

# STENOGRAPHER'S MINUTES

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THE RESERVE BANK

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ORGANIZATION COMMITTEE.

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

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vs.

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At Kansas City, Mo.

Date January 23, 1914

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THE RESERVE BANK  
ORGANIZATION COMMITTEE.

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

Kansas City, Missouri, January 23rd, 1914.

Ten o'clock A. M.

**PRESENT:**

The Secretary of The Treasury,

The Secretary of Agriculture.

**APPEARANCES:**

P. W. GOEBEL, President, Kansas City Clearing House  
Association.

Dr. JNO. T. M. JOHNSTON, President, National Reserve  
Bank, Kansas City.

E. F. SWINNEY, President, First National Bank, Kansas  
City.

J. H. WILES, Representing, Commercial Club of Kansas  
City.

LEON SMITH, R<sup>e</sup>presenting, Jobbing Interests of Kansas  
City.

M. L. McCLURE, Representing Live Stock Interests  
of Kansas City.

C. Q. CHANDLER, President, Kansas National Bank,  
Wichita, Kansas.

F. P. NEAL, Chairman of Board, Southwest National  
Bank of Commerce, Kansas City.

JNO. A. CRAGIN, President, First National Bank,  
Joplin, Missouri.

J. C. SWIFT, Representing Packing Industry of Kansas  
City.

W. B. KANE, Cashier, First National Bank, Cartersville,  
Missouri.

W. J. BAILEY, President, Kansas Bankers Association.

WILLIAM MEE, President, Oklahoma City Clearing House  
Association, Oklahoma City, Oklahoma.

ELMER E. BROWN, Secretary of Chamber of Commerce of  
Oklahoma City.

JOHN R. MULVANE, President of The Bank of Topeka,  
Topeka, Kansas.

R. A. LONG, Representing the Lumber Interests of  
Kansas City.

W. S. GUTHRIE, President, Oklahoma Bankers Association.

W. B. HARRISON, Secretary, Oklahoma Bankers  
Association, Enid, Oklahoma.

E. L. COPELAND, Representing Railroad of Kansas  
City.

W.R. STUBBS, Lawrence, Kansas.

F. G. CROWELL, Representing Grain, Hay and Flour  
Interests, Kansas City.

J. G. SCHNEIDER, German American National Bank St.  
Joseph, Missouri.

FRED QUINCY, President, Planters State Bank, Salina,  
Kansas.

L. W. DUNCAN, Representing Clearing House, Muskogee,  
Oklahoma.

E. R. MOSES, President, Citizens National Bank,  
Great Bent, Kansas.

T. H. DWYER, Representing Oklahoma Bankers.

GOVERNOR HODGES, of Kansas.

G. R. McCULLOUGH, Representing Clearing House,  
Tulsa, Oklahoma.

CAMPBELL WELLS, Platte City, Missouri.

W. F. RANKIN, Representing First National Bank,  
Tarkio, Missouri.

P. C. DINGS, Representing Guarantee State Bank,  
Ardmore, Oklahoma.

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## PROCEEDINGS.

The Secretary of the Treasury: Gentlemen, the problem confronting this Committee is to divide the country under the Federal Reserve Act into not less than eight nor more than twelve districts, and to locate within each district a headquarters or a Federal Reserve Bank.

This is an economic and not a political problem, and what the Committee is after is facts. We have been obliged to say, everywhere we have gone, that it is not oratory we want but facts, those facts that will enable us to determine, as intelligently as possible, the customary courses of business and what will best conserve the convenience of business throughout the country in the organization of this system.

In view of the limited time at the disposal of the Committee we have to ask the witnesses if they will not confine themselves as far as practicable to the character of information which the Committee desires, and we usually find that we can get that information better by asking questions. Statements which have been prepared, however, especially statements of statistical information, can be filed as exhibits to the testimony of the several witnesses.

We shall now proceed, and I believe this is the list,

is it, of the gentlemen who desire to be heard?

Mr. Goebel: Yes, sir.

STATEMENT OF  
P. W. GOEBEL.

Mr. Goebel: Messrs. Secretaries, the first thing I desire to do is to present to you the brief of our statements, containing all the facts that will be brought out by the witnesses, and the figures contained in it, so far as possible, are official.

The Secretary of Agriculture: Will you, before you begin, give your name and occupation and state what you represent?

Mr. Goebel: P. W. Goebel, president of the Commercial National Bank, Kansas City, Kansas, and president of the Kansas City Clearing House Association.

The Secretary of the Treasury: Are you here as the representative of the Clearing House Association, Mr. Goebel?

Mr. Goebel: Yes, Mr. Secretary.

The Secretary of the Treasury: Now if you will proceed and make such statement as you care to submit, first.

Mr. Goebel: Why, in drawing your attention to the map of

the territory that we have outlined as being proper territory for a national reserve bank to be located at Kansas City, I desire to say that in this territory there are 1,334 national banks, with a capital and surplus of \$155,000,000.00, and with deposits of \$841,000,000.00, and on a six per cent subscription basis would furnish a capital for a federal bank of \$9,300,000.00, and would create a reserve deposit with this bank of \$38,500,000.00.

In the same territory there are 977 state banks and trust companies that are now eligible and have sufficient capital to come into the system any time they want now, and assuming that two-thirds of these would come into the system they would add additional capital of \$3,000,000.00 and additional reserve deposits of \$10,000,000.00, making a bank with \$12,000,000.00 capital and with \$48,000,000.00 of deposits.

In the same district there are state banks that are now not eligible on account of possessing insufficient capital, numbering 3,861, which have capital and surplus of \$63,000,000.00 and deposits of \$294,000,000.00. These are not considered in the figures I have heretofore quoted, but it is, to say the least, likely that at least one-third of

them would make themselves eligible. In fact I know of a great many of those banks that while they have not a sufficient capital, their capital and surplus are more than sufficient, and I do not doubt but what there would be at least \$3,000,000.00 more subscriptions from those now non-eligible banks, and further reserve deposits of about \$10,000,000.00.

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The Secretary of Agriculture: How does the law stand in those states?

Mr. Goebel: In Kansas and Missouri the Attorneys General have held that state banks can subscribe for stock. In Oklahoma I think it is the same, although I am not positive of that, Mr. Secretary, but I know it is in Kansas and Missouri and Nebraska.

The Secretary of the Treasury: How about Colorado and New Mexico, have you any line on that?

Mr. Goebel: I have not any data on Colorado. In New Mexico I understand they can.

The Secretary of Agriculture: Do you know about Texas?

Mr. Goebel: There has been no decision in Texas. I have no doubt, Gentlemen, that in any states where the law is now such that they cannot, that the very next legislature will

remedy that, because I will not hesitate to say, after 30 years' experience in banking in the country and in the city of Kansas City of 12 years, that every state bank of \$25,000.00 and over capital will want to come into the system for many reasons.

The Secretary of the Treasury: They have a simpler method than that; they can nationalize, if they want to.

Mr. Goebel: Well, a great many of the state banks would probably hesitate to do it, because under the state laws they can do things they cannot do under the national law.

The Secretary of the Treasury: A great many have already applied?

Mr. Goebel: Yes; I know. There will be a tendency to do that, but I think a large percentage of the state banks will come in as state banks.

Now there are 18 per cent of the national banks in this district in units, and 20 per cent in units of all banks.

All the banks of Greater Kansas City have total deposits of \$141,000,000.00.

The Secretary of the Treasury: You mean all banks?

Mr. Goebel: Yes, sir; state and national.

The Secretary of the Treasury: How much of that is national

banks?

Mr. Goebel: The national banks have about \$110,000,000.00, of which there are \$66,000,000.00 country bank balances.

The Secretary of the Treasury: What do the country banks aggregate?

Mr. Goebel: \$68,000,000.00. Now of the \$68,000,000.00 I want to draw your special attention to the fact that there are \$17,000,000.00 deposits of other reserve banks that do not come to them as reserves but are kept here because this is the logical place for them to have balances. They leave it here and use it oftener than their deposit in other places. They only keep in the central reserve banks as much deposits as required by law in order to make a 25 per cent reserve.

The Secretary of the Treasury: What is your rule about paying interest on balances? What interest do you pay?

Mr. Goebel: The rule is the maximum on time deposits, 3 per cent.

The Secretary of the Treasury: I am speaking of reserve balances.

Mr. Goebel: The maximum is 3 per cent. It will average probably  $2\frac{1}{4}$  per cent.

The Secretary of the Treasury: Do you collect checks free

also?

Mr. Goebel: We have what we call common charge points on which we all collect exchange because those banks charge every bank in Kansas City exchange. The Kansas City banks only charge their customers exchange where it costs them exchange, and in fact they absorb a great deal of exchange, because one bank in Kansas City may have a par point in the state and another one has not, and they will absorb the exchange in order to equalize.

The Secretary of the Treasury: There is but a very small percentage of items on which charge is made?

Mr. Goebel: Yes.

The Secretary of the Treasury: What would you say it aggregated in the way of interest return on the balances kept by the country banks? I mean what does the free check collection plus the interest paid amount to?

Mr. Goebel: I would say it would be about  $2\frac{1}{2}$  per cent.

The Secretary of the Treasury: You say the interest averages  $2\frac{1}{4}$  per cent. Certainly check collection is worth more than a quarter of one per cent.

Mr. Goebel: I do not think so.

The Secretary of the Treasury: It is estimated in other

cities to be worth anywhere from  $\frac{1}{2}$  to 1 per cent.

Mr. Goebel: Well, you see we have a country clearing house here and we have been trying to get the country banks to reduce their collection charges and have brought this collection charge down a great deal in the last two or three years by sending our checks to the country clearing house. Where the banks probably would have 15 letters to that city we only have one letter.

The Secretary of the Treasury: To what extent do you think you have unduly stimulated deposits in the Kansas City banks by these inducements to country banks? I mean stimulated the carrying of balances here.

