. Paul and they have towards us.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: We do not misunderstand that.

Mr. Fiske: If you are going to locate a regional bank in the northwest and it is between Minneapolis and St. Paul, where are you going to locate that bank? It has seemed to us according to the text of the law, and the principles you have announced at all these hearings, that these things should be taken into consideration if there are two places; First, Minneapolis is a metropolis; Second, Minneapolis is a financial center, because her bank clearings are 72 per cent of the total and her deposits are $101,000,000, as against $52,000,000 and her banking capital is $20,000,000, as against $11,000,000.

The Secretary of the Treasury: We have all of that, Mr. Fiske. You need not give us these old things that we have already had.

Mr. Fiske: I am simply saying that these facts, it is a metropolis, it is a financial center, it is a grain trade center, it is a manufacturing center --

The Secretary of the Treasury: Don't you think that that has been impressed upon us sufficiently? We have had it from other witnesses, and we are thoroughly cognizantnow

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of the facts, and while I do not want to cut you off, it would be a waste of time in going further into the same data. We have not the time. The limited time at our disposal does not permit it.

The Secretary of Agriculture: We are accustomed to interpret those things, Mr. Fiske.

Mr. Fiske: I did not wish to encroach upon the time, but there was the fact that we were supreme --

The Secretary of the Treasury: I know, we have that.

Mr. Fiske:--In all those particular lines.

I do not wish to impose upon you at all, but as representing a large constituency, I thought it would not be unfair to take five minutes of your time.

The Secretary of the Treasury: Don't misunderstand us. These facts have been impressed upon us very thoroughly and effectively by a number of eloquent gentlemen here, and I think it will be given due weight. We shall go through your data and statistics here with great care, and see that Minneapolis has every possible fair consideration.

Mr. Fiske: May I suggest, Mr. Secretary, that the same reasons that have made this condition a fact as to Minneapolis, would be controlling reasons for locating a bank at Minn-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

sapolis so as not to interfere with the natural flow and trend of business.

The Secretary of the Treasury: We understand that, that is your argument?

Mr. Fiske: That is the argument.

The Secretary of the Treasury: Yes. Now, Mr. Bassett, Does Mr. Bassett want to be heard?

Mr. Bassett: Yes, sir.

STATEMENT OF J. C. BASSETT.

The Secretary of the Treasury: You are from South Dakota?

Mr. Bassett: Yes, sir.

The Secretary of the Treasury: Please give your name, residence and occupation?

Mr. Bassett: J.C. Bassett, President of the Aberdeen National Bank, Aberdeen, South Dakota.

I do not care to burden you particularly with a lot of statistics, but early when this matter came up relative to a regional bank, the clearing house at Aberdeen, consisting of six banks, held a meeting to take opinions relative to the location of a regional bank.

For your information I want to state that Aberdeen is 290

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

miles west of Minneapolis and 700 miles west of Chicago.

The Secretary of the Treasury: On what road is it?

Mr. Bassett: On the main line of the Chicago, Milwaukee & Puget Sound Road. We have endeavored at that point to build up a small country size banking center within the territory of the Twin Cities. At that point we cover in a way the banking accounts and the general banking business from the Minnesota line to practically the Montana line, and a strip of territory practically one hundred miles wide extending about fifty miles into the southern line of North Dakota.

The Secretary of the Treasury: Give us the radius of this territory.

Mr. Bassett: About 35,000 square miles.

The Secretary of the Treasury: Now, your contention is that Aberdeen, and all of that section of South Dakota should be attached to a bank at Minneapolis?

Mr. Bassett: Yes, sir.

The Secretary of the Treasury: Or St. Paul, as the case may be.

Mr. Bassett: Preferably at Minneapolis, because the bulk of our business is done with Minneapolis, or at the Twin Cities, at least.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: Would you say that the bulk of that territory, north of the 45th degree, or parallel of latitude should be attached to the Minneapolis district, or the Minneapolis-St. Paul district, if a bank should be established there?

Mr. Bassett: Where do you mean?

The Secretary of the Treasury: Just look at this map. Here is the 45th parallel, the line just south of Aberdeen, which is the southern line of the state of Montana. Would you say this region through there ought to come into St. Paul or Minneapolis?

Mr. Bassett: That region in there, containing at least about two thirds of the state.

The Secretary of the Treasury: Two thirds of the state?

Mr. Bassett: Yes sir; at the same time in the southern part of the state there is a good deal of business that goes to Minneapolis. As was indicated to you, I think, yesterday, by Mr. McHugh, of Sioux City, a good deal of that cattle business goes down into Sioux City, and indirectly into Chicago, but it is our desire through that country, and I believe I can speak advisedly, because I have been in the country 24 years in the banking business, and am acquaint-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ed practically with every banker through that territory, and I know from conversations with a large majority of men that they are strongly in favor of the Twin Cities, particularly Minneapolis, on account of their general business, the larger share of it being done there.

About sixty per cent of our business is done in Minneapolis, as against the rest of the country.

The Secretary of Agriculture: About what percentage?

Mr. Bassett: About sixty per cent of our business covering that strip of country. That is an agricultural country as you know, somewhat engaged in the stock business, but a country which is very rich and going to increase.

The Secretaryof the Treasury: What would be your second choice for a bank?

Mr. Bassett: Outside of the Twin Cities?

The Secretary of the Treasury: Yes.

Mr. Bassett: Chicago, naturally. There is one thing we want to follow, is the trend of the line of commerce and the line of railroad tracks. There was a proposition by somebody some time ago, when the currency matter was first argued that scared us to death, because they told us we were liable to be in the Denver district. That would be starting

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

backward, and we would never get anywhere.

There is one other point I want to call to your attention, that I believe the state banks, the larger state banks, would be much more apt to join the Association if the regional bank is in the northwest rather than in Chicago. Of course, at the present time our laws do not admit, and I think that generally the laws of other states do not admit of state banks carrying stock in a Federal Bank, but I presume, and I haven't any doubt — I know in our state that will be arranged for at the first session of the Legislature and I assume that is true generally, and I think that the larger state banks would be much more apt to join if it were in the northwest where it is easilt reached, and where they are already in touch with the general business situation.

I do not care to burden you with statistics.

The Secretary of the Treasury: Thank you. Now, we will hear from St. Paul. Mr. Mitchell, I believe is the first one.

STATEMENT OF JOHN R. MITCHELL.

The Secretary of Agriculture: Mr. Mitchell, please give

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

your name, residence and occupation?

Mr. Mitchell: John R. Mitchell; President Capital National Bank, St. Paul.

The Secretary of Agriculture: Mr. Mitchell, have you a map of the district?

Mr. Mitchell: Yes, sir; Mr. Secretary. I want to say, Mr. Secretary, that I represent the St. Paul Clearing House Association, and we have filed our application for the location of a regional reserve bank in St. Paul, for the reason that we believe that it is absolutely necessary, in locating the eight regional reserve banks to make a separate district out of the northwestern states.

The Secretary of Agriculture: Have you a map showing the district you have in mind as tributary to St. Paul?

Mr. Mitchell: We would include in that district Minnesota, North and South Dakota, Montana, Idaho and northern Wisconsin.

The Secretary of Agriculture: You leave out Washington?

Mr. Mitchell: We would leave out Washington and Oregon under one consideration. In our first consideration we would leave out Washinggen and Oregon.

The Secretary of Agriculture: You would include all of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

John R. Mitchell

Idaho?

Mr. Mitchell: I would include all of Idaho.

The Secretary of Agriculture: How about Wyoming; would you include that?

Mr. Mitchell: No, we did not include Wyoming.

The Secretary of Agriculture: Your territory is different from that suggested by Minneapolis?

Mr. Mitchell: Possibly it is a little different. I believe Minneapolis included Washington and Oregon.

The Secretary of Agriculture: No, Washington and the northern part of Idaho.

Mr. Mitchell: A great deal of Washington's business comes to us, that is true, a great deal of lumber business comes to us.

The Secretary of Agriculture: I just wanted to get the district in my mind.

Mr. Mitchell: We would include northern Wisconsin for the reason that it is tributary to the Twin Cities.

Now, we b elieve that it is absolutely necessary, and that your Honorably body will find it is, in establishing them eight districts, to place one in the Twin Cities. That is the reason that we made application.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

We believe that a bank located in St. Paul will serve the district just as well as a bank located in our sister city, Minneapolis, which we admit is larger, in a way, and the arguments which have been made here for the location of a bank in that district by the Minneapolis gentlemen, apply just as much for the location of a bank in St.Paul as the arguments do for the location of a bank in Minneapolis. There can be no question about that.

The Secretary of Agriculture: There seems to be.

Mr. Mitchell: There is no question about it from my point of view, and I don't believe there could possibly be from the Minneapolis point of view.

The Secretary of Agriculture: Well, you do not care to add anything to the volume of facts about the trade, commerce and production? They are the same, aren't they?

Mr. Mitchell: Practically the same.

The Secretary of Agriculture: In general.

Mr. Mitchell: In general.

The Secretary of Agriculture: In case a bank were established in one or the other of those cities, what is there that would make St.Paul a better place than Minneapolis?

Mr. Mitchell: In addition to the big grain business that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

is tributary to St. Paul, as well as to Minneapolis, we have a very large livestock industry, which we desire to callyour attention to, about which I shall not go into details, as the gentleman following us will give you some information and some figures on that.

That is in its infancy as yet, but we regard that as a very very important factor in determining the llcation of this bank.

The Secretary of Agriculture: Which city to-day in your judgment handles the larger volume of business trade in that area?

Mr. Mitchell: St.Paul is unquestionably the jobbing center of the northwest. The volume of grain business is handled in Minneapolis.

The Secretary of Agriculture: To which does the course of trade banking transactions tend more largely, Minneapolis or St. Paul?

Mr. Mitchell: Minneapolis has larger deposits. It is true, then St. Paul.

The Secretary of Agriculture: Would it create more of a disturbance of the normal course to throw it to St. Paul or leave it in Minneapolis?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Mitchell: I cannot see as it would make any particular difference. I cannot see that it would disturb business connections in any way.

The Secretary of the Treasury: No matter in which city you put it?

Mr. Mitchell: No matter in which city you put it. I might go a little bit further —

The Secretary of Agriculture: Would you state your reasons for that?

Mr. Mitchell: For the reason that the mail service is practically — the same service is given St. Paul as is given Minneapolis, and the fact that it is the same as to interest payments on balances and collections, practically the same.