Mr. Goebel: I do not believe Kansas City is any more liberal than the cities around us. In fact it is not as liberal.

The Secretary of the Treasury: If no bank anywhere allowed interest on those balances do you think the banks would carry as much here as they now carry?

Mr. Goebel: I think if none of the banks paid interest on balances our country bank balances would be increased materially, because there are a number of inter-urban reserve cities that give better returns than we do.

\$17,000,000.00 of this \$38,000,000.00, as I say, are

balances kept by other reserve cities.

Of the other practically \$50,000,000.00, that does not count as reserve, but there is not over 45 per cent of this required as reserve. In other words, they keep much more here than they are required to keep because this is the home to which it naturally drifts, the gateway of all this country.

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To show how active these deposits are - this is a developing country and, therefore, we have a very small percentage of time deposits, and to show how active these deposits are I only have to say that our average daily clearings are almost \$10,000,000.00, consequently, the clearings for every 14 business days amount to the total amount of deposits, showing you the activity of these deposits, being commercial deposits throughout, and country bank deposits which are commercial in their relation at home.

To further demonstrate that this is the great center for the clearing of country checks I want to tell you we handle every busy day more than 90,000 country items. They come in from all over the territory, are concentrated here, and then are sent out to destination and collected. More than 90,000 for each business day. And in fact, so great are our mail facilities and our opportunity for direct collection

that we collect a large percentage, more than half, of all the country checks of Oklahoma and Kansas for the St. Louis banks. They send them up here because our route is more direct and it reaches the destination quicker and we have a quicker and more direct way of getting to the point.

The banks of Kansas City have, at the last statement, loans of \$103,000,000.00. Of these \$27,000,000.00 were made to and through country banks. You understand that a large per cent of the loans that are extended to the country banks are not regular re-discounts; they are in the nature of excess loans to them. A country bank with \$25,000.00 capital could only make a \$ 2500.00 loan, and they often have a legitimate call for \$3,000.00 or \$5,000.00 loans on cattle or wheat, and these loans are carried by their Kansas City correspondence. So we have \$27,000,000.00 of loans here, and a larger per cent of the loans carried by the Kansas City banks will be eligible for re-discount in the reserve bank than any other center, I think, because the percentage of loans in the Kansas City banks that are secured by collateral of stocks and bonds is exceedingly small. As I say, this is a live commercial community, the entire district which we have designated there as naturally belonging to Kansas City and entitling us to a

reserve bank here.

I want to call your special attention to the diversified interests in this territory, and I want to call your attention to the fact that this reserve bank located at Kansas City will have a demand for re-discounts from its member banks the year around. It will not be a feast and a famine. We have manufacturers and jobbers who require accommodations all the year around. Of course, the dry goods jobbers require larger accommodations at certain times of the year, the grocers at certain other times of the year, but it is well balanced. The packing industries, which are immense here, and of which you will hear later, require accommodations the year around. Then this is the greatest market in the world for stock and feed cattle. The trade from farmer to farmer in cattle is greater in Kansas City than in any other point in the world, and a larger amount of these cattle operations are financed here, because it is the headquarters, so we have a feeder demand that is quite strong in March and April and in October and November.

Then we have a cotton territory down in Oklahoma and Texas that requires large assistance at a time after the wheat crop has been harvested.

Now during June and July and the first part of August it takes an enormous amount of money to finance the wheat crop of Kansas and Oklahoma and southern Nebraska, but the minute the threshing time begins the money rolls in from the country bank to the city here, and that minute the dealers and exporters demand assistance and take the money from the country.

We also have a large corn territory where cattle are fattened on corn and shipped back to this market.

We have a mineral and oil country in southeast Kansas and southwest Missouri and Oklahoma that is the greatest in the United States.

And, as I say, there will be a continuous demand for re-discounts by a reserve bank located here, and there will be no undue demand at any time, unless we should have an extraordinarily large crop of wheat and corn, and then we would be only too glad to use all our energies to finance it.

In this territory there should be located a number of strong branches. There should be two or three in the state of Kansas, at least two in Oklahoma, one in New Mexico, one in Colorado and possibly two or three in the Texas territory that should be assigned to this city.

I have seen the banking power of this city grow in 30 years from a total of \$7,000,000.00 to a total of \$160,000,000.00. I believe the next 30 years the potentialities are immensely greater than they have been in the last 30 years, and I believe, Gentlemen, after you have thoroughly investigated the matter you will come to the conclusion that Kansas City is the logical place for a reserve bank.

The Secretary of Agriculture: What has been the growth of the banking power of the city since 1900?

Mr. Goebel: In the last seven years our increase in deposits has been 57 per cent and our increase of capital and surplus has been over 200 per cent.

The Secretary of Agriculture: Since 1900 have you the facts?

Mr. Goebel: Yes; you will find it right there in our brief.

The Secretary of the Treasury: Mr. Goebel, this district which you have laid out for Kansas City implies that you have considered the other districts that are to be formed?

Mr. Goebel: Yes.

The Secretary of the Treasury: Has this been laid out upon the assumption that you would have eight districts in the country or a larger number?

Mr. Goebel: It has been laid out on the assumption of eight districts, but if you will notice on your map there ---

The Secretary of the Treasury: Yes; I am going to ask you about that.

Mr. Goebel: You will notice that red line. That is on the assumption that there will be nine districts.

The Secretary of the Treasury: Let me ask you this: you take in here about half the state of Missouri, I should judge.

Mr. Goebel: Hardly; about a third.

The Secretary of the Treasury: About a third?

Mr. Goebel: Yes.

The Secretary of the Treasury: And what is the theory upon which you do that?

Mr. Goebel: Because the business centers here. The cattle is shipped here, the hogs are shipped here, the grain comes here and the bank balances are held here.

The Secretary of the Treasury: Have you any statistics to present in this particular territory, and have you defined it by any statement of counties?

Mr. Goebel: Yes; 45 counties in Missouri. There are 380 banks in the 45 counties and they have 773 bank accounts in Kansas City.

P. W. Goebel.

The Secretary of the Treasury: How many counties are there in the state, the total number?

Mr. Thralls: 115.

Mr. Goebel: 115.

The Secretary of the Treasury: Now let us take the state of Iowa here, where you are cutting out the southwest corner. Have you any facts to show that the normal courses of business are to Kansas City?

Mr. Goebel: That we take on the assumption that St. Joseph will be in this district and there will be a branch there, and that territory is directly tributary to St. Joseph, Missouri.

The Secretary of the Treasury: At Chicago we had representatives of the bankers throughout the state of Iowa, and business men, and there seemed to be an absolute unanimity of opinion that the entire state of Ohio should be embraced in the Chicago district.

Mr. Goebel: You see, Mr. Secretary, we have a red line there. That is debatable territory, and they do a large amount of business in St. Joseph.

The Secretary of the Treasury: Take the state of Nebraska, all of which, on the assumption there will be eight dis-

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tricts, you have taken into the Kansas City district?

Mr. Goebel: Yes.

The Secretary of the Treasury: Do you think that the normal condition of business and the interests of business generally in Nebraska would be best served by incorporating that state in the Kansas City district?

Mr. Goebel: The normal courses of business south of the Platte River, which embraces three tiers of counties --

The Secretary of the Treasury: That is on the assumption there will be nine districts, but I am speaking now on the assumption of there being eight districts.

Mr. Goebel: The entire southern half of the state of Nebraska naturally comes here; they keep their bank accounts here. The northern half we take on the assumption that Omaha would probably be in this district. If Omaha is not in this district than we would not lay claim to the northern half of Nebraska. But the southern half is our natural territory.

The Secretary of the Treasury: On the assumption of the system consisting of eight districts you include Omaha and attach it to the Kansas City district. Are Omaha's relations generally with Kansas City or with Chicago?

Mr. Goebel: Chiefly with Chicago, but on account of the

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size the Chicago territory would have, we did not presume, in outlining this map, that it would probably be incorporated in the Chicago district.

#5 The Secretary of the Treasury: You know the Act requires us to have due regard to the convenience and customary course of business in forming these districts?

Mr. Goebel: Yes.

The Secretary of the Treasury: Now would it not do considerable violence to the customary course of business to take Omaha away from Chicago and attach it to Kansas City?

Mr. Goebel: Not at all, because there would probably be a very strong branch at Omaha, and the distance from Omaha to Kansas City is less than it would be to Chicago.

The Secretary of the Treasury: Let us reverse the proposition. Omaha wants to be the headquarters for this district. Now suppose Omaha was made the headquarters and Kansas City was attached to Omaha, would that do violence to the customary course of business?

Mr. Goebel: It undoubtedly would, because, as you see from this map, the great majority of the territory is south and west from Kansas City.

The Secretary of the Treasury: I am speaking of the exchanges

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between Omaha and Kansas City, for instance, because your argument is that with Omaha attached to this district whatever she moves would naturally come to Kansas City and Omaha's exchanges would be with Kansas City. Now the reverse of the proposition is also true.

Mr. Goebel: The exchanges as far as they would be with the central reserve bank would not be with Kansas City. There will be a current of business still to the - if Kansas City gets a reserve bank she will still have large business relations with Chicago and probably with St. Louis on account of collecting facilities of items which would not be eligible for collection in the national reserve bank, such as coupons and notes, and there would still be a considerable trend of business of the cities with each other.

The Secretary of the Treasury: You take in a large part of Arkansas here also?

Mr. Goebel: A small part, Mr. Secretary.

The Secretary of the Treasury: The western part of the state, and you take in the entire state of Oklahoma and the northern part of Texas. Where do these Oklahoma cities and the western Arkansas cities do most of their business today, with Kansas City or with St. Louis?

P. W. Goebel.

Mr. Goebel: The Oklahoma banks undoubtedly with Kansas City.

The Secretary of the Treasury: How about western Arkansas?