The Secretary of the Treasury: Is there just one clearing house in both cities?

Mr. Mitchell: No, we have two clearing houses, one clearing house in St. Paul and one clearing house in Minneapolis.

The Secretary of the Treasury: I mean to say, the Twin City clearing Houses have the same rules?

Mr. Mitchell: I think practically the same rules.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: So it is practically one in administration, in that way?

Mr. Mitchell: We are practically one large city.

The Secretary of Agriculture: What is the difference between the limits of the two cities?

Mr. Mitchell: Ten miles from centre to centre.

The Secretary of Agriculture: How much from centre to suburbs?

Mr. Mitchell: We jump --

The Secretary of the Treasury: There is a dividing line between them?

Mr. Mitchell: Only an imaginary line.

The Secretary of Agriculture: Is there any other item you desire to emphasize?

Mr. Mitchell: There is no other item I desire to call your attention to, gentlemen, excepting that I want to call your special attention to our large live stock industry which Mr. Wheeler, who will follow me, will touch upon.

STATEMENT OF J. W. WHEELER.

The Secretary of the Treasury: Mr. Wheeler, will you give us your full name and occupation.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Wheeler: J. W. Wheeler, Vice President of the Capital National Bank of St. Paul.

St. Paul has prepared a concise, and I think almost unanswerable argument for the creation of one ofthe new regional banks in Twin Cities. It would take about 30 minutes to read this brief. Of necessity a very large portion of it as to facts and figures would be a repetition of the facts and figures given by Minneapolis. There are certain things that the gentlemen from Minneapolis have passed over, and what I would like to do would be to file this brief for your consideration when you have time to look at it, and simply dwell on two or three of the things that are contained in the brief that have not been mentioned.

The Secretary of the Treasury: That is a logical thing to do, and we would like to have you do that.

Mr. Wheeler: For a wonder, the facts of Minneapolis and St. Paul agree as to statistics.

The Secretary of the Treasury: On the general territory?

Mr. Wheeler: On the general territory, yes, sir. But there is one thing I would like to speak of that we have elaborated in this brief under the head of the federal importance of St. Paul, and if you will permit me, I will

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

just read a short extract. (Reading)

(Federal Importance of St. Paul)

It has been admitted, I think, by the gentlemen in Minneapolis that St. Paul, from the inception of the railway building of the Northwest has been the railroad centre. We have prepared one part of this brief on that point, and I will pass it.

There is one other thing that has been spoken of, and that is the change in agriculture. For all time this proposed district that we are arging upon you gentlemen must, of necessity, be an agricultural district. During the last decade there have been very rapid changes in the type of agriculture indulged in in that district; passing from the simpler forms of agriculture to the more complex forms, and St. Paul has been the centre. So I want to read just for a moment some facts in regard to St. Paul as the live stock market. (Reading paragraph entitled St. Paul as a live stock market.)

The Secretary of Agriculture: Mr. Wheeler, as I understand it, your argument is primarily for a regional bank in the Twin Cities, and secondarily in St. Paul.

Mr. Wheeler: Yes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: You emphasize the broader points first.

Mr. Wheeler: Yes, that is the view we take ofthis matter. I heard a question asked a moment ago in regard to Duluth.

If you will permit me, I would like to read one short quotation from this brief which we are going to leave with the Committee. It is not less significant in another way that Duluth, the third city in size in the Northwest, and of particular importance in a commercial sense has the entropot of the enormous trade of the Great Lakes, expressed its opinion on the whole subject in the following language, quoted from the editorial columns of the Duluth News-Tribune—

The Secretary of the Treasury: You assume that they speak for the people of Duluth?

Mr. Wheeler: I assume so. They may not speak for the millionaires of Duluth, but I take it that they speak for the people of Duluth. They of course, would not speak for the Minneapolis grain houses that have branch offices in Duluth.

The Secretary of the Treasury: Well, you may read the editorial.

Mr. Wheeler: "That the northwest should have one of these

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

banks should be conclusive without argument. Its development in the last 20 years has been phenomenal. It is finding itself rapidly and potentially. In its resources, its natural wealth and its human energies, it is the greatest region of all the state. It should be conceded one of these eight banks without question; and, all things considered, we believe this should be located at St. Paul."

That is part of the editorial and covers the quotation.

One of the other speakers from St. Paul will speak of the fact that St. Paul is the jobbing centre of the north. I will file this brief in conclusion.

NEED OF A NORTHWESTERN DISTRICT.

The first step in determining where regional reserve banks are to be established, must be the division of the United States into suitable districts. The sole desire of your Honorable Body is to consult the best interests of the whole country, and to take such measures as will most facilitate its business and conduce tothe successful operation of the new currency system. The purpose of the following statement is merely to set forth facts, necessarily unfamiliar with you by reason of their more or less local character, that may aid you in reaching conclusions; and first

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

of all, it is desired to prove the propriety, possibly the necessity of making the Northwest, popularly so-called and independent regional reserve district.

The term "Northwest" will be used throughout with two meanings; the first including the five states, Minnesota, North Dakota, South Dakota, Montana and Idaho; and the second, covering seven states, adding to these just mentioned the states of Washington and Oregon. It may seem best to you, who have a national problem to consider, to include the entire Pacific Coast from north to south in one district. It may seem best to you to make one district of the northern tier of states from the Mississippi River to the Pacific. These seven states are closely tied to one another by the fact that four transcontinental lines of railroad traverse them. The Great Northern, the Northern Pacific, the Chicago, Milwaukee & St. Paul and the Minneapolis, St. Paul & Sault Ste. Marie Railroads, running from St. Paul to Seattle, Tacoma and Portland, unite them in a close community of interest and of business relations. Ties such as these may easily override geographical conditions; since the business of banks with one another depends so greatly upon abundant and quick intercommunication.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The figures given hereafter are all absolutely official, being taken either from the returns of the United States Census or from official reports by heads of departments or business organizations. They are intended to serve your convenience whether you decide to make a northwestern division running east or west, or to include only the more compact territory ending with the Rocky Mountains.

The total area ofthe five states mentioned is 464,019 square miles; and of the seven, 639,845 square miles. This is from 15 to 20 per cent of the total area of the United States. The population of the five states increased from 2,877,211 in 1900 to 3,938,299 in 1910; and of the seven states, from 3,808,850 to 5,752,964. The increase in the former case was 36.9 per cent and in the latter 51 per cent as compared with an increase in the United States for the same period of 21 per cent. You will undoubtedly, in delimiting reserve districts, take into consideration the ratio and probability of increase in population and in every kind of industry. When these districts have once been established, they cannot easily be changed. A readjustment of any one would mean the re-arrangement of others; with all the confusion incident to the transfer of banking relations

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and the possible removal of one or more regional reserve banks from one city to another. It can be avoided only by the creation in the Northwest of a separate district; for which there is abundant warrant in the existing volume of business, and an absolute necessity in the certainty of coming development as measured by its past history and by the amount of its undeveloped resources.

SOIL PRODUCTION.

This being pre-eminently an agricultural region, the amount and value of soil products are indicative of present importance, and their changes indicative of future growth. The increase in the value of all crops grown in the United States between 1899 and 1909 was 83 per cent. The increase in Minnesota was 67.2 per cent; in North Dakota 234.3 per cent; in South Dakota 184.1 per cent; in Montana 177.9 per cent; in Idaho 270.7 per cent; in Washington 235.4 per cent; and in Oregon 124.9 per cent. In North Dakota, Idaho and Washington, the crops of 1909 were more than three times as valuable as those of 1899. In North Dakota and also in South Dakota, there was, in these ten years, an increase of over one million acres in the area of land devoted to crops. Agriculture, which your committee desires especially

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

to serve and encourage, is increasing here at a rate which these figures show to be phenomenal. That rate of increase will be maintained substantially for many years to come. It does without saying that the marketing of these crops valued in 1909 at $563,666,657 for the five states and at $691,634,435 for the seven, demands ample banking facilities.

The annual reports of the grain inspection departments of Minnesota and Illinois for the "crop year" 1911-1912 give the carload receipts of grain for their principal markets as follows: Chicago 174,605, Minneapolis 130,905, Duluth 41,779. For the calendar year 1913 they were as follows: Chicago 203,953 cars, Minneapolis 160,554, Duluth 87,920; the gain for the year 1913 bringing the total for the two grain markets of Minnesota to an amount considerably in excess of the Chicago receipts. In addition to the enormous grain receipts of our district a very large business is done by St. Paul with the Canadian Northwest, which will increase steadily with the development of that country and the inevitable relaxation of tariff restrictions.

VOLUME AND DISTRIBUTION OF BANKING BUSINESS.

The Currency Act provides that each national bank shall subscribe for stock to the amount of six per cent of its

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

paid in capital and surplus, and fixes the minimum capital of a regional reserve bank at $4,000,000. By the report of the office of the Comptroller of the Currency as of October 31, 1913, the national banks of the five states mentioned have a combined capital and surplus of $67,757,987, and those of the seven states $98,849,316. Six per cent of the former amount is $4,065,478, and of the latter $5,930,958. Either district, therefore, can qualify under the law without calling for supplementary subscriptions as authorized in the law and the results arrived at do not include Northern Wisconsin which is tributary and should be in the district.

A better basis for calculation in a case like this is the total amount of capital engaged in all kinds of banking business; and even more so, perhaps, the total number of banking institutions. With an eye to the future, the number of banks, indicating the needs already felt in a growing section, establishes the true relation of the territory considered to the whole country. In both respects, the claims of the Northwest and of St. Paul are satisfactorily entitled to consideration.

According to the report of the Comptroller of the Currency, the number of national banks on July 7, 1913,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

intho United States was 7,490. The number in the five states was 631, and in the seven states was 792. The latter is almost one-ninth of the whole. The number of all financial institutions reporting, including state and savings banks and trust companies, by the same report was 25,963 for the United States, 2,883 for the five states and 3,493 for the seven. The former is one-ninth of the whole approximately, and the latter is nearly one-seventh. Beyond a doubt many of these institutions will apply for permission to come in under the new law. But merely on the basis of the number of existing national banks, as related to the whole number, and as indicating immediate financial needs of a country in the full tide of growth, the claim of the Northwest to be constituted a separate district seems to be well founded. The total loans and discounts of all banks were, according to the Comptroller's report, $575,093,168 for the five states, and $798,502,331 for the seven.

For centralized banking purposes, St. Paul and Minneapolis can be considered as one great city of more than half a million people. In addition to the other reasons contained in this statement, why, St Paul is entitled to precedence, its present banking business shows a volume

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

worthy of the establishment of a regional reserve bank. The total capital stock, surplus and undivided profits of all its banking institutions is $12,219,646. The government deposits here, October 1, 1913, were over $2,000,000, and the balances of country banks were over $18,500,000. The exchange drawn in 1913 was $459,653,732. All the accounts of the State Treasurer of Minnesota in behalf of twenty-three state institutions and twenty-nine state departments, with three exceptions, are kept with St. Paul banks. The transactions of the State with the 330 banks throughout the state with which it does business are conducted through St. Paul banks. The following statement of business done by the State Treasurer of Minnesota during the year 1913 is more significant than an argument would be:

	Deposits	Withdrawals
St Paul Banks	$18,933,165.76	$18,403,914.29
Minneapolis Banks	3,813,154.77	3,460,105.52

THE CAPITAL OF THE WHOLE NORTHWEST.

Business development as a rule follows the lines marked out and the channels worn by history. The Northwest is no exception. Three-quarters of a century have passed since the first settlement of St. Paul. For more than sixty year s

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it has been the local point for the financial, historical and governmental development of all the upper portion of what was originally the Northwest Territory. From St. Paul have radiated lines of business that put and still keep the people of these states in close touch with their natural and original centre. From St. Paul enterprising men have gone out to establish new centres of business throughout the tributary country. Everything has contributed to make and keep this city the place to which the people of the Northwest naturally look for business leadership and business accommodation.

It will be in place merely to state, without elaboration, a few of the principal points which entitle St. Paul to consideration from a business point of view. It is the capital of the State; and in a real sense, the capital as well as the gateway of the Northwest. It is the head of navigation on the Mississippi River, and known nationally as the most important railroad centre west of Chicago and north of St. Louis. It is the leading jobbing centre of this section; having in the staple lines such as dry goods, groceries, drugs and hardware, houses that are among the largest wholesale establishments in the country. It is the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

largest dry goods and gents furnishing market in the Northwest, jobbing in these lines alone $16,000,000 annually. It has the second largest wholesale toy and notion house, and is fourth in rank in the distribution of millinery goods in the United States. It is one of the largest boot and shoe manufacturing centres in the country. It has one of the principal national live stock markets, so important that the details of this will be given separately. It has the largest law book publishing house, the largest art calendar house, the largest individual horse dealing concern, and the largest plants for the manufacture of grass carpets in the world. It leads the country in wholesale land trading. It leads the United States in the manufacture of high class furs and high grade refrigerators. It has one of the largest plants in the world for the making of gasoline fire engines. It has the largest public cold storage plant in the Northwest. It has one of the six United States Customs Ports where tea is inspected. These are some of the principal items in a list which might be lengthened to a considerable extent.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

FEDERAL IMPORTANCE OF SAINT PAUL.

St. Paul is a sort of Sub-capital for the entire Northwest. The fiscal departments of the Government located here take in, through the Customs and Internal Re venue offices, in round numbers, four million six hundred thousand dollars a year. It is Port Office headquarters, all funds for the State being sent to this office. It is the headquarters of a railway mail service for the tent district. It is the headquarters for the rural carrier service. Here is the seat of the Department of Justice, including the United States Court of Appeals, the United States District Court and the offices of the District Attorney, Marshal, and special agents. The War Department formerly had headquarters here; and since the re-arrangement of the military departments of the country, the purchasing agency of the Quartermaster's Department is still retained. It makes disbursements for Forts Yellowstone, Keogh and Missoula, Montana, and Fort Snelling, Minnesota, aggregating $500,000 annually. Supplies are also sent to Fort Brady, Michigan. The Agricultural Department has headquarters at South St. Paul, with a large corps of inspectors for the stock received at that

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

important market. Two departments of the United States Engineer's service have their headquarters here. When the garrison at Fort Snelling is at full strength the total annual disbursement on army account will be $650,000.

Since the business of the banks is co-terminous with the postal service on which so large a part of the credit system depends, a fair conception of the importance of the territory served from St. Paul may be had by remembering that the Tenth Division of the Railway Mail Service, with headquarters here, embraces the states of Minnesota, Northern Michigan, Wisconsin, North and South Dakota, with jurisdiction also over mail service on lines extending into Montana. Iowa and Nebraska. This sweeps in territory from Sault Ste. Marie on the east, Chicago on the Southeast, Omaha on the south and Rapid City on the Southwest, westward alng the lines of the four northern transcontinental systems. To the whole of this, St. Paul has the relation of a commercial centre. The total route mileage, or miles of lines over which mail cars run, atthe end of the fiscal year was 26.308, the total annual mileage 42,037,691, and the total number of mail clerks, including officials, atthe present time is 1,728.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Without going into detail, the records show that twenty-four Federal offices, all, excepting the several agencies of the Department of Justice representing distinct Federal governmental functions, are centered in St. Paul. Their activities radiate from this point in all directions from the upper peninsula of Michigan to the Pacific Coast. All of these branches of the Government's work require large funds for disbursements, and many of them take in large receipts. The total list of Federal officials and employes in St. Paul, and under jurisdiction of the Federal head-quarters in St. Paul, including the army, numbers 5,803 persons. It would be tedious to give the separate items of their balance sheets, any of all of which can be furnished if desired. It is sufficient to state here that the receipts and disbursements of the St. Paul Post Office each range from four million to four and one-half million dollars annually. Of the other Federal offices, thirteen do not collect any money, but receive from the government an annual total of $1,571,988.74 for expenditures. This, added to the interbal revenue, customs and miscellaneous receipts, makes a total of $6,377,078.78. Add the receipts and disbursements of the Post Office and the total amount of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Government money handled in Saint Paul annually is above sixteen million dollars, and constantly growing. The increase in postal receipts in the ten years from 1904 to 1914, was 92.9 per cent. The money orders issued are well above a million and a half yearly, the money orders paid over two millions and a half. The St. Paul Postal Savings Bank has had high rank from the beginning. Its net deposits on January 1st, 1914, were $789,407.00.

All of the above is exclusively Federal money taken in and paid out in the course of transacting the Government's business. It may be added as a not important detail in the establishment of the proposed Federal institution, that there are now three large public buildings in St. Paul owned bythe United States Government, in which a regional reserve bank can be accomplished without requiring the expenditure of any money for construction.

RAILROAD BUSINESS AND CONNECTIONS.

The development of railroads in the Northwest states is one of the chief factors of their past growth, the surest guarantee of their future progress and an indispensable aid in binding them together as a unit for banking purposes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

In 1880, the seven states above mentioned had 5,485 miles of railroad; in 1910 they had 30,363 miles; in the last ten years their increase in mileage was 41.66 per cent as compared with 24.34 per cent forthe United States. St. Paul was the terminal of the first railroad built in Minnesota, and it remains the actual or potential terminal of the ten railroad systems that now enter the city. These ten systems had an aggregate mileage of 56,768 miles in October, 1923. Three of these systems have their general offices here. St. Paul is the acknowledged railroad centre for the whole northwestern country. Upwards of ten million passengers pass through its Union Depot every year.

The Minnesota Transfer, located in St. Paul, is the freight clearing house for business extending from the Mississippi River to the Pacific Coast and for a very large volume of business to the east and south. In 1913 the cars handled at the Minnesota Transfer numbered 709,187 and the tonnage represented was almostbten million tons. From 1904 to 1923, the increase in the business was 70.7 per cent. The transfer yards contain 91.77 miles of track; and besides the distribution of through freight cars, all of which take place here, they serve 110 local industfies which have

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

trackage connections.

To the financial importance of a business of this magnitude and its need of home banking accommodation, is added the abundance and ease of communication with the whole northwestern territory. The number of trains carrying mail cars which arrive here daily is 64, and the number departing is 65. Two fast mail trains, handling mail exclusively, arrive and two depart daily from St. Paul. The Great Northern special fast mail trains make the run from St. Paul to Seattle, a distance of 1614 miles, in 47 hours and 30 minutes, as compared with 50 hours and 35 minures for the fast mail over the Union and Southern Pacific from Omaha to San Francisco. This Great Northern transcontinental mail train is the fastest long distance train in the world. The through time schedule shows how quickly all intermediate points are served.

An average of 340 passenger trains operating in and out of the St. Paul Union depot daily gives abundant mail communication with every part of the territory. This service has grown up naturally in answer to the demands of the west; and, through its business connections which could not be disturbed without loss to all parties have linked together the several

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. W. Wheeler

communities of this territory from St. Paul to the Pacific Coast. Their sentiment in this matter has been doubtless made more or less familiar to you by direct expression. As more incidental evidence of it you may be reminded here that the banks of a city so far distant as Butte, Montana, in reply to a request that they ally themselves with Seattle, Spokane or Portland in the request for a regional reserve bank, replied that all their business connections were with St. Paul and that they preferred to be represented here. It is not less significant in another way that Duluth, the third city in size in the Northwest, and of particular importance in a commercial sense as the centrepot of the enormous trade of the Great Lakes, expresses its opinion on the whole subject in the following language, quoted from the Editorial columns of the Duluth News Tribune: "That the Northwest should have one of these banks should be conclusive without argument. Its development in the last twenty years has been phenomenal. It is finding itself rapidly and potentially. In the resources, its natural wealth and its human energies, it is the greatest region of all the states. It should be conceded one of these eight banks without question; and, all things con-

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

sidered, we believe this should be located at St. Paul."

MANUFACTURING AND JOBBING

It is matter for regret that no accurate statistics have been kept from year to year of the volume of the jobbing trade in the Northwest. It is, however, a fact well known even outside this region, and unquestioned within it, that St. Paul is its jobbing centre. It has been the controlling point of the wholesale trade as long as it has been the railroad centre, and for a similar reason. Its houses and their representatives and sell their goods all through the territory to the shores of Puget Sound. The most reliable estimate of the total trade in round numbers is $400,000,000.

While the activity of a community in manufacturing is usually in proportion to its age, the Northwest is making great progress in that particular; having just reached the stage of growth where it is practicable to make at a profit a large share of the products formerly brought from points further east. A reference to the census report on manufactures establishes this law, and exhibits the remarkable percentage of increase in the manufacturing business of the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. W. Wheeler.

northwest. The total value of the manufactures in the five states at the last census was $542,100,000; and in the seven states, $855,851,000. St. Paul's manufactures are tenth in the country in their gain in number of wage earners, and tied for fourteenth place in gain in value of products. The increase between 1904 and 1909 in wage earners in St. Paul was 24.6 per cent. and in value of products, 53.9 per cent.