Mr. Goebel: We are only taking in western Arkansas along the line of the Kansas City Southern Railway which goes directly from Kansas City to the Gulf, and the most direct mail facilities are along that railway to Kansas City. That is the reason. I will admit it is debatable territory.

The Secretary of Agriculture: You include both Dallas and Ft. Worth, Texas. Your relations with Ft. Worth are much more intimate than with Dallas, are they not?

Mr. Goebel: About the same. The relations are quite intimate with both cities and they both keep accounts here.

The Secretary of the Treasury: Are their relations more intimate with Kansas City than they are with St. Louis - Ft. Worth and Dallas?

Mr. Goebel: I would not say so now, because St. Louis is a central reserve city and Dallas and Ft. Worth are compelled to keep their reserve balances, a large part of their balances, in Chicago, St. Louis and New York.

The Secretary of the Treasury: Those reserves are artificial anyway and they are going to be altered entirely under this system, so I do not think we need to attach too much

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importance to them.

Mr. Goebel: No.

The Secretary of the Treasury: As to the courses of business and trade relationship between those cities, is it more with Kansas City than with St. Louis?

Mr. Goebel: I think so.

The Secretary of the Treasury: Would it be true of Dallas?

Mr. Goebel: I am not sure about Dallas, but I am sure about Ft. Worth.

The Secretary of Agriculture: Ft. Worth is a great stock center?

Mr. Goebel: Yes, sir.

The Secretary of the Treasury: And you think its relations would be more intimate?

Mr. Goebel: Yes, sir. Now take the Panhandle. All the business of the Panhandle comes to Kansas City because they direct railroad service from there, and that is really Kansas City territory. It is a great cattle country down there and there would be at least two-thirds of that business done through Kansas City.

The Secretary of Agriculture: What do you propose to do with the western part of Colorado?

P. W. Goebel.

Mr. Goebel: We thought that probably would have to go to the Pacific Coast, although my own personal notion is we ought to take in the entire state of Colorado.

The Secretary of Agriculture: Do you think that western Colorado business would normally go to the West?

Mr. Goebel: It would normally go to Salt Lake City, assuming Salt Lake City would be a branch of San Francisco.

The Secretary of the Treasury: How are your trade relations with Denver?

Mr. Goebel: The Denver banks keep large balances here.

The Secretary of Agriculture: Do you show that?

Mr. Goebel: Yes.

The Secretary of the Treasury: Have you anything to indicate that in the statistics you have furnished here?

Mr. Goebel: Yes; we will give you those figures. I can give you the balances, but I know the average balance of Denver here in the different banks is over \$1,000,000.00.

The Secretary of Agriculture: You know perhaps, Mr. Goebel, that the Denver people will request the location of a bank there?

Mr. Goebel: Yes; we realize that, but I do not think you

can possibly get a district in which enough capital could

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be raised and enough reserves to take care of the business in the district without doing absolute violence.

The Secretary of Agriculture: Do you think it would create a district that would be normally a center district?

46 Mr. Goebel: Yes.

The Secretary of Agriculture: And your idea is to make a combination of the lending and the debtor sections?

Mr. Goebel: Yes.

The Secretary of the Treasury: Does New Mexico go normally to Kansas City?

Mr. Goebel: I want to draw your attention to the fact that New Mexico has 56 banks in the state and they have 56 accounts in Kansas City.

The Secretary of the Treasury: With the district as you have outlined it here, what would you put in the St. Louis district, assuming a bank is put there?

Mr. Goebel: I would leave in the St. Louis district 70 counties in Missouri, two-thirds of Missouri; I would give them all of Arkansas, unless it be that strip along the Kansas City Southern which, as I say, is debatable territory; I would give them all of Louisiana and south Texas, all of southern Illinois, part of Indiana, Kentucky, Tennessee.

P. W. Goebel.

The Secretary of the Treasury: All of Kentucky and Tennessee?

Mr. Goebel: The question is whether we should go any farther east than the Cumberland Mountains. That seems to be a natural trade barrier, and my judgment would be that east of the Cumberland Mountains would probably go in Baltimore or Washington district.

The Secretary of the Treasury: Have you prepared a large map of the entire country showing the other districts?

Mr. Goebel: I have not prepared that, but I would be very glad to prepare that for you.

The Secretary of the Treasury: You have made an assumption here for this district. Now these districts are naturally inter-related.

Mr. Goebel: Doctor Johnston will present a map.

The Secretary of the Treasury: He has a map?

Mr. Goebel: Yes.

The Secretary of the Treasury: And that indicates this district?

Mr. Goebel: Yes, sir.

The Secretary of the Treasury: Now the argument has been made by St. Louis that that territory should embrace the whole of the state, including Kansas City and Oklahoma and Texas.

P. W. Goebel.

Would or would not Kansas City be equally as well served if the head bank were put at St. Louis and a branch at Kansas City?

Mr. Goebel: It would not, and Mr. Neal, one of our prominent bankers, will give you that later on.

The Secretary of Agriculture: What would you think of the reverse of that, Mr. Goebel, having a headquarters bank here and a branch in St. Louis? Would that be equally undesirable?

Mr. Goebel: That would be equally undesirable. St. Louis should have a reserve bank. It has a territory that does not include any of our territory; it has a diversified territory and would build up a great bank.

The Secretary of Agriculture: What would be your argument, briefly, in defense of the location of two such banks in the state of Missouri?

Mr. Goebel: I want to state to you that part of Kansas City is located in Missouri and part in Kansas. We have not mentioned Kansas City, Kansas. Should there be a little difficulty on account of there being two in one state, Kansas City universally will be perfectly willing for you to locate it on the Kansas side of the line.

The Secretary of the Treasury: It is not a question of

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their being in the same state so much as the matter of the close proximity of the two banks, and of whether they would serve the best interests of business generally.

Mr. Goebel: If you will study our brief and listen to the men who will appear here you will find Kansas City is the natural gateway to the Southwestern country. If you will compare the figures of the deposits in this section between Kansas City and St. Louis, or any other city, you will find it has been coming this way; naturally drifted here; their home is here.

We receive more initial shipments of grain and live stock all and of commodities from this territory which break bulk here; they are unloaded, they are sold and resold, and the finances of the whole proposition are handled here, which makes it the most natural place.

The Secretary of Agriculture: What is the distance from here to St. Louis?

Mr. Goebel: 277 miles.

The Secretary of Agriculture: What is the fastest time?

Mr. Goebel: We leave here at 9 O'clock in the evening and get to St. Louis at 7:30 the next morning.

The Secretary of Agriculture: What is the time in the day?

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P. W. Goebel.

Mr. Goebel: About the same time.

The Secretary of Agriculture: It is farther than from Boston to New York?

Mr. Goebel: Yes.

The Secretary of the Treasury: And what is the time from here to Denver?

Mr. Goebel: The time from here to Denver is 18 hours.

Mr. Thralls: You leave at 6 o'clock and get there at 12.

Mr. Goebel: 18 hours. I want to draw your attention to a map in this brief that you will find gives these distances very concisely.

The Secretary of the Treasury: Mr. Goebel, if you included that part of Nebraska south of the Platte River and Arkansas in the district as you have outlined it, what have you figured that the banking capital would be and the banking power this bank would have, including capital and surplus? What have you figured that, south of the Platte River?

Mr. Goebel: It would reduce it about one-fourth.

The Secretary of the Treasury: Have you any exact data on that?

Mr. Goebel: Yes, sir.

Mr. Thralls: It would make a banking power of \$8,128,000.00.

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P. W. Goebel:

The Secretary of the Treasury: What would its resources be in the way of reserve deposits?

#7 Mr. Goebel: I am speaking only of national banks.

The Secretary of the Treasury: I understand.

Mr. Goebel: The deposit would be, on the 6 per cent basis, \$34,000,000.00.

The Secretary of the Treasury: \$34,000,000.00 deposits?

Mr. Goebel: Yes, sir. Now, the same computation on state banks that would come in as I made before, which is not doing violence - I think I have it too low rather than too high; I wanted to be conservative in those figures - we would have a capital of \$12,000,000.00 with deposits of \$46,000,000.00.

The Secretary of Agriculture: Mr. Goebel, what would it be in 10 years?

Mr. Goebel: We have grown so rapidly in the last 10 years that I fear ---

The Secretary of Agriculture: Probably double it, would you not?

Mr. Goebel: Yes.

The Secretary of Agriculture: You have doubled in the last 10 years?

Mr. Goebel: In the last seven years we have increased 53

P. W. Goebel.

per cent.

The Secretary of the Treasury: Is Kansas City growing as rapidly? I mean is the normal rate of growth being maintained?

Mr. Goebel: Yes; the average rate of increase from year to year. Say the September call last year has shown about \$10,000,000.00 increase. On account of the corn crop failure in our territory this last year it may not increase quite so much this year, but if the wheat crop matures as it promises now, it will more than make up for it in the last six months of the year.

The Secretary of the Treasury: I think it would be well for Doctor Johnston to come with his map now.

## STATEMENT OF DR. JOHN T. M. JOHNSTON.

The Secretary of Agriculture: Dr., will you give your name and occupation?

Mr. Johnston: John T. M. Johnston.

The Secretary of Agriculture: Do you represent any association here?

Mr. Johnston: President of the National Reserve Bank.

The Secretary of Agriculture: You know our problem, Dr. Johnston?

Mr. Johnston: Yes, sir.

The Secretary of Agriculture: And we understood that you have laid out the entire country into districts in a tentative way?

Mr. Johnston: Yes, sir.

The Secretary of Agriculture: Would you let us see your map?

Mr. Johnston: Yes, sir.

The Secretary of Agriculture: Just make any statement you wish.