BANKING AND THE CHANGE IN AGRICULTURE

Having in view not only the business at present centered in St. Paul but its probable future increase, and the changes in its distribution, probably nothing is more impressive than its position as a live stock market. The Northwest is primarily and must always remain, first of all, an agricultural region. Large and varied as are its mineral resources, at the head of Lake Superior and in the Rocky Mountains, and its lumber supply, the extent of fertile, arable land is so large and its productiveness so remarkable that primary and secondary products of the earth will always constitute its greatest source of wealth and the basis and measure of its financial transactions.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. W. Wheeler

No law is better established than that which decrees a change from wheat production to a more diversified industry, and especially to the raising of live stock, as a region advances in years. Agriculture becomes more profitable by becoming more intensive. This means not only the substitution of farms for grazing land, but the growing of more live stock on farms. A considerable portion of the land previously used for wheat raising is devoted to the raising of coarse grains and fodder crops for the feeding of live stock, which is immensely more profitable. The United States Census reports show a decrease of 15.8 per cent in the total wheat acreage from 1899 to 1909. This decrease took place in the older states. While there was a very large increase in North Dakota, Montana, Idaho and Washington, the area fell off 50.18 per cent in Minnesota and 19.5 per cent in South Dakota and 12.6 per cent in Oregon, these states being older and therefore following the law just stated. The same process is shown in a corresponding decrease of 48.2 per cent in the State of New York, 58.3 per cent in Michigan, 43 per cent in Ohio and 74.8 per cent in Wisconsin. The day of the supremacy of wheat raising in the Northwest has passed. The wheat product, wheat receipts

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

J. W. Wheeler

as primary markets and all commercial and financial transactions based on wheat growing must progressively decline.

The substitution of live stock products for the leading cereal is proceeding more rapidly in the Northwest than anywhere else. In the United States the number of all cattle on farms decreased 5,915,544 in the ten years between 1900 and 1910; but in the five Northwestern states the number increased 615,947, and in the seven states 648,096. Such a showing is possible only on the basis of a pronounced and permanent movement toward a change in the agricultural methods that has been proved economically desirable. It is just as significant that the entire increase in the value of all cattle on farms in the United States in ten years is identical with the increase made in these seven states. Out of the twenty-four million odd dollars for the whole country, more than nineteen million dollars of the increase were in the first five states. One ninth of the entire increase of the value of all swine on farms took place in the same states. Nothing was more clearly brought out in the discussion in congress on the terms of the Currency Law, and in the organization of your Honorable Committee, than the purpose to consult the interests of the farmer. Even if

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it were decided that only eight such banks should be established, the Northwest in this particular is clearly entitled to one; and it will now be shown that on this basis St. Paul is entitled to that one.

ST. PAUL AS A LIVE STOCK MARKET.

The South St. Paul Live Stock market has become one of the greatest in the country, and in its growth from year to year it has really no rival. All the western markets showed a decrease in cattle receipts for 1913 compared with 1912 except South St. Paul and Kansas City. In hog receipts South St. Paul showed an increase of 27 per cent, three times the combined percentage of gains in all other markets. In sheep receipts south St. Paul was second only to Omaha. Both in absolute importance and in relative growth the South St. Paul stock market is one of the most important in the country. These live stock receipts are distributed over all the states of the Northwest, more than half a million sheep coming from Montana alone. South St. Paul is by no means a feeding or transfer station for stock on the way to Chicago, as practically all calves, hogs and horses, 92.5 per cent of the cattle and 50 per cent of the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

sheep received there are also sold there.

This is also a stocker and feeder market; Much of the live stock received is returned to the country to be fattened. More than one-half of the 531,000 head of cattle and calves received last year were bought for that purpose. This demands excellent banking facilities. Some of the farmers who come to that market to buy live stock have money, but many of them require to be financed.

Here enters an important relation of the live stock market to the financial interests and the financial facilities centered in St. Paul. A great loan business, to aid the live stock trade, has been built up quietly. It will require enormous expansion to meet future demands. The loans outstanding made in South St. Paul to farmers throughout the Northwest on live stock being prepared for market amount to four and one-half million dollars. These loans were made by two banks, one cattle loan company, twenty commission houses and fifteen brokers locatedin South St. Paul. The total loans for the year aggregated seven and one-half million dollars. Capital so employed turns over quickly, and large credit resources are required. These loans were scattered through the states from the

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mississippi River to the Rocky Mountains, including Iowa. It is estimated that $800,000,00 of South St. Paul money was loaned in this way in Montana. A conservative estimate of the total amount of money paid out for live stock in St. Paul during 1913 is forty million dollars.

This item of the commercial and financial interests grouped in St. Paul has been treated in some detail for two reasons. It is not generally known to the public. It is only a beginning. Measured in dollars, it will become with a very few years probably the most important single interest in the Northwest. Measured in value to the agricultural interest of the country, it cannot be over-estimated. Measured in terms of finance, as related to the purpose contemplated in the passage of the new Currency Act, it is a powerful argument for the erection of the Northwest into a distinct district, and the establishment of a regional reserve bank at St. Paul.

CONCLUSION

It would be easy to add to the foregoing a very large amount of facts and statistics bearing on both these questions. But the purpose of this statement is not to

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

J. W. Wheeler

encumber the Committee with details, but to draw the broad lines of the natural argument for a Northwestern Reserve District, centering naturally at St. Paul. The facts presented seem to warrant that arrangement; and, should any others be desired upon any topic not covered here, or should any documentary proof be called for of any of the statements contained herein, either will be furnished with pleasure. The bankers and business men of St. Paul, speaking for themselves and for the bankers, the business men, the farmers—for the whole people of this section which is naturally just coming into its full development and prosperity, and which looks to St.Paul as its capital in a commercial and financial sense as truly as it is the political capital of Minnesota, the leading commonwealth of the Northwest, respectfully request the establishment of such a district, with boundaries such as shall seem best to you to establish in view of the whole of the great task that has been committed to your hands, and for the location in St. Paul of one of the regional reserve banks which will minister so powerfully to that district's future growth.

ADDITIONAL STATEMENT OF JOHN B. MITCHELL.

If the Committee please, I would like to correct a

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

John B. Mitchell

statement that might possibly be misinterpreted, that I made a moment ago, and that was that the State of Washington was not included in the district which we thought should be included in the Northwestern district. It was not included for the reason that it was not necessary, in our judgment, in order to establish the bank, so far as the accumulation of capital is concerned. Of course, we would like to have Washington in our district, and in one of our compilations we have included it.

The Secretary of the Treasury: I understand.

STATEMENT OF WILLIAM MAGIVNY.

The Secretary of the Treasury: Mr. Magivny, will you state your full name and occupation?

Mr. Magivny: William Magivny, President of the St. Paul's Union Stock Yards Company, South St. Paul, Minn.

The Secretary of the Treasury: Do you want to submit some data in regard to the stock yards?

Mr. Magivny: Yes, a little in addition to what is submitted in the brief, and what perhaps will be submitted by someone else. I want to show particularly the growth of the live stock business in this territory and how it is

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

William Magivny.

dependent on St. Paul in a way in that respect.

The Secretary of the Treasury: And you are showing that with the theory that that is an argument in favor of putting the bank in St. Paul rather than in Minneapolis?

Mr. Magivny: Yes. The situation in the territory tributary to St. Paul may be briefly summarized as follows: Diversified farming will bring greater wealth and greater wealth must be adequately represented by credits or currency in order to permit out territory to develop as rapidly as its conditions shall warrant, The territory claimed by St. Paul has been described. Permit me to review the situation in that territory with respect to the live stock industry which all experts agree is the only true exponent of agricultural prosperity.

Minnesota is credited with about 1,750,000 hogs and about 2,000,000 cattle principally of the dairy type. Corn and alfalfa are becoming staple products of Minnesota and wheat is taking a back seat. This means more live stock and there is no good reason why Minnesota should not produce 5,000,000 to 8,000,000 hogs annually and be a big factor in beef production. In 1913 Minnesota farmers purchased on the St. Paul market 84,637 cattle and 80,204 sheep

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

William Magivny

against 48,434 cattle and 37,498 sheep in 1912, an increase of nearly 80 per cent in cattle and 140 per cent in sheep. Consider the State of North Dakota. The census accords it something like 200,000 hogs. In 1913 we received from that state 163,000 hogs as against 66,000 hogs in 1912, or an increase of 154 per cent. The cattle receipts of 101,532 show an increase of 26 per cent while the sheep receipts 79,485 show an increase of 33 per cent over the previous year. All this from a State that suffered on account of a short wheat crop some three years ago. Their bankers woke up to the fact that diversified farming was necessary and they have since been getting into live stock as rapidly as possible and raising corn and alfalfa. Last year North Dajota farmers purchased on our market 13,429 cattle as against 4,092 in 1912, an increase of 227 per cent. Montana, the state that has passed out of the range cattle business sent us 28,000 cattle last year and 523,000 sheep. Her settlers and those west of there were buyers on our market of 10,102 cattle as against 5,132 cattle in 1912, an increase of 96 per cent. In addition 150,697 cattle and 60,811 sheep were distributed from this market to farmers in Wisconsin, Illinois, Iowa, Nebraska, Missouri, and South

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

William Magivny

Dakota. Since the removal of tariff charges, we received last fall from Canada over 13,000 cattle and that business is becoming regular and is growing. Canada also purchases sheep and cattle on our market but not as yet in any large volumne.

These figures are given to show you that insofar as our territory is concerned its production of live stock has not exceeded 25 per cent of its possibilities. The people in Minneapolis and North Dakota are very much in earnest in their desire to institute diversified farming and live stock. They maintain active and effective development leagues and better farming associations for that purpose. They are developing as rapidly as capital can be obtained. St. Paul is the center to which these people look for help. in the live stock business. Bankers from North Dakota have come to me from time to time, and no small number of them, stating that their committees needed live stock and asking financial aid to carry them. The point is obvious. We couldn't meet more than a small part of their wants. Our market lastyear showed increases in cattle, hogs and sheep. It was the result of growth in our territory and not of abnormal conditions of weather such as caused an increase

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

William Magivny

in the movement of cattle to Kansas City or of cholera conditions that caused a movement of hogs to other points. We showed healthy increases where other large markets showed decreases. Live stock will be the basis of wealth of the territory which presents the greates field for growth in this country. I speak now for the territory naturally tributary to St. Paul. That growth will be materially aided by proper financing. Proper financing will be possible if a regional reserve bank is located at St. Paul.

STATEMENT OF MR. JOHN. J. FLANNAGAN.

The Secretary of the Treasury: Mr. Flannagan, you may state your full name and occupation.

Mr. Flannagan: John J. Flannagan, President of Stock Yards National Bank, South St. Paul. I will be as brief as possible in stating my mission here at this table. I have been associated in St. Paul in furthering the interests of live stock growth in this immense area tributary tp tje Twin Cities. The yards were started in 1887, and formerly we had to go to Iowa and Missouri to obtain our purchases. In 1888 there were something like 383,000 head of stock slaughtered there; and in 1913 we had raised

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. J. Flannagan.

in our own vicinity, after the pursuit of education and enlisting the services of our agricultural colleges and county colleges, and there were grown and marketed at our market the sum of 2,600,000 head of live stock, the value of which was $40,000,000, that we distributed to the farmers of the northwest.

I have been for 24 years, as I said before, advocating the growth of live stock and corn growing, and so much so, I am pleased to state, while I will not say it is from my efforts, that Minnesota has obtained great prominence as a corn state; in fact it led the Union last year.

The Secretary of Agriculture: We had had all that fully presented to us. Will you not address yourself to any new facts or any significant conditions.

Mr. Flannagan: I might say that St. Paul is clamoring for this great regional bank institution, and we think we can further the interests of the northwest by making loans to these farmers and to do good by raising live stock.

The Secretary of the Treasury: The only question here is, assuming that such a bank is to be created, whether St.Paul is a better place than Minneapolis for the headquarters. If you have any fact that has not been brought out already to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. J. Flannagan.

show that St. Paul is better than Minneapolis for that purpose, we would be glad to have it.

Mr. Flannagan: Well, I believe it is. It is my home city and I was born and raised there.

The Secretary of Agriculture: We could not establish a memorial or monument there.

Mr. Flannagan: Not at all.

The Secretary of the Treasury: On that ground.

Mr. Flannagan: We have always been a great democratic city, if that will have any effect.

The Secretary of the Treasury: Permit me to say that is the last thought that we will have in the solution of this problem. It is not a political but an economic problem and must be dealt with with than in view.

The Secretary of Agriculture: And so far from it, that it ought not to be mentioned in this connection.

Mr. Flannagan: It just occurred to me on the spur of the moment. I think the situation has been pretty well covered from our point of view, as to the live stock interests, and we will let the matter rest in your good judgment.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

STATEMENT OF GEORGE H. PRINCE.

The Secretary of the Treasury: Will you state your ull name and occupation?

Mr. Prince: George H. Prince, Chairman of Merchants National Bank, St. Paul.

The Secretary of the Treasury: Now, if you will be good enough to address yourself to any new facts which have not been brought out, which will show that St. Paul is a better place for this bank than Minneapolis, we would be glad to have it; but we do not care to have simply a repetition of what we have just had, because our time is too valuable.

Mr. Prince: I think the facts have all been brought out in the paper which Mr. Wheeler has left with you, and the extracts which he read to you. I merely want to emphasize the fact that we believe there is a real need for a regional bank in our section of the country to serve that section from the Twin Cities to the Puget Sound, which is tributary to us, and for reasons which have already been stated, I believe it should be in St. Paul.

It is a significant fact that the Steel Corporation, which has ramifications all over the United States, has regional warehouses located in the following cities:

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Boston, New York, Pittsburgh, Chicago, St. Louis, San Francisco, New Orleans and St. Paul.

I do not know that I can add anything to what has been already said here. We would include the western and northern part of Wisconsin and Minnesota, North and South Dakota, Montana, Idaho and Washington.

The Secretary of the Treasury: The whole of Idaho?

Mr. Prince: Well, there is a question whether we would include the whole of Idaho or only the northern part. The southern part, it is possible, would more naturally come into the Omaha district, if there was one established in Omaha, or into Chicago district. We are not certain about that, although we have included that. But there is a little question in my mind whether it would not be quite as well served possibly, as the natural channel is right down through Omaha.

The Secretary of the Treasury: We are much obliged to you, Mr. Prince.

STATEMENT OF G. W. GORDON.

Mr. Gordon: I am one of the jobbers and manufacturers he do a large business in this proposed regional reserve

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

district, and for the manufacturers and jobbers of St.Paul we would like to see the bank located as near as possible. Our business in the lines that I represent, that is, in the lines that are manufactured and sold in the Twin Cities, do the major portion of the business done in these five states, Minnesota, North and South Dakota, Montana and including Idaho. We have a large business there, and in many instances the firms with whom we do business do all their business in the Twin Cities, and the majority of it, I believe, in St. Paul.

The Secretary of the Treasury: How about Washington, do you do a large business there?

Mr. Gordon: Yes, but we do not do as much in proportion as we do in Minnesota, for the reason that Washington has large cities. If you eliminate Spokane, Seattle and Tacoma, we do do a very large business in the country; proportionately, now, I mean.

The Secretary of Agriculture: Would it make any difference whether the reserves were held in Minneapolis or St. Paul?

Mr. Gordon: So far as our business is concerned?

The Secretary of Agriculture: Yes.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

G. W. Cordon

Mr. Cordon: No, I do not think it would. We believe that St. Paul is the place.

The Secretary of Agriculture: But your main argument is for one in that section?

Mr. Cordon: Yes, this section that we serve; and we believe, Mr. Secretary, that if you were to take 40 pins, for instance, and stick them in towns in North Dakota and then go to the general merchants there and ask them where they did their business, and who financed them in their hourse of need, as they do havewhen they have crop failures, you would find in 75 per cent of your inquiries that St. Paul was the city that did that. I do not mean to take any stated selected number, but just take them as you choose at haphazard.

The Secretary of the Treasury: Is there anyone here representing Idaho or Montana with authority to speak for anybody out there?

Mr. Corbaley: I what shape can we take that up? I am manager of the Chamber of Commerce of Spokane.

The Secretary of the Treasury: We will hear Spokane either at Portland or Seattle.

Mr. Corbaley: If there are any trade conditions which you

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

want to ask about in Idaho, I can answer as to them.

The Secretary of the Treasury: We have not the time to take that up here.

STATEMENT OF A. F. DAWSON.

The Secretary of the Treasury: Will you state your full name and occupation?

Mr. Dawson: A. F. Dawson, President, First National Bank, Davenport, Iowa.

The Secretary of the Treasury: I presume you gentlemen will want to tell us where Iowa ought to go.

Mr. Dawson: That is all, simply to emphasize what was presented to the Committee yesterday. We have no concern with either our belligerent sister cities up the river or our larger sister city down the river. We had some fear that possibly the Mississippi River might be designated as the western line of the Chicago region. This map which the Committee has prepared should perhaps have some little amendments. Davenport, Iowa, is one of the three cities which make up the Tri-Cities, a community of 125,000 people --

The Secretary of the Treasury: That was intended more to

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

be an outline map than anything else.

Mr. Dawson: And the largest industrial centre on the Mississippi River between St. Paul and St. Louis.

The Secretary of the Treasury: Your point is what? You want to be included in the Chicago district?

Mr. Dawson: By all means.

The Secretary of the Treasury: That is the fact you want to impress on us now?

Mr. Dawson: Yes. All our business is in this direction. of the exchanges of Davenport and the Tri-Cities banks, nearly 90 per cent. of them are sent to Chicago. The same is true in the amount of exchange written. I speak not only for Davenport but for all the cities in eastern Iowa, that we should be included in the Chicago district.

The Secretary of the Treasury: Those facts have all been brought out.

Mr. Dawson: So if I may just file a brief statement from the Clearing House Association, I will not take up any further time.

The Secretary of the Treasury: Yes, that may be made part of the record.

(The paper is as follows):

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

wr

A. F. Dawson

January 13th, 1914.

Hon. William C. McAdoo,
Hon. D. B. Houston,

Committee on Organization,

Chicago, Illinois.

Gentlemen:

The Davenport Clearing House Association, at its regular meeting on yesterday, decided unanimously to request your Committee to include Davenport in the Chicago region under the Federal Reserve Act.

Davenport is a part of the Tri-Cities, an industrial community of 125,000 people made up of this City and Rock Island and Moline, Illinois. It is the unanimous wish of the banks in the Tri-Cities to be in the Chicago region. Practically all of our direct business intercourse is with Chicago. All shipments of farm produce from this community, as well as all of Eastern Iowa, go to Chicago and practically all of our purchases come from there. You will observe that all transportation and mail facilities of ours are with Chicago and for fifty years, this locality has been intimately connected in practically all business transactions with Chicago.

We sincerely hope, therefore, in making up the region

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A. F. Dawson

to be served by the Federal Reserve Bank at Chicago, that Davenport and the territory surrounding us in Eastern Iowa, will be included in it. I am sure we voice the unanimous sentiment of the banks of this locality in making this request.

Very truly yours,

(signed) W. T. Brownlie,

Mgr. Davenport Clearing House".

Mr. Mitchell: St. Paul would like to have you call on Mr. Bailey, of the First National Bank, for not more than two or three minutes, as he has a telegram which he would like to offer.

The Secretary of the Treasury: We will hear from him, if he has anything new to offer.

STATEMENT OF MR. E. H. BAILEY

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

Mr. Bailey: E. H. Bailey, President of the First National Bank of St. Paul. Mr. Secretary, you asked a moment ago if anyone was here representing Montana. I have here telegrams from Montana which I think may be of interest,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

E. M. Bailey

and I would like to read and present them to the Committee. One is from the Helena Clearing House Association, under date of January 17th, addressed to the St. Paul Clearing House Association, to me as ex-officia President:

"Replies received to inquiries from National banks in Montana representing total capital and surplus of eight million dollars show that eighty per cent select Twin Cities and twenty per cent select Chicago --"

The Secretary of the Treasury: We have had that telegram, That was presented yesterday.

Mr. Bailey: I have one other from Cascade, Montana, which I think would be of interest:

"We have just wired Secretary of the Treasury as follows: As ninety-eight per cent of all merchandising live stock and agricultural business of this locality passed through the Twin Cities gateway we believe the selection of St. Paul as our Federal Reserve City would best conserve the interests of this locality and influence many more state institutions to come in under the new law.