Mr. Johnston: I would like, first, to make a statement, then I have some questions to answer in regard to these figures. I would state, Secretary McAdoo, when you requested

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me to divide the United States into not less than eight, nor more than twelve Federal Reserve Bank districts looking to an absolutely fair adjustment in the real spirit of the measure: that is, locating the Federal Reserve Banks where they can best and most naturally serve the entire country with absolute justice to all, I did not realize the difficulty of the task.

Before going into the matter, I had to decide upon the proper viewpoint of the undertaking and the fundamentals of the bill as a working basis. I believe in the administration's insistence that the measure should not be constructed solely as a bankers' bill, but for the best interests of all legitimate enterprises in the United States, commercial, agricultural, industrial, financial. In solving the Federal Reserve locating problem the same idea has been kept in mind, so I have marked out the districts with this thought.

As to fundamentals,-

The first step is to decide the number of banks, whether eight, nine, ten, eleven or twelve.

The second is due consideration of the natural courses of commerce,- the existing trends of trade, and according to the bill not to adhere to the lines of any state or states

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when business currents run counter to, or along state lines.

Another fundamental to consider when working in sympathy with the crux of the system, is the decentralization of money power; that is, to distribute the Federal Reserve Banks so as to make them as near the same size as is consistent with the highest business interests of the country, but in no case, locating any one of them/<sup>so</sup>as to injure any section.

Fourth fundamental- Regional districts should be as near as possible self-supplying self-sufficient. I feel that <sup>making the map,</sup> is about our viewpoint of/dividing the country, that each district should be, as near as possible, self-supplying and self-sufficient.

Working from this basis has caused me to re-adjust the districts several times. For instance, I placed New Orleans as a city entitled to one of the Federal Reserve Banks, thinking that the Panama Canal accentuated that location, but upon investigation and analysis, I was compelled to eliminate this city for the reason that the vast credit requirements of the south which focus at a single season, make it imperative that southern states extend their districts far enough north to insure in each,

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the proper balancing of banking resources and of demand and supply at a given time. Also the northern and western districts should extend southward to include territory having unusual demands at different seasons, in order that the banking resources of each Federal Reserve district may suffice to supply the needs of that district.

I realize that while the system has the power through the Federal Reserve Board to compel one Federal Reserve Bank to supply the needs of another in stress or emergency, at the same time this only supposed to be given in unusual emergencies, so unusual that it requires a vote of five of the Federal Reserve Board to do it.

After solving the problem of making self-supplying districts to include the territory having heaviest seasonal demands to such an extent as would render to all the utilization of our banking resources as nearly equal as possible, we then have less difficulty in apportioning the remaining districts in which credit demands are more uniformly distributed throughout the year.

In these sections of the country -- that is, those that are not accentuated south and north -- in these other sections of the country greater regard may properly be

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observed as to the convenience and the customary course of business. Therefore, in the eastern districts, it would seem that the divisions should adhere to the spirit of the law in its intent of decentralization, but in no case should the system as a whole be constructed without due regard to the strength and efficiency of the system as a whole, as the greatest advantage of every bank in the country and of every city and of every section will be more fully realized by the success of the Federal Reserve system as a whole.

Working on this basis, I submit a division of the territory for eight banks, one for ten and one for twelve. You would note from the figures on the maps, that the capital furnished by the National Banks will be entirely sufficient even for the twelve, save in the case of Denver and Seattle. In Government, 6 per cent on about two millions of capital, and in the case of Seattle, about a million and a half.

I should like to call your attention, Messrs. Secretaries, to the facts and figures given in regard to the population of these Federal Reserve cities and particularly the percentage of growth according to the census of 1910. The percentage of growth of Washington from 1900 to 1910 according to the last census is 19 per cent; New York 38 per cent; Chicago

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38-7 per cent; San Francisco 21-6 per cent; St. Louis 19-1/4 per cent; Kansas City 51 per cent; Boston 19-6 per cent; Minneapolis St. Paul 39-1/3 per cent.

At the same ratio of increase for the next ten years as in the past ten the population of Washington would be 423,829; New York 5,376,577; Chicago 3,083,849; San Francisco 511,519; St. Louis 965,836; Kansas City 768,703; Boston 860,814; Paule-apolis 767,858.

Should the Committee select nine cities it seems Atlanta should be added to the above eight; if ten, Seattle; if eleven, Cleveland; if twelve, Denver.

You see the point. Here is eight. If we should take nine it seems to me that in justice we should have to take Atlanta; <sup>ten,</sup> if we take/then, Seattle, if eleven, then Cleveland, if twelve, then Denver. And I wish you would notice on the map as the Mississippi River runs from Minneapolis down to New Orleans that on the 8 basis, while less than one-third of the territory is east of the Mississippi and over two-thirds of it is west of the Mississippi, on this eight proposition we have plac ed six either on the Mississippi River or east of it, when it is only one-third space, and then, in the division of twelve, we have given two-thirds still. We have given eight on the

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Mississippi River and east of it and four west. Here the eight have one-third of the acreage and four have two-thirds, And, gentlemen, this two-thirds has greater resources for the future in population, in water power, in minerals, in oil, in agriculture, in all the great resources that make for people and money.

Perhaps I should give a reason for making Washington as the seat or one of the Federal Reserve Banks, I believe the Federal Reserve Bank system can be more intelligently comprehended, and directed more methodically and efficiently by the Federal Reserve Board having under its immediate daily observation the practical operation of a Federal Reserve Bank.

Again the Nation's capital gives opportunity for close observation of the administration and of Congress. Then the capital is a natural mecca for Americans of every vocation and profession. Bankers and all classes of business men are drawn there constantly.

Again the operation of the system can be observed by foreign diplomats, ministers, consuls from all the nations who are stationed at the capital as representatives of their governments, and as this system is the last pronouncement on a monetary measure of any of the world's great nations, I

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believe it will be observed and copied when studied by other nations.

All other nations of the world have their Government Banks located at their capital, and in a large sense, this system organizes the bank of the United States with eight reservoirs instead of one.

If you want to ask me any questions I have just a few explanations of the figures and the districting.

The Secretary of The Treasury: I think you have pretty well covered it here.

Mr. Johnston: I should like to call your attention to this fact, that the proposed Kansas City Reserve Bank District is intensely agricultural and largely undeveloped.

The present epochal agricultural awakening- in which Bankers, as well as Farmers, Agricultural Colleges, Mail Order Houses and the public generally are so insistently enlisted, will double the resources and population of Kansas City's Banking territory in the very near future.

The proposed district for the Federal Reserve Bank of Kansas City includes Kansas, Oklahoma, Colorado and the Panhandle of Texas, which heretofore has been largely a grazing country, but now under recent discoveries of drouth resisting plants

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and grasses, such as milo maze, kaffir corn, federita, peanuts, alfalfa and with the silo method of preservation and conservation marks the beginning of an era of multiplied resources for this regional district, and this movement will be accentuated by the good roads agitation and construction.

I thought I would call your attention to that.

The Secretary of The Treasury: Getting back to the map, you omitted from this district the western half of Colorado'

Mr. Johnston: I put it over across the mountains with San Francisco, after we cross the divide --

The Secretary of The Treasury: Have you any reason for that except the mountain range, or have you studied the normal courses of business in that district?

Mr. Johnston: Really, Secretary McAdoo, the whole of Colorado comes more naturally here than it does there, but you told me in making this to give the other fellow a show, not to be too dog-goned selfish. I think those are the words you said. I was trying to give the other fellow some.

The Secretary of The Treasury: I do not recall that. The language does not sound familiar. However, of course, the point is to divide the country intelligently and with reference to the economic problem, and in doing that we must confine

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ourselves to logical reasons. Now, if the normal courses of business in Colorado would mean that the integrity of that state should be preserved in the division of the country into districts it ought to be done. I just want to get your idea as to whether or not the state should be treated as an entirety.

Mr. Johnston: Well, at first I put Denver with the eight and also New Orleans, and after these figures, which you can study at your leisure, or <sup>I</sup> could call your attention to them-- I found it impossible to include Denver and not force the water to run up-hill.

The Secretary of The Treasury: Now, you include the entire state of Alabama in the St. Louis District?

Mr. Johnston: Yes.

The Secretary of The Treasury: Is not that doing some violence to the general course and trend of the business of the state?

Mr. Johnston: Well, I wanted to be magnanimous with our friend St. Louis.

The Secretary of The Treasury: Well, you cannot be magnanimous. This is a case, as I said before, of perfectly logical treat-

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ment.

Mr. Johnston: Well, if you take in Atlanta, and have nine, of course, it would go with that district, but Atlanta has been in my mind all the time, and we have capital sufficient to take in Atlanta, if you preferred nine, and then Alabama would go to Atlanta.

The Secretary of Agriculture: What would you take in if you were to locate a bank at Atlanta?

Mr. Johnston: That is not put on this map. It would certainly, about something like a district -- I am not doing this scientifically, but roughly; I would take in Alabama and a portion of Tennessee, but not Nashville, because that is St. Louis territory; but I would certainly run across here and take in that territory there (indicating on map) that would be nine.

The Secretary of Agriculture: Just two points, Doctor. The question was raised in the hearings in Washington, that both North Carolina and South Carolina apparently unanimously protested against being connected to any bank to the south or west, saying that their whole course of trade was with the east; they wanted to be connected with some bank to the north, Richmond, Washington, Baltimore, Philadelphia. Now again,

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suppose you were to lay out a district like this, would that be normally a self-sustained, self-sufficient, independent district, or would it be normally dependent?

Mr. Johnston: Any southern district -- the Cotton Belt, in which they have heavy seasonal demands, and it is all over, is almost compelled, or should be under the spirit of this law, where every Federal District is supposed to be self-sufficient and self-supplying, to go up north. I think your point and their point is well taken.

The Secretary of Agriculture: I just wanted to draw out your idea about it.

Mr. Johnston: I think the point is well taken, and I think the Committee, in the spirit of the bill, must follow the course of trade and go where the people who are doing the business can get there most quickly and most conveniently, and where the business goes.