H. W. Brown,

Cashier First State Bank."

The Secretary of the Treasury: You may file that with

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

the Committee, and those letters also, as I presume they are of like tenor.

Mr. Bailey: Yes.

The Secretary of the Treasury: We thank you.

(The letters submitted by Mr. Bailey are as follows):

"The First National Bank of Glendive,

Glendive, Montana, Dec. 30, 1913.

Mr. E. H. Bailey, Prest.

St. Paul, Minn.

Dear Sir:

Your wire received, and in conformity with your wishes I have just sent to the Secretary of the Treasury the following wire:

'Desirous of being a member Bank, we wish to urge the designation of St. Paul as the location of a Federal Reserve Bank for our district.'

"It struck me at first as very strange that our entire territory from Chicago to the Coast was left out in the place of meeting.

It may, however, have been a delicacy about naming either St. Paul or Minneapolis, and thereby expressing a preference. To leave the Twin Cities out as a Reserve

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bank location for this whole territory would seem to be out of the question.

Yours very truly,

C. A. Thurston."

UNION BANK AND TRUST COMPANY

of Montana.

Helena, Dec. 31, 1913.

Mr. E. W. Bailey,

Pres. First National Bank,

St. Paul, Minn.

My dear Mr. Bailey:

Upon receipt of your telegram of the 29th asking that we telegraph the Secretary of the Treasury urging the designation of St. Paul as the location of a Federal Reserve Bank, I immediately sent Secretary McAdoo a telegram as follows:

"In designating Federal Reserve Cities and territories, I feel that Montana, whose business is in common with that of North Dakota and Minnesota, should be included in a district to the east of us and would respectfully urge St. Paul be selected as Reserve City and that Montana be included in its district.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Our business naturally drifts Eastward and it would not only be inconvenient but inharmonious were we included in Western or Southern district.'

"At the time of sending this telegram I was not aware that during my absence the local clearing house bank in the Twin Cities, the understanding being that St. Paul and Minneapolis would decide between themselves which of the two cities would be designated or, leave it to the Federal Reserve Board.

It seems to be the general opinion throughout Montana that this state should be included in Eastern territory and it also seems to be generally conceded that the Twin Cities should have a bank and that we should be in that territory. The feeling locally seems to be that either St. Paul or Minneapolis would be a satisfactory location, but as most of the banks carry both St. Paul and Minneapolis accounts, they hardly feel like discriminating in favor of either of the cities.

Personally, I favor St. Paul and altho my telegram, as heretofore quoted, is at variance with the telegram previously sent to Washington by the local clearing house, favoring the Twin Cities, I am willing to let it stand and

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

hope that St. Paul may be designated as the location and above all, wish Montana to be included in its territory.

Later on, there is every probability of Helena wishing to obtain a branch of the Federal Reserve Bank and we will then solicit support for such a designation.

With kindest regards, I am,

Cordially yours,

(Signed) S. McKennan,

President."

STATEMENT OF F. B. YETTER.

The Secretary of the Treasury: State your full name and occupation?

Mr. Yetter: F. B. Yetter, Cashier Iowa National Bank, Davenport, Iowa.

I have nothing further to say except the fact that Mr. Dawson has presented our side of the argument. We want to be put in the Chicago district and would like the whole of Iowa included. I believe it is the general sentiment of all the banks in the state, and I have been in pretty close touch with them.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

STATEMENT OF H. K. WEBER.

The Secretary of the Treasury: Your full name?

Mr. Weber: H. K. Weber, President of the First National Bank, Springfield, Illinois.

Gentlemen, we are not appearing here in the interest of any regional bank, but representing the clearing house of Springfield, and we feel that we would like to express an opinion as to where we would like to be located as a member bank. The several banks of the city havethrough their directorates and their stockholders expressed a desire to become members, and they will be loyal in any event, no matter where wemay be located, and attempt to make this new bill a most successful one in its operations. We have not a very great deal of financial power or strength there. We have a combined capital and surplus of approximately $4,000,000, and a deposit line of $15,000,000, and we handle the paper of merchants and manufacturers and farmers to the extent of perhaps from $50,000,000 to $100,000,000 annually. For 80 years, 75 per cent. if not 90 per cent. of the drift of our commercial energy has been northward, and the sentimen of our people is if, in your wisdom, your zone could be made of such a character that Springfield would fall in a member-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

ship of a northern regional bank, we would feel much at home and highly gratified with the location given us.

The Secretary of the Treasury: You mean you prefer Chicago?

Mr. Weber: We prefer Chicago to any other point.

The Secretary of the Treasury: I would like to ask you, Mr. Weber, what part of Illinois would you say ought to be tributary to St. Louis, if a reserve bank should be established there; about where should the line be drawn?

Mr. Weber: My suggestion would be that Illinois should all be included in Chicago. I think the drift of all our commercial energies is northward.

The Secretary of the Treasury: You would not say that about East St. Louis, would you?

Mr. Weber: I think so, very largely.

The Secretary of the Treasury: And some of these other cities to the south?

Mr. Weber: I think so, very largely.

The Secretary of the Treasury: There seems to be a difference of opinion about that, and we are anxious to get your view.

Mr. Weber: Yes, I know there is quite a difference of opinion in that regard.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: You represent the banks generally?

Mr. Weber: I am President of the Springfield Clearing House Association and of the First National Bank.

The Secretary of Agriculture: And you officially represent them?

Mr. Weber: I officially represent the entire banking interest.

The Secretary of the Treasury: We thank you. Is there any one else from Springfield who desires to be heard?

Mr. Payne: If you please.

STATEMENT OF EDWARD W. PAYNE.

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

Mr. Payne: Edward W. Payne, Springfield, Ill.; President of the State National Bank. How many minutes can I have, three?

The Secretary of the Treasury: You may take what time you desire if you have anything new to offer us.

Mr. Payne: I feel at home here, because I am from the home of Abraham Lincoln. We represent the agricultural districts of Illinois. We are the heart of the Corn Belt.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Little Sangamon County, in 1912 raised $18,000, 000 worth of farm products. In 1907 we hadthe distinction of paying cash, the only city in the United States of 60,000 people except Richmond, Va. We will always pay cash as long as we have hogsand cattle to ship. We raise corn, wheat, oats --

The Secretary of the Treasury: Pardon me, Mr. Payne, but we are quite familiar with thosefacts. I presume you want to urge that Springfield be put into the Chicago district, if a headquarters bank is located there.

Mr. Payne: Yes. The hair on my head bears witnessthat I have been in all the panics since 1873. In 1873 old man Blair--

The Secretary of the Treasury: If you had started after this bill began you probably would have black hair now.

Mr. Payne: Old man Blair, in 1873, telegraphed us, without any solicitation on our part, "You can have your balance in cash if you want it." Ever since then we have loved Chicago and have kept our reserves in Chicago and have shipped our products to Chicago.

The Secretary of the Treasury: What percentage of your business comeshere ?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Payne: 90 per cent. Our wives buy their goods in Chicago. When we feel sick we come to Chicago--

The Secretary of Agriculture: That is the reason 90 per cent of your businesscomes to Chicago, probably.

Mr. Payne: Yes. When we feel good we stop at the La Salle and the Sherman. When we are sober and want to tank up we come to Chicago; when we are drunk and want to sober up we come to Chicago, andit is here where we see the morning after of the night before. And we keep our reserves here.

The Secretary of the Treasury : A regional bank would not look very good to you the morning after, would it?

Mr. Payne: It is here where we keep our reserves, and we do business here. It is part of Illinois.

The Secretary of Agriculture: You keep all your liquid reserves here?

Mr. Payne: Yes. We arepart of Chicago and areproud of Chicago for its goodness and are fond of Chicago for its badness.

The Secretary of Agriculture: We understand the situation, I think.

Mr. Payne: Itis our state. We do a great deal of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

business with the State Treasurer of Illinois, and millions of dollars passthrough Springfield from the State Treasury, and a great deal from Chicago.

The Secretary of the Treasury: Well, the normal location for Springfield is with Chicago, and 90 per cent. of your banking transactions are here.

Mr. Payne: Yes.

The Secretary of Agriculture: You have long established relations here.

Mr. Payne: We want to put our money in a bank that is going to pay dividends and that is dependent on diversified products of agriculture and manufacture.

The Secretary of Agriculture: Aside from that the other questions are the determining ones, and you have brought them out.

Mr. Payne: Yes, we want to make Chicago the money centre of the world. It is our state and our people.

STATEMENT OF EDWARD D. KEYS.

The Secretary of the Treasury: Will you state your name and occupation?

Mr. Keys: Edward D. Keys, President, Farmers National

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

bank, Springfield, Ill.

Mr. Payne has made most of the talk, and I have not much to say.

The Secretary of the Treasury: He did not leave you much to say, did he?

Mr. Keys: No, but he omitted one thing. We ship from Springfield large quantities of coal. Our payroll amounts to four or five million dollars on coal alone, which all comes north to Chicago and the northwest. That business has to be settled with through Chicago. He has covered everything else, I think.

The Secretary of Agriculture: There is no difference in sentiment down there?

Mr. Keys: We all agree upon having Chicago as our money centre. 80 to 90 per cent. of the business comes here.

The Secretary of the Treasury: It would be the natural place for you to go, on account of your business relations.

Mr. Keys: Yes. I would suggest, however, that East St. Louis and St. Clair County, and a few of those down there near St. Louis ought probably to be in the St. Louis district. Like Mr. Payne, I have been banking here for 40 years.

The Secretary of Agriculture: Here is a document from

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Hollister, Vice-President of the National Bank at Grand Rapids, and from Mr. Waters, advocating Chicago as the location of a Reserve Bank in Michigan. That may go in the record.

(The paper is as follows):

"Chicago, Illinois, January 20, 1914.

To

The Reserve Bank Organization Committee:

Gentlemen:

Mr. Dudley E. Waters and myself, informally representing the National Banks of the City of Grand Rapids, Michigan, were present to urge the inclusion of Michigan in the Chicago Federal Reserve District. In their own city the banks represent capital, surplus and undivided profits aggregating seven millions of dollars, deposits to the amount of thirty-five millions. These banks represent the western part of the State of Michigan particularly, but so far as our observation goes we can speak for the entire State that the natural trend of business is towards Chicago rather than toward any other point. This is particularly true of the western portion of the State and the Lake Shore district, which is the natural highway of communication with

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Chicago. The trade and transportation facilities are such that it would cause a serious diversion of business to attempt to send it in any other direction in any large volume. Under the present State law of Michigan it is not possible for the State and savings banks, as yet, to become a part of the Federal Reserve System, but undoubtedly the State law will be so amended that this can be brought about at an early date, and it is our opinion that many state banks, when given the privilege, will join the national association.

Very respectfully,

(Signed) Clay H. Hollister,
V. Pt. Old National Bank.

(Signed) Dudley E. Waters,
Chairman of Board,
Grand Rapids
National City Bank."

The Secretary of the Treasury: From St. Joseph we have been asked to hear Mr. Forbes.

STATEMENT OF R. T. FORBES.

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

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Forbes: R. T. Forbes, President of First National Bank of St. Joseph.

The Secretary of the Treasury: We expectedto hear St. Joseph at Kansas City.

Mr. Forbes: So you did, but the Clearing House sent us here to ask that we be attached to the Chicago territory. We are unanimous in that request. The banks of St. Joseph feel that their business is in Chicago territory and that all of their settlements practically come to Chicago and the trade lines all run to Chicago andour railroads all run to Chicago.

The Secretary of Agriculture: How many banks do you represent?

Mr. Forbes: In the Clearing House, five.

The Secretary of the Treasury: Five national banks?

Mr. Forbes: Four national banks and one state.

The Secretary of Agriculture: What percentageof your businessgoes to Chicago?

Mr. Forbes: Banking business?

The Secretary of Agriculture: Yes.

Mr. Forbes: Well, I should say at least 75 per cent of it.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of Agriculture: And what part to Kansas City?

Mr. Forbes: In what sense do you mean?

The Secretary of Agriculture: Do you keep exchange balances there?

Mr. Forbes: Kansas City not being a reserve city, our reserves are not carried there.

The Secretary of the Treasury: We were speaking of exchanges with Kansas City as against Chicago, for instance.

Mr. Forbes: The exchanges with Kansas City as compared to Chicago are vastly in the minority. I should judge maybe 25 per cent. of our exchange businesswould go through Kansas City.

The Secretary of the Treasury: Do you keep your reserves largely in Chicago?

Mr. Forbes: Yes.

The Secretary of the Treasury: How much do you keep in St. Louis?

Mr. Forbes: We keep a part of our reserves in St. Louis for collection purposes, our southern items, in southeastern Illinois.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: What percentage should you say?

Mr. Forbes: I could not answer that. I have not figured the percentage.

The Secretary of the Treasury: What part do you keep in New York, of your reserves?

Mr. Forbes: Just enough to meet our exchange requirements; that is to say, the balances carried in New York are not heavy balances, merely to meet the drafts we draw from day to day.

The Secretary of Agriculture: Are your trade connections close with Kansas City?

Mr. Forbes: No, sir.

The Secretary of Agriculture: They are much closer with Chicago?

Mr. Forbes: They are more intimate with Chicago.

The secretary of the Treasury: This is a question of depositing a part of your reserves in a particular point, and having a depositary somewhere accessible, for re-discounting operations in times of necessity, withthe Reserve Bank. To incorporate St. Joseph in the Chicago district, would necessitate taking the northern part of Missouri and adding

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

it to that district.

Mr Forbes: Yes.

The Secretary of the Treasury: Is there any demand that the state should be separated in that fashion?

Mr. Forbes: It is from our district.

The Secretary of the Treasiry: But I am speaking about the northern line of Missouri, with a line drawn south of St. Joseph, for instance, would you say that district wants to be attached to a district of which Chicago should be the headquarters?

Mr. Forbes: Yes, I should say so, on account of the mail service and natural development of that territory. We believe that the territory along the St. Joseph & Hannibal Railroad from St. Joseph to the Missouri River and that part lying north ought to come into Chicago territory for the reason that trade development is with Chicago.

The secretary of the Treasury: The establishment of this bank will not interfere with your normal exchanges in business with your correspondent banks. You of course, understand that. The Reserve Bank will hold a part of your reserves, and it will be utilized for certain purposes by member banks only.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Forbes: Yes.

The Secretary of the Treasury: Now would you not be as well served in that regard with a Reserve Bank established at Kansas City or St. Louis?

Mr. Forbes: Well, I doubt it, for the reason that we are a pretty heavy settling point on eastern exchange, and it just a question of the speculation of the exchange drafts that we issue.

The Secretary of the Treasury: But suppose there is a parring of exchange between all those Reserve Banks, is not that going to materially change that situation?

Mr. Forbes: It will, except as to time. Of course --

The Secretary of the Treasury: But you will have a system of check collections here and exchange passing at par between the different Federal Reserve Banks. The bill contemplates some such thing. Assuming that that were done, would not the necessity of which you speak largely disappear?

Mr. Forbes: That is possible. We understand that the principal reason we have for making this request is that the established trade is with Chicago. The bulk of our trade runs to Chicago. Our packing houses are there, and it gives us an abundance of Chicago and eastern exchange;

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

and in our settlements through our clearing houses we settle on exchange and we have to settle on practically a Chicago basis. The banks at the present time are almost prohibited from taking Kansas City exchange.

The Secretary of the Agriculture: Your business men look where?

Mr. Forbes: To Chicago.

The Secretaryof Agriculture: They would not look with much favor of being attached to any other city in that region?

Mr. Forbes: No, sir.

The Secretary of Agriculture: St. Louis, Kansas City, Omaha, or any of them?

Mr. Forbes: No. We can best illustrate that in this sense, that the question was asked of five members of the Clearing House how often they had been to St. Louis on business in the past three and a half years, and I do not think there has been a member of the St. Joseph banks who has been to St. Louis on actual business for three years.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The secretary of Agriculture: How would they look on Omaha?

Mr. Forbes: We have no second choice.

The secretary of Agriculture: Is there any large relation between St. Joe and Omaha?

Mr. Forbes: No, those territories are rather built up independently, and depending mostly on Chicago. We are not asking for anything except to be attached to the territory -- the figures I have prepared are of little consequence, I presume, to the Committee.

The Secretary of the Treasury: They may be filed as an exhibit to your testimony.

Mr. Forbes: I will file them later.

The Secretary of the Treasury: You can file them later/

Mr. Forbes: But they are of little consequence in that respect except to show the volume, perhaps, that comes that way.

The secretary of Agriculture: You do show that.

Mr. Forbes: We will show it. I have only had the capitalization here, and in taking in this territory that lies above that line of railroad, it is rather significent from the standpoint of the capitalization. There are only about

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

twenty-five national banks in it, and outside of St. Joseph they are all small country banks, five banks in St. Joseph, and about twenty national banks in the territory.

The Secretary of Agriculture: What is the understanding in Missouri as to the ability of the state banks to subscribe? There is a difference of opinion there, is there not?

Mr. Forbes: There is a difference of opinion as to the legality of the subscription, but the Attorney General has ruled that they may subscribe.

The WSecretary of Agriculture: The Attorney General has?

Mr. Forbes: Yes, sir, the Tax Commissioner has recommended that the banks subscribe. Some have advocated that the resolution be adoptedby a stock vote, authorizing the subscription, and I believe that the state banks of Missouri will eventually come into the system, and the larger ones will come in now.

The Secretary of Agriculture: When did the Attorney general render that opinion?

Mr. Forbes: Some two or three weeks ago.

The Secretary of Agriculture: If you will have that prepared, and file it, it will be an exhibit to your test-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

imony.

Mr. Forbes: Yes, sir.

The Secretary of Agriculture: Thank you very much.

I believe there is a committee from Indianapolis which would like to be heard.

Mr. Stalnaker: Yes, sir.

The Secretary of Agriculture: Which one is to be heard first?

Mr. Stalnaker: Mr. Malott is here. Mr. Malott is the dean of the bankers.

The Secretary of Agriculture: Suppose he comes first.

STATEMENT OF VOLNEY T. MALOTT.

The Secretary of the Treasury: What is your full name, Mr. Malott?

Mr. Malott: Volney T. Malott, Chairman of the Board of Directors of the Indiana National Bank, which bank I represent at this conference.

The Secretary of the Treasury: Do you represent the clearing house, too, Mr. Malott?

Mr. Malott: I cannot say -- not, of course --

The Secretary of the Treasury: The Clearing House has no

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

committee here, has it?

Mr. Malott: None that I know of. I have been president until this year of the clearing house for many years.

The Secretary of the Treasury: Now, Mr. Malott, I presume you want to tell us, or give us your views as to what should be done with Indianapolis or Indiana, or both.

Mr. Malott: Both/ Indianapolis is the geographical and financial center of the State of Indiana. It is a great railroad center, as you know, and a great manufacturing center. We have more than two thousand industries, great and small. The great outlet --

The Secretary of the Treasury: Will you speak a little louder?

Mr. Malott: The great outlet for this manufacturing business is largely through this gateway. I have been connected with the banking business of the city of Indianapolis for more than fifty years. My connection with banking antedates the establishment of the national banking system, and I had an opportunity of observing the development and trend of the business of our city and state, and I wish to say to you gentlemen that it is largely in this direction, the drift of our business is largely in the direction of Chi-

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

cago.

The Secretary of the Treasury: Have you any means, or have you made any estimate of the percentage of business from Indianapolis, and through northern Indiana, that comes to Chicago, or through this gateway?

Mr. Malott: No, but I would beglad to have the privilege of furnishing it.

The Secretary of the Treasury: We should be glad to have your clearing house or your banks, in any way that you see fit, prepare some data on that subject, and file it with the committee, so that we may be able to give it consideration. What we particularly would like to know, Mr. Malott, is where the normal course of business is.

Mr. Malott: I understand.

The Secretary of the Treasury: And what would most conveniently serve the interests of Indianapolis and the state of Indiana in the adjustment of these districts.

Mr. Malott: I will be glad to give you that.

The Secretary of the Treasury: Can you tell us now what percentage of your reserves are carried in Chicago?

Mr. Malott: No, I cannot.

The Secretary of the Treasury: Do you carry the bulk of

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

them in Chicago or New York?

Mr. Malott: We carry more in Chicago than wedo in New York, in fact, the business relations between our city and Chicago are greater or closer than those with any other city.

The Secretary of Agriculture: How are your relations with Cincinnati?