The Secretary of The Treasury: The district you have indicated there for Atlanta would not have adequate banking power.

Mr. Johnston: I think then we would have to run it up and connect it with a northern place. I did not give that

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point any great attention, except looking at the thought that we could take that off and have sufficient capital, four million.

The Secretary of The Treasury: Now, Doctor, disregarding questions of magnanimity, local pride, or prestige, and treating this problem simply as one to be dealt with on the actual facts and what will be best for the entire country, because the success of this system is going to depend upon the proper division of the country into units and the inter-relation of those units, what would you allot to St. Louis and what to Kansas City?

Mr. Johnston: Just what I have done there. I divided it on absolute grounds of the trend of trade, and not on sentiments.

The Secretary of The Treasury: I understood you to say a moment ago you gave Alabama to St. Louis as a matter of magnanimity?

Mr. Johnston: Where are you going to put it?

The Secretary of The Treasury: I do not want magnanimity to figure in it. I want to get the cold facts.

Mr. Johnston: In order to connect it -- now, as to southern cotton raising needing money, needing heavy money at times and none at others, we ought to connect that either

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with St. Louis or bring it over here to Chicago. This very view point that you spoke of at Atlanta was the reason I put it with St. Louis. But connect it with a northern territory.

The Secretary of Agricultural: What would you think about Cincinnati or Louisville?

Mr. Johnston: I do not think Cincinnati or Louisville is to be considered unless you take 13 banks. Then I think that Cleveland is the logical point for two things, first, on account of location and because its increase in the last ten years has been 40 per cent more than Cincinnati. I think tendency forecasts destiny.

The Secretary of The Treasury: Take the Chicago District as you have outlined it, you put the whole state of Ohio in that?

Mr. Johnston: Yes.

The Secretary of The Treasury: Do you think that disturbs the customary course of trade and commerce?

Mr. Johnston: It was my judgment, but I have not the absolute and definite knowledge on the states of Ohio and those eastern states that I have on the southern and western states. I am very familiar with Texas, Kansas, Colorado and all this country; I have been in business here a quarter of

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a century. I do not know Ohio as well as you do. I could not state that, except Mr. George Reynolds told me it naturally came to Chicago, and I think he is an honest man.

The Secretary of The Treasury: Would you imagine for a moment that he was biased in favor of Chicago?

Mr. Johnston: Well.

The Secretary of The Treasury: Doctor, the state of Utah you put with the Pacific Slope.

Mr. Johnston: Yes. All my associates begged me to put Arizona here back with Kansas. The Kansas territory naturally covers so much that I ought to have gone over there, but you said not to be so greedy, and you kept telling me we should give the other fellows a chance.

The Secretary of The Treasury: Doctor, I am afraid your powers of interpretation are not very accurate. What I said was to prepare a map giving your best ideas from the economic problem and from that standpoint only.

Mr. Johnston: That is what I have done.

The Secretary of The Treasury: Now, without reference to greed or anything else, if Arizona ought to be in this district we want to know it.

Mr. Johnston: Yes.

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The Secretary of The Treasury: Now, if those conditions justify placing Arizona in this district, if we consider this as a district, then I should like to have the reasons for it, and I should like to have the same reason with respect to Arizona, Colorado and Utah, because what we want are the facts that will enable us to reach a conclusion.

Mr. Johnston: Now, with regard to Arizona, you take the cattle territory. We have, for instance, a bank that does business with us at Phoenix, Arizona. That is in Arizona. Now, the cattle coming up here from Mexico, about half of them <sup>go</sup> to Kansas and about half of them go over here to San Francisco and Los Angeles. That is a great outlet there for Mexican cattle, and it is difficult to interpret. I think to divide it half and half would be more just.

The Secretary of The Treasury: Before we proceed further, there are a great many people and our time is short. I would like to ask how many you want to speak for Kansas City and I would like to know who are here representing other cities.

Mr. Goebel: The list shows. At present we will only call one more Kansas City banker and later on, if we have the time, we would like you to hear one or two, but just

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now we will only call one more banker, Mr. Swinney.

The Secretary of The Treasury: Have you any Kansas City business men who desire to be heard?

Mr. Goebel: Yes; we have quite a number of them.

The Secretary of The Treasury: We will hear Mr. Swinney now.

## STATEMENT OF E. F. SWINNEY.

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The Secretary of the Treasury: Mr. Swinney, will you give your name and occupation?

Mr. Swinney: E. F. Swinney, president, First National Bank, Kansas City, Missouri.

The Secretary of the Treasury: You know our problem, Mr. Swinney. Now if you will give us your views on this question.

Mr. Swinney: Gentlemen, I have lived in Kansas City and been in the banking business 27 years. I need not go into any explanation as to how I have seen the city grow, but I want to say that we ask for this regional bank here for the reason that it is the natural flow of business to this point. It is just as natural as water flows down hill. And while that map shows a large district - I am free to say to you that in my opinion Kansas City really does not ask for that much, because I believe that we should ask for a district that is compact and that comes here under all circumstances. To my mind, you will have to have a regional bank between here and the Pacific Coast. It is a large jump, as you gentlemen will find when you start across. That being the case, I believe that we should have a bank

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composed of Kansas, Oklahoma and northern Texas between Ft. Worth and Dallas. I lived in Texas for seven years and a half and I am very familiar with the conditions there. The country between these points, a line running to the west, would give us a cattle country and partly a cotton country and would bring an even, balanced district. We should have, I think, a part of New Mexico, possibly east of the Rock Island Railroad; we should have eastern Colorado; I do not say Denver; and we should go on a line south of the Platte River to the 41st meridian, I believe it is, back down the Iowa line over about 50 to 90 miles in Missouri into a district that is absolutely our own and that comes here under all circumstances and cannot be taken away except under inducements that would have to be offered to change it.

The Secretary of the Treasury: Now, Mr. Swinney, in that connection has your clearing house given any thought to this question of the delimitation of the district itself? I mean has the clearing house itself considered the exact limits of the district that ought to surround Kansas City?

Mr. Swinney: Well, the limits that I have mentioned we have discussed quite considerably.

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E. F. Swinney.

The Secretary of the Treasury: I am speaking of where you divide the state. I suppose you would take county lines?

Mr. Swinney: Yes, sir.

The Secretary of the Treasury: Now I should ask if your clearing house will not make a map and submit it to this Committee at as early a date as possible, within the next two weeks, addressed to the Commission at Washington, and show exactly where you put the line in those states, the county lines.

Mr. Swinney: Yes.

The Secretary of the Treasury: Because there is no way with a map like this that we can tell what you have in your minds.

Mr. Thralls: We have that information. The counties are given in the brief.

The Secretary of the Treasury: I understand you are not asking for this district.

Mr. Swinney: In Missouri we do.

The Secretary of the Treasury: Take Colorado - do you name the counties?

Mr. Swinney: Yes; they are all named.

The Secretary of Agriculture: Now you suggested, Mr.

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Swinney, that there ought to be a bank between Kansas City and San Francisco?

Mr. Swinney: Yes, sir.

The Secretary of Agriculture: Do you think you could get a territory there that would be a proper one?

Mr. Swinney: I believe you could, Mr. Secretary. It is a question, though. Denver, of course, is the largest town between here and that point. You could go to the north, I think, and take in Wyoming, part of Montana, Idaho, come down into Utah, and take part of New Mexico and part of Arizona.

The Secretary of Agriculture: That would give you four banks on a straight line west of the Mississippi River. How many banks were you figuring on in that suggestion?

Mr. Swinney: Well, in that suggestion I would figure at least nine and possibly ten.

The Secretary of the Treasury: Is it your idea that the system should begin with the minimum of banks or with a larger number, in your best judgment?

Mr. Swinney: I was originally for four banks, but when I began to locate them it is really hard to place them under ten banks.

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The Secretary of the Treasury: Do you think you would get sufficient capital in each unit to increase the number?

Mr. Swinney: We certainly would in ours.

The Secretary of the Treasury: I am speaking of the rest of the country.

Mr. Swinney: There is no question of any section of the country except this Western section.

The Secretary of Agriculture: Do you think it would be better to locate a weak bank, as you say it would be there now, or to keep it for future consideration?

Mr. Swinney: Possibly you might keep it in abeyance. But they have no use for a large bank in that country. Their needs are not like ours. We have need for a large bank and we can supply ourselves in this district.

The Secretary of Agriculture: Do you know whether Denver is a lending or a borrowing city?

Mr. Swinney: It is a lending city.

The Secretary of Agriculture: Largely?

Mr. Swinney: Yes, sir; except at certain seasons of the year.

The Secretary of Agriculture: Mr. Swinney, the Act provides here in Section 13 - I will just read this section to

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you:

"Upon the indorsement 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 define the character of the paper thus eligible for discount, within the meaning of this Act."

for  
Informal proposals/the law attempted to define, and it was suggested that the law should contain a definition of what commercial paper which would be eligible for such operation should be. This has been left to an administrative interpretation and determination which, of course, gives a better handling of the matter. The Committee has to do everything it can to facilitate the inauguration of this system and to have all the information possible for the Federal Reserve Board when it is organized, and the Committee would be very glad if the Clearing House Association here would consider that matter and submit a brief.

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Mr. Swinney: Very glad to.

The Secretary of Agriculture: Just simply define as to which paper should be eligible under that section.

Mr. Swinney: Yes, sir.

The Secretary of the Treasury: And along with that suggest any uniform form of notes or acceptances, or anything of that kind, that would elucidate the problem.

Mr. Swinney: As you gentlemen know, our paper in this district would be made up larley of paper which reflects the credit of the commerce of the district, such as cattle.

Now I was very glad indeed to see that you gentlemen got in, at the last moment, Mr. Secretary, the clause allowing cattle paper to be re-discounted. That is one of our most important items and there is not any better paper anywhere.

The Secretary of Agriculture: Of course you understand we want you to consider this for the whole country, but your advice will be specially valuable on this section.

The Secretary of the Treasury: You can touch on it from both aspects, not only as a government problem, but with respect to your local district.

Mr. Swinney: I want to say that in this district we do not

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know any paper secured by bonds of the East. The bank I represent has \$17,000,000.00 loans and we have not a dollar of collateral in the bank that would be known in New York City on the stock exchange; it is entirely commercial paper on farm products.

The Secretary of Agriculture: There is a second question that the Committee would like to have the proper committee of the clearing house, or some other committee, furnish us a brief on, and that is bearing on the last paragraph of 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 banks, 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."

Mr. Swinney: Very glad to do so.

The Secretary of the Treasury: That is all, thank you,

Mr. Swinney.

Mr. Swinney: Thank you.

John H. Wiles.

The Secretary of Agriculture: Mr. Wiles of the Commercial Club.

STATEMENT OF JOHN H. WILES.

The Secretary of Agriculture: Please give your name and occupation.

Mr. Wiles: John H. Wiles, vice-president Loose-Wiles Biscuit Company. I am representing the Commercial Club and the manufacturing interests of this city and section.

The Secretary of Agriculture: You know our problem, Mr. Wiles?

Mr. Wiles: Yes, sir; I am familiar with it.

The Secretary of Agriculture: And we want any information affecting the course of trade here and your distribution area and the area from which you receive business.

Mr. Wiles: Mr. Secretary, I have resided in Kansas City for 30 years, during all of which time I have been engaged in one line of business. I have, therefore, had opportunities of knowing the general trend of business coming into this city, and the particular sections from which it originates and flows.

John H. Wiles.

In studying over the district that might well be assigned to Kansas City for service from a Federal reserve bank it occurs to me that it would be quite reasonable and well within the bounds of justice to take that portion of western Missouri west of a line drawn north and south through Sedalia.

The Secretary of Agriculture: May I ask if your views accord with the suggestion on the map?

Mr. Wiles: My views practically accord with the district that is outlined on that map.

The Secretary of Agriculture: Without repeating that, will you just state your reasons for such a district?

Mr. Wiles: In the first place, the 16 trunk lines and the 33 subordinate lines and railroads that run into and out of Kansas City serve that immediate territory more quickly and to better advantage than that of any other commercial city. We are particularly fortunate here in having a splendid distribution for our products.

The Secretary of Agriculture: We are familiar with all that.

Mr. Wiles: Yes, sir; I am not going to quote any statistics.

The Secretary of Agriculture: If you have any exhibit to give us, showing the distribution of any of your business houses of their products, that would be valuable.

John H. Wiles.

Mr. Wiles: Well, I was just going to say that perhaps 70 per cent of the business of our plant is in Kansas City, the volume of which is in excess of four millions of dollars, is within the district embraced by the outlines which you see upon that map.

Now that business comes in here through the natural trend of affairs and without our having to offer any particular inducements to attract it.

The Secretary of Agriculture: That is your distributing area?

Mr. Wiles: That is our distributing area. Now a concern that has been manufacturing and merchandising for a great many years finds, from practical experience, that territory which yields the business with the least resistance. In other words, when a jobber or a manufacturer goes beyond his natural territory he must offer some incentive to turn the trade, an incentive either in price or in terms or in some other manner. Now we have found from experience that the commerce and the business from that section comes naturally into Kansas City. We find that the people from those districts seem to look upon this city as the center of commerce.

The Secretary of Agriculture: Now, Mr. Wiles, we are

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familiar with all that argument. I see that you have here a number of businesses. I assume that you have some very large distributing houses here?

Mr. Wiles: Yes, sir; we have.

The Secretary of Agriculture: It would ~~have~~ have a great deal of time and would be of very great service to us if it were possible for us to have a dozen of your leading houses give us a map indicating the area of their distribution, with percentages, over the territory, with some hint of the volume, shading the map, so to speak, according to the remoteness of the district from Kansas City. Now those maps would tell the whole story very quickly and be a constant reminder to us. Of course it has been one of our duties to interpret such things for a good many years, and if you could give us those facts it would be vastly better than any argument or general statement.

Mr. Wiles: Well, Mr. Secretary, we could very easily prepare that map and show thereon the percentages of business that comes from a prescribed district, but I am confident that when that map is worked out, along the lines of your suggestion, that the principal dates contained in that district will show perhaps 90 per cent of the volume of Kansas City's

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trade.

The Secretary of Agriculture: That is just what we want, and that will not need any interpretation.

Mr. Wiles: I believe I could say offhand for myself and other businesses here with which I am familiar that the facts, the actual facts taken from the records of those businesses, would show that.

The Secretary of Agriculture: Yes. Now in Chicago, for instance, we received a statement showing the receipts from the railroads of the cattle shipments and the area from which the cattle came. In St. Louis we received maps showing the area and density and volume of business of certain of the great distributing houses. I see a number of such industries represented here. It would be very much better instead of having these general statements made if you gentleman who can do so and desire to do so, would, either #14 separately or in conjunction, prepare these maps for us.

Mr. Wiles: We should be very glad to do that for you, Mr. Secretary, but if you will for a moment consider --

The Secretary of Agriculture: Just let me finish the statement.

Mr. Wiles: Pardon me.

John H. Wiles.

The Secretary of Agriculture: And we are not asking for it today or tomorrow. If you will send it to us at Washington it will have full consideration. I just wanted to say that in order to save time.

Mr. Wiles: I was just going to observe that if you would for a moment consider that practically 90 per cent of the territory embraced in that district may be reached by mail from Kansas City in 15 hours you can better understand why that business would naturally flow into Kansas City rather than into some other point.

The Secretary of Agriculture: Well, what we want now is the facts as to whether it does or does not.

Mr. Wiles: What you want is the percentages of the business transacted in that particular district?

The Secretary of Agriculture: Yes.

Mr. Wiles: Do you want that as to any particular industry?

The Secretary of Agriculture: Your typical industries.

Mr. Wiles: Our typical industries, our most prominent industries here?

The Secretary of Agriculture: Yes, sir.

Mr. Wiles: We should be glad to furnish it.

John H. Wiles.

The Secretary of Agriculture: It will save a lot of our time and yours too.

Mr. Wiles: We will prepare such a map and furnish it to the Committee at a very early date.

The Secretary of Agriculture: May I suggest that you can do two things that have been done elsewhere, prepare maps showing the areas of certain of your large typical houses and then a composite map. You can easily see what service that would render. It would show the situation and the facts would be before us.

Mr. Wiles: I feel, Messrs. Secretaries, that I am in a little better position to outline a business district than some other men, for the reason that we have established manufacturing plants elsewhere in the United States with respect to their ability to serve certain territories.

The Secretary of Agriculture: All we want you to do is to do that for us.

The Secretary of the Treasury: Just let us have the map.

Mr. Wiles: I am speaking now of territory outside of the Kansas City district and, as I understand it, we are not here considering any special district, except that which might properly be assigned to Kansas City.

John H. Wiles.

The Secretary of Agriculture: If you will just have those maps prepared for us we will appreciate it.

Mr. Wiles: We will be very glad to have those maps made and file them with you.

The Secretary of Agriculture: Thank you. You will send them to the Committee at Washington, will you, Mr. Wiles?

Mr. Wiles: Yes, sir.

## # STATEMENT OF LEON SMITH.

The secretary of Agriculture: Please give your name and occupation to the reporter.

Mr. Smith: Leon Smith, President of the Smith-McCord-Townsend Dry Goods Company of Kansas City, Missouri.

The Secretary of Agriculture: Mr. Smith, in view of the request that we have just made, is it desirable to take the time here to develop your statement?

Mr. Smith: Well, Mr. Secretary, I do not know that it is unless you would allow me to take my own business as an example, representing all the jobbers.

The Secretary of Agriculture: Yes.

Mr. Smith: I might say, speaking for the jobbers, that I naturally represent a big distribution of merchandise in this southwest territory. For 40 years my company has been engaged in distributing these lines to this southwest territory, and for a like time have been studying territorial conditions and trying to fix the boundary of a territory that they could make profitable.

Now, taking our own organization as an example, we have 72 traveling men who fairly honeybomb this southwest, and they are divided as follows:— I may say that our business, according to the states that we cover is divided as follows:

Leon Smith.

Kansas first, Missouri second, Oklahoma third, Colorado fourth, Texas fifth, Arkansas sixth, Nebraska seventh, New Mexico eighth, in which the percentages work out this way-- a business that is running up into several millions of dollars, the percentages are in this way --

The Secretary of The Treasury: You did not state your business.

Mr. Smith: The wholesale dry goods business.

32 per cent of our business is done in Kansas, 24 per cent in Missouri, 21 per cent in Oklahoma, 7 per cent in Colorado, 6 per cent in Texas, 5 per cent in Arkansas, and so on.

Now, I might say that our travelers, 72 in number, are divided 23 in Kansas, 17 in Oklahoma and 15 in Missouri.

Of course the reasons for that are obvious. We have been working on it for a number of years and we have found we can reach those territories profitably. But you take the eastern markets with whom we compete; take, for instance, a house in St. Louis or Chicago, they would divide the state of Kansas evenly between two salesmen, whereas we have 23 salesmen in that state. And the same thing would apply to Oklahoma. And that brings us in touch; we are meeting more people, we are covering the smaller towns as well as the

Leon Smith.

larger towns, and we go over those states like you would do it with a fine tooth comb. We do not miss anything where there is a store.

The Secretary of The Treasury: All Kansas City people do that.

Mr. Smith: Now, I have maps showing the relative distances from Kansas City to certain towns in the states that are outlined in that boundary and showing the comparative freight rates with St. Louis and Chicago, and I had intended to use those to show you the inducements we used with those mileages in order to get them to trade with us, and they are all in our favor. If you or your colleague are open to a stock of merchandise today I do not think Kansas City would have any trouble to sell you, if you wanted to put it in this territory. We would have the goods, we would have the freight rates in our favor, we would have the time. That means quick service. Merchants only get certain dates, certain terms on their purchases, and if you consume a part of that time in transportation that is lost to them.

I would be very glad to make you these maps and go into that with you, but I can file them as an exhibit, whichever way you like. I have them here.

Leon Smith.

The Secretary of The Treasury: Just file them, would be best.

Mr. Smith: I would like, with your permission, to speak of one industry that is a little out of my line, but I do so with the permission of the manager of the house. I refer to the mail order business of Montgomery Ward. Yesterday the manager of that house furnished me with some data of what they do down here. Now, Montgomery Ward & Company are catering to consumers. In 1905 the parent house conceived the idea of establishing a branch somewhere in the United States where they could secure the best advantages, mail facilities, freight and express. They covered this country pretty thoroughly, and in the end, much to their own surprise, they were forced to locate a house in Kansas City, just 450 miles from the parent house. In this memorandum is shown the business developed in eight years of twelve million dollars or a million dollars a month, spot cash, and all to consumers, and the territory served by this house is within the boundaries described on that map. I have it here.

The Secretary of Agriculture: You have the map?

Mr. Smith: Yes, sir.

The Secretary of Agriculture: Just submit that, will you,

Leon Smith.

Mr. Smith?

Mr. Smith: Yes, sir; I will.

(The map so identified and referred to marked  
Leon Smith, Exhibit No. 1, January 23rd, 1914.)

STATEMENT OF M. L. McCLURE.

The Secretary of Agriculture: Mr. McClure, please give your full name and occupation to the reporter.

Mr. McClure: M. L. McClure. Vice Present of Drumm Live Stock Commission Company, head office at Kansas City, with offices at St. Louis and Chicago. I am also President of the Kansas City Live Stock Exchange.

The Secretary of Agriculture: Mr. McClure, we would like to have any data or any maps which you have prepared showing the distribution area, or the area from which Kansas City draws its trade.

Mr. McClure: I have prepared all my figures and statistics from the map as indicated by the black lines, qualified by the red lines, on the wall. I think I have got all the statistics that could be compiled in the business. I can give the receipts from each of those districts.

M. L. McClure.

The Secretary of Agriculture: Well, we could not remember them, you know.

Mr. McClure: I can file them.

The Secretary of The Treasury: If you will just file them with the Committee it will, of course, have attention.

MR. McClure: Kansas City is the second largest live stock market in the world, coming next to Chicago. The total amount of live stock handled here last year in carlots was 137,000, the total number of all live stock was 37,606,528 head, which is practically about half of what Chicago handled, but Chicago's receipts were made up mostly of hogs and sheep, the Kansas City cattle receipts coming within 200,000 head of Chicago.

The total valuation of this stock sold in Kansas City was \$224,000,000.00.

The packers in Kansas City bought and killed 1,240,862 head of cattle.

Feeder buyers from all over the United States came here and bought 913,271 cattle.

Other packers over the United States, small packers, in small towns, bought the balance of the cattle, 164,758.

The hogs were practically all killed in Kansas City.

M. L. McClure.

Of 913,000 head of cattle that we sold to feeder buyers --

The Secretary of The Treasury: I think you had better just file that, because the Committee cannot carry these statistics in their head.

Mr. McClure: I want to show we sold to Missouri 281,638 head.

The total live stock sold from Missouri was 365,000 and hogs 948,000, or 37,142 carlots of a value of \$fifh-six million dollars.

I have made a comparison with the National Stock Yards in regard to St. Louis. They sold 412,000 --

The Secretary of The Treasury: I do not think it is worth while to read those figures. We cannot carry them, Just file them and we will give it consideration at the proper time.

Mr. McClure: There is another matter. In the matter of the number of cattle in this district, the latest statistics are that there are thirty-five million beef cattle, of which about ten million are in the territory as marked out here on this map, or practically one-third. There are something like twenty million milch cows. We bought one-sixth of them here.

These live stock people are great borrowers of money.

M. L. McClure.

The banks and loan companies and commission men have out annually, standing out practically all the time, over forty millions of dollars in loans to the live stock business, and probably loan<sup>n</sup> during the year over 7seventy million dollars. A good deal of this paper made by the commission houses and loan companies is rediscounted throughout the country.

The Secretary of Agriculture: Could you give us a map, Mr. McClure, which would graphically represent those statistics over the territory that they cover, showing the distribution of your business and the receipts?

Mr. McClure: Yes, sir; I have got that all figured out.

The Secretary of Agriculture: It would enable us to grasp it more quickly?

Mr. McClure: Yes, sir.

The Secretary of The Treasury: Now, Mr. McClure, if you will file that with the Secretary we would like to have it. That you are going to leave with the Committee, are you not?

Mr. McClure: I would like to prepare it in a little better shape.

The Secretary of The Treasury: With a map, and then if you will forward it to the Committee at Washington.

Mr. McClure: I can give those statistics by railroads

M. L. McClure.

too.

The Secretary of The Treasury: You can file that with the map. All of that data you can just send to the Committee.

The Secretary of Agriculture: You see we have got to examine these and it is obvious that we cannot carry them in our heads.

Mr. McClure: I know you cannot.

The Secretary of Agriculture: And the map would help us very much to get hold of it.

Mr. McClure: Well, I will turn this all in.

The Secretary of The Treasury: Thank you.

STATEMENT OF C. Q. CHANDLER.

The Secretary of Agriculture: State your full name to the reporter.

Mr. Chandler: C. Q. Chandler.

The Secretary of Agriculture: Your occupation.

Mr. Chandler: President of the Wichita Clearing House Association.

The Secretary of Agriculture: You are located in south

C. Q. Chandler.

central Kansas, are you not?

Mr. Chandler: Yes, sir.

The Secretary of Agriculture: Mr. Chandler, you know the problem with which we are confronted?

Mr. Chandler: Yes, sir.

The Secretary of Agriculture: We would be very glad to have your assistance.

Mr. Chandler: Mr. Secretary, I have been in the banking business in the state of Kansas for thirty years. Some thirteen years of that time has been spent at Wichita. Wichita is a reserve city and is a banking center for a large territory, including the central, southern and western Kansas, central and northern Oklahoma, and the Panhandle of Texas. We have 14 banks, 4 National and 10 State, with a capital and surplus of \$1,500,000.00 and deposits of \$13,000,000.00.

Over four hundred banks in the trade territory tributary to Wichita carry active bank accounts with the banks in Wichita. The Clearing House Association of Wichita has already indorsed Kansas City.

The natural trend of both banking and commercial business in the district served by Wichita is toward Kansas City. The

C. Q. Chandler.

daily remittances of the banks of Wichita to the banks of Kansas City amount to several hundred thousands of dollars. Our own bank alone carries eight accounts in Kansas City. We have a constant trend of business this way, so much so that it is a question with us to get our money out of Kansas City, because our hogs, our cattle, our wheat, everything, comes to Kansas City.

The securities of the state of Kansas are in the same lines as all territory adjacent to Kansas City, and the directors of a Federal Reserve Bank in Kansas City would be more familiar with the securities of this agricultural and stock growing section than any other place that a bank could be located.

The statement has been made that Wichita and its trade territory might possibly be included in the district of a Regional Bank located at Denver, Colorado. The Wichita Clearing House Association have not taken this statement seriously, believing it is inconceivable that Wichita would be placed in a Regional Bank District in an entirely opposite direction to its natural trade channels. Kansas City is the natural point of clearance for the Wichita district, and the sum total of trade relations between Kansas City

C. Q. Chandler.

and Wichita each year amounts to millions of dollars. We have practically no banking or commercial relations whatever with Denver, and we would regard it as a calamity to be placed in a district served with a Regional Bank located at Denver.

It is the opinion of the Wichita Clearing House Association that the business interests of Kansas, Oklahoma, northwestern Texas and eastern Colorado can better be served by a regional bank located at Kansas City than at any other place. We have in Kansas some 1146 banks and there are over 2,000 accounts kept in Kansas City.

The Secretary of Agriculture: How many National banks?

Mr. Chandler: 213, 181 eligible state banks and trust companies, and 752 other banks. There is a large number of small banks in the state of Kansas that serve small communities that cannot ever expect to come into the Regional Bank, and they must be supplied by a Regional that is in touch with their securities.

As you see here, there are 752 banks that could not come in, and they would be served through Kansas City correspondents which, in turn, would be in touch with the Federal Bank here.

C. Q. Chandler.

The Secretary of The Treasury: In view of the fact that the Act provides that the bank shall establish branches throughout this district, assuming that a Regional Bank should be established for this district only at St. Louis -- I merely put a hypothetical question -- would you not get as good service with a branch bank at Kansas City as with a Regional Bank at Kansas City?

Mr. Chandler: No, sir.

The Secretary of The Treasury: Why not?

Mr. Chandler: Because our mail facilities are so much better with Kansas City.

The Secretary of The Treasury: But you have a branch bank there.

Mr. Chandler: A branch bank at Wichita you mean?

The Secretary of The Treasury: No; a branch bank at Kansas City. Just assume -- this is a hypothetical question -- assume you had a branch at Kansas City and the headquarters bank at St. Louis, your relations, of course, would be with the branch bank at Kansas City.

Mr. Chandler: Certainly.

The Secretary of The Treasury: Would you not get just as good facilities under those circumstances?

C. Q. Chandler.

Mr. Chaddler: I would rather always do business with headquarters.

The Secretary of The Treasury: But if you had just as good facilities what difference would it make?

Mr. Chandler: Well, of course, it would not make any difference, but I don't believe we would get the same facilities with a branch as with a Regional Bank.

The Secretary of Agriculture: Suppose you had one at Wichita?

Mr. Chandler: We would be glad to have it.

The Secretary of Agriculture: Then what difference would it make?

Mr. Chandler: We would be closer to headquarters if we had it at Kansas City.

The Secretary of The Treasury: Under the Act, the Regional Bank would have six directors chosen by the banks themselves, that is, the headquarters bank, and those would be selected by the banks of the entire district and chosen from over the entire district, so that the six directors would not reside only in Kansas City if the head bank was there.

Mr. Chandler: Certainly now. We should hope not.

The Secretary of The Treasury: They would be scattered

C. Q. Chandler.

over the entire district. If the branch bank were at Kansas City the four directors chosen by the Reserve Bank would be more largely familiar with the local conditions to which you refer.

Mr. Chandler: But the directors of the Regional Bank if located at Kansas City would be more familiar with Kansas than the directors of a bank located in St. Louis.

The Secretary of The Treasury: I am speaking of the directors of your branch bank in Kansas City. I say in the very nature of things the directors of the branch bank would be more local to the community than the directors of the headquarters bank.

Mr. Chandler: Of course we would be better represented if we had a Regional Bank here with a branch in Wichita and directors selected from Wichita.

The Secretary of The Treasury: You understand, furthermore, that the Act contemplates a system of bank clearances between these Regional Banks?

Mr. Chandler: Oh, yes.

The Secretary of The Treasury: It will not be so difficult if this went into operation for you to get your balances out of Kansas City. It is not going to be the old system

C. Q. Chandler.

of check collection with the incident delays, and there ought to be a great facilitation of the exchange and commerce, so I think undue significance is attached to the location of the headquarters bank, and it seems to resolve itself largely into a question of local pride. We find in most places that is the main argument advanced.

Mr. Chandler: Just as the Mississippi River flows from St. Paul to the Gulf, just so all business comes to Kansas City.

The Secretary of Agriculture: The suggestion the Secretary makes covers that. We find each place we go is the center.

Mr. Chandler: We are trying to show that Kansas City is the center.

The Secretary of Treasury: As Secretary Houston happily put it not long ago, each city is the center of the surrounding country.

Mr. Chandler: We feel that way about Kansas City.

The Secretary of Agriculture: Have you filed the resolution?

Mr. Chandler: Yes, sir.

The Secretary of Agriculture: That includes the Clearing House ?

Mr. Chandler: Yes, sir.

(The resolution so identified and referred to marked Chandler Exhibit No. 1, January 23d, 1914.)

## STATEMENT OF F. P. NEAL.

The Secretary of Agriculture: Give your name to the Reporter.

Mr. Neal: F. P. Neal.

The Secretary of Agriculture: Your occupation?

Mr. Neal: Chairman of the Board of the Southwest National Bank of Commerce of this city.

The Secretary of Agriculture: Mr. Neal, we would be very glad to have your emphasis on any point that is in your mind.

Mr. Neal: Well, to save time I was asked to say to you gentlemen as to why Kansas City and its territory did not feel that a branch bank was as serviceable here as a parent bank, and just listening to the gentleman who was on the stand, the proposition is always open that we like to do business at headquarters, and the more important, <sup>and</sup> larger the business the more necessary it is to reach headquarters.

We feel that the business of Kansas City naturally, whether it was a parent bank or a branch bank, would be so large that it would be beyond the purview of a branch bank, because we think we have already shown you by statistics filed and by the statements made that a business naturally centers here that would be much more than you might expect any branch bank to undertake. Also, I would say nobody

F. P. Neal.

knows at this time what a branch bank's functions may be.

The Secretary of the Treasury: Well, they are bound to exercise the same function as the parent bank exercises; exactly the same function. It is only a question of the general supervision of the parent bank. By the way, in that connection your telephone service with St. Louis is good, is it not?

Mr. Neal: Yes.

The Secretary of the Treasury: Your telegraph service is good?

Mr. Neal: Yes.

The Secretary of the Treasury: Your train service is good?

Mr. Neal: Yes, sir.

The Secretary of the Treasury: And how are your trade relations with St. Louis, are they intimate?

Mr. Neal: Yes, sir.

The Secretary of the Treasury: Are your relations more with Chicago than with St. Louis?

Mr. Neal: Our financial business, do you mean?

The Secretary of the Treasury: Yes; both financial and commercial.

Mr. Neal: Our financial business is divided between the

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F. P. Neal.

two cities. I think more of it goes to Chicago than to St. Louis in total, but it is pretty evenly divided.

The Secretary of Agriculture: There is no question, I imagine, under the law, that the branch banks will be required to render every service within the law that the community needs. The only difference under the law is the method of selecting directors.

Mr. Neal: Then might I not ask you, Messrs. Secretaries, if a branch bank is sufficient for Kansas City why it is not sufficient for St. Louis and every other city? Why/<sup>not</sup>have but one bank and all the others branches?

The Secretary of Agriculture: We are trying to develop your argument.

Mr. Neal: As I understand the theory of the bill it is that there are sections of the country whose business is homogeneous and so important that it ought to be controlled by a station which holds all its reserves.

The Secretary of Agriculture: Your argument then is that the volume of business here is so vast and important that it would justify the parent bank?

Mr. Neal: I think it demands it. Might I just say one word supplemental of Mr. McClure's testimony? I wanted to

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F. P. Neal.

call your attention to the fact that this cattle industry, this packing industry, is financed in Kansas City in the main.

The Secretary of the Treasury: We may say here, Mr. Neal, for the information of everybody, that no inferences are to be drawn from the questions of the Committee as to the bent of the Committee's mind.

Mr. Neal: We all understand that.

The Secretary of the Treasury: We ask questions to develop facts, that is all. It does not indicate any view, one way or the other, that we have, because we have not any. We are trying to get the information on which to form our views.

STATEMENT OF JOHN A. CRAGIN.

The Secretary of Agriculture: Will you give your name?

Mr. Cragin: J. A. Cragin.

The Secretary of Agriculture: From where?

Mr. Cragin: Joplin.

The Secretary of Agriculture: Are you president of the First National Bank?

Mr. Cragin: Yes, sir; and of the Joplin Clearing House

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John A. Cragin.

Association.

The Secretary of Agriculture: Do you officially represent the Joplin Clearing House Association?

Mr. Cragin: Yes, sir.

The Secretary of the Treasury: Have you any resolutions?

Mr. Cragin: Why, your Committee was sent a resolution from our clearing house on the 14th of this month, bearing the indorsement of every bank in our city. I suppose that has reached you ere this.

The Secretary of Agriculture: Probably at Washington.

Mr. Cragin: I have a copy of the same, however, in my possession. Here is a copy of the resolution that was passed without the signatures. The one that was sent to you had the signatures of every bank, including the Joplin National.

The Secretary of Agriculture: Suppose you read that, if you will.

Mr. Cragin: "Gentlemen: All the banks of Joplin, Mo., unite in asking your favorable consideration of the following resolution, to-wit:

" RESOLVED, That the Associate Banks of the City of Joplin, Missouri, do hereby petition and urge your Honorable Committee to select Kansas City as the location for one of

John A. Cragin.

the Federal Reserve Banks provided for under our new Banking & Currency Law, and that you so arrange this district to include the City of Joplin, Missouri, with Kansas City.

"Our City is the center of a rich and highly productive mineral territory, the output of which amounts to approximately \$15,000,000.00 annually.

"Our Commercial and Financial relations with Kansas City are greater than with any other City and the business of this entire section of the State of Missouri naturally flows in the direction of Kansas City, and we believe a Federal Reserve Bank located there would serve us most advantageously."

That is signed by the Clearing House Association and every bank in Joplin, including the Joplin National Bank by Mr. A. H. Waite, president.

The Secretary of Agriculture: Mr. Cragin, you spoke of the volume of mineral business there. Is that related to Kansas City or to St. Louis or to some Eastern city?

Mr. Cragin: I have a few very short remarks here I would like to read, and then I will go into it in full.

In reference to our city, Joplin is a city of 40,000 population, situated in Jasper county, Missouri, one hundred

John A. Cragin.

and fifty-five miles south of Kansas City, and has seven railroads, to-wit: Missouri & North Arkansas; Missouri, Oklahoma & Gulf; Missouri, Kansas & Texas; Atchison, Topeka & Santa Fe; Missouri Pacific; Frisco, and Kansas City Southern; operating 44 passenger trains in and out daily; five of said railroads operating directly with Kansas City.

Four mail trains from Kansas City reach Joplin in the morning between six and eleven o'clock; one mail train from St. Louis reaches Joplin at 7:40 A. M. In the afternoon we have three mails from Kansas City, and one from St. Louis.

That information I received from the postoffice.

The average bank clearings for the year 1913 were, daily, \$122,804.00; weekly, \$736,825.00; total for the year, \$38,314,905.00.

Joplin has 265 manufacturing industries of different kinds.

The Joplin district is the greatest zinc producing territory in the world. Joplin district zinc ores carry the highest percentage of metallic contents, and is the only zinc ore produced in the United States suitable for the manufacture of sheet zinc. The zinc output for the past

John A. Cragin.

two years was 1,185,224,977 pounds, and the lead output was 186,656,826 pounds, of the total value of \$32,399,840.00.

Jasper county ships more surplus products than any other county in Missouri.

The banks of Joplin - seven in number - feel that they would be serving their best interests by assisting Kansas City in the securing of a Reserve Bank, on account of the close proximity, accessibility, and facilities for rapid and numerous communications. It is possible for a man to leave Joplin in the morning, transact business in Kansas City in the afternoon, and return to Joplin in time to arrive at home the same night.

The Secretary of Agriculture: Is the volume of your mineral business in this direction or in some other direction?

Mr. Cragin: The mineral business is a peculiar business. It takes three tons of fuel to smelt one ton of ore. The result is that it is cheaper to take the ore to the fuel than it is to bring the fuel to the ore. Most of the ores produced in our section go to Oklahoma