Mr. Malott: We do comparatively little business with Cincinnati. Our business does not go in that direction. It comes largely in this direction.

The Secretary of the Treasury: North?

Mr. Malott: North.

The Secretary of the Treasury: How about St. Louis?

Mr. Malott: Not nearly so great.

The Secretary of the Treasury: Do you do more with St. Louis than Cincinnati?

Mr. Malott: Yes, comparatively little with Cincinnati. If I should roughly estimate the business of Indianapolis with New York, Chicago and St. Louis, I would say that about three-sevenths of our transit business is in Chicago.

The Secretary of the Treasury: About what proportion?

Mr. Mallott: About three-sevenths perhaps two sevenths with New York, one-seventh with St. Louis and one-seventh

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

divided, possibly between Louisville and Cincinnati.

That is a rough estimate.

The Secretary of Agriculture If a bank were stationed at Chicago and one at St. Louis, would you include the whole of Indiana in the Chicago district?

Mr. Malott: I think it should be, from the fact that the trend of trade is in that direction largely. We have railroads west of Indianapolis extending to Evansville, to New Albany on the Ohio River, and largely in this direction. I think the whole state should be included.

The Secretary of Agriculture: How about Terre Haute?

Mr. Malott: Terre Haute is very intimately connected with Chicago. I have a good idea of the business of Terre Haute having been the Receiver of the Vandalia System of Railroads running through Terre Haute, for more than eight years.

The Secretary of Agriculture: We would appreciate it very much if you would give us the data the secretary asked for.

Mr Malott: I would be very glad to do so.

The Secretary of Agriculture: As an exhibit to your testimony?

Mr. Malott: Yes, sir.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The Secretary of the Treasury: If you will send that to Washington to the Reserve Bank Organization Committee, we will be glad to give it consideration when we return there. That will give you ample time to go into the question thoroughly.

Mr. Malott: I want to say that the bank that I am connected with handles about fifty millions of dollars of foreign items, transit items, a month.

The Secretary of Agriculture: You have been in touch with that situation for a great many years?

Mr. Malott: I have been in touch with the situation there for more than fifty years. I was connected with the old Branch Bank of the State of Indiana, as one of the officers, and a director in my youth; organized the Merchants National Bank, of which I was President, in 1865, and in 1882 I became President of the Indiana National Bank, and until a year ago last July was president of that institution, and I became Chairman of the Board of Directors.

The Secretary of Agriculture: We would be very much obliged, Mr. Malott, if you would have any information that you can get for us along the same line bearing upon the state situation as a whole, through your State Bankers' Associa-

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

tion, --you might collaborate with them, or co-operate with them in giving to us such information as will bear upon this subject.

Mr. Malott: Thank you, I will be very pleased to do so. Thank you.

STATE OF FRANK D. STALNAKER.

The Secretary of the Treasury: Mr. Stalnaker, do you desire to be heard?

Mr. Stalnaker: Just merely to add to what Mr Malott says. I am president of the Indiana National Bank. You asked Mr. Malott one question about what proportion of our reserves was carried in Chicago, and the reserves we carry in other banks. We carry about one third in Chicago.

The Secretary of the Treasury: Where do you carry the other two-thirds?

Mr. Stalnaker: We carry it in New York and St. Louis.

The Secretary of the Treasury: I notice that you gentlemen are representing only one bank here. Are you speaking for anything but your bank?

Mr. Stalnaker: No, sir.

The Secretary of the Treasury: What is the sentiment among the other bankers of the city?

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Stalnaker: I understand that we would like -- all of us would like very much to be attached to the Chicago district, because business flows that way.

The Secretary of Agriculture: Will the clearing house or the banks as a whole give us an expression of opinion?

Mr. Stalnaker: I am sure they will, and I am sorry that their attention was not called to itbefore.

The Secretary of Agriculture: We expect to give Indianapolis a hearing later at some point.

Mr. Stalnaker: We will be very glad to be heard.

The Secretary of Agriculture: We may give you a hearing and we probably will give you a hearing at Cincinnati on our return. We are going to hold a session at Cincinnati, and we could hear Indianapolis at Cincinnati, possibly the 17th of the month, or Cleveland on the 18th.

Mr. Stalnaker: We have a great many friends in Cincinnati and we wiuld rather tellwhat we know here than to go down there, because we want to be attached to this district. We would not want to be talking against Cincinnati.

The Secretary of the Treasury: You would not be talking against them, simply presenting your views. They will hear of it, no matter whether you present it or not.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mr. Stalnaker: We will be glad to have a hearing, and I am sure our clearing house will prepare themselves.

The Secretary of the Treasury: We will have, as I understand it, a hearing at Cincinnati on the 16th of February, but if you prefer not to be heard, and merely to submit a brief, we shall be glad to have that.

Mr. Stalnaker: Yes sir; we will be very glad to have the privilege of being heard.

The Secretary of the Treasury: Certainly, we expect to give you an opportunity to be heard.

The Secretary of Agriculture: If you are comingthere, you might have that brief with you when you come to Cincinnati.

Mr. Stalnaker: We will have it prepared.

The Secretary of the Treasury: I suppose no one else desires to be heard on this question, in view of that arrangement, Mr. Stalnaker.

Mr. Stalnaker: No, sir.

The Secretary of the Treasury: I presume it will be unnecessary to hear anyone else now.

Mr. Stalnaker: No, sir.

The Secretary of Agriculture: Here is a letter from a

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

national bank in Muskegon, asking that they be attached to the Chicago Federal Reserve Bank.

The Secretary of the Treasury: This will be incorporated in the Record.

(The said letter is as follows)

"Chicago, Illinois, January 20, 1914.

To

The Reserve Bank Organization Committee.

Gentlemen:-

The capital and surplus of the Muskegon, Michigan, banks amounts to $670,000, including the national banks and the savings bank. I have read over the communication handed in by Mr. Waters and Mr. Hollister, representing the Grand Rapids banks, and as we are situated about the same as they are, I agree with the view they have taken of the matter and heartily endorse Chicago as the location for a Federal Reserve Bank. Taking into consideration that west Michigan has been in the habit of doing about two-thirds of their business through Chicago, it would inconvenience us very much to have the Regional bank located anywhere but Chicago.

Respectfully,

George A. Abbott, Cashier.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Frank D. Stalnaker,

Hackley National Bank.

Muskegon, Michigan.

The Secretary of the Treasury: Before the Committee adjourns we should like to say that of anyone here desires to be heard to offer any new facts that will have any bearing upon this situation, we will give them an opportunity.

STATEMENT OF L. M. WING.

The Secretary of the Treasury: Do you desire to be heard?

Mr. Wing: Yes, sir.

The Secretary of the Treasury: You name?

Mr. Wing: E. M. Wing, La Crosse, Wisconsin, representative of the Batavia National Bank.

We are in a debatable territory, and if there is a regional bank placed at St. Paul or Minneapolis, we would like to go on record as wishing to be included inthe Chicago district.

The Secretary of the Treasury: Where are you, in the southern or northern part of Wisconsin?

Mr. Wing: In the western part.

The Secretary of the Treasury: What is the Place?

Mr. Wing: La Crosse.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

E. M. Wing.

The Secretary of Agriculture: Right on the Southeast corner.

Mr. Wing: In here (indicating on map.)

The Secretary of Agriculture: You want to go to Chicago instead of to St. Paul or Minneapolis?

Mr. Wing: Yes we are nearer St. Paul or Minneapolis; but 75 per cent of our business is done with Chicago and that is our natural center.

The Secretary of the Treasury: Are you speaking of La Crosse as a whole, or just this bank?

Mr. Wing: I thought Mr. Burton of the other national bank was here, but if not, I will say that we agree on this.

The Secretary of Agriculture: Are there state banks there?

Mr. Wing: There is one state bank there that is eligible.

The Secretary of the Treasury: Why don't you submit your views in writing to the Committee?

Mr. Wing: We can do that. I wanted to briefly make this statement.

The Secretary of Agriculture: Suppose you submit a written statement and we will attach it to your testimony.

Digitized for FRASER
http://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

J. L. McCulloch.

STATEMENT OF J. L. McCULLOCH.

The Secretary of the Treasury: Please give your name and residence Mr. McCulloch?

Mr. McCulloch: J. L. McCulloch, President of the Marion National Bank, Marion, Indiana.

The Secretary of the Treasury: Are you still President of the Indiana State Banker's Association?

Mr. McCulloch: I am not. In September I went out. I am still Chairman of the Currency Committee, unfortunately.

The Secretary of the Treasury: You heard the suggestions here of Mr. Malott?

Mr. McCulloch: Yes, sir.

The Secretary of the Treasury: I think it would be well if the Indiana Banker's Association would take up this question and submit to the Committee such facts and data as will be useful in determining just what arrangements should be made with respect to Indiana.

Mr. McCulloch: That would come under our Committee, of which I am chairman.

The Secretary of the Treasury: Will you take that up and either appear before us at Cincinnati on the 16th, or send

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

W. L. McCulloch.

such a brief to us at Washington?

Mr. McCulloch: Certainly.

The Secretary of Agriculture: As to what arrangement would best serve the different parts of the state, and the whole state.

Mr. McCulloch: Do you mean as to what they should be attached to?

The Secretary of the Treasury: What district Indiana should become part of.

Mr. McCulloch: We will be glad to do that.

The Secretary of the Treasury: You do not necessarily have to put the whole state into one district. The committee has the power to disregard state lines.

The Secretary of Agriculture: To serve the convenience of the different parts of the state.

The Secretary of the Treasury: Yes, and the general courses of business in the state. Incidental to that, of course, you have to assume that the country is going to be divided into certain districts, in order that you may determine how Indiana will fit into the entire scheme. Any suggestions that you may care to submit along that line will be very much appreciated.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

J. L. McCulloch.

Mr. McCulloch: The assumption whether or not St. Louis was to have a reserve bank has a material effect. If it is between St. Louis and Chicago, we could very easily determine.

The Secretary of the Treasury: You can assume the alternative. We don't know where they are going to be. We are trying to get facts now.

The Secretary of Agriculture: That is the reason I asked about Cincinnati.

Mr. McCulloch: It will be more complicated of course if Cincinnati was to be considered as probably getting a reserve bank, otherwise it would be very easy.

The Secretary of the Treasury: Does anyone else desire to be heard. If not, the Committee will now adjourn.

Whereupon at 13:30 o'clock P. M., January 20, 1914, the Committee adjourned.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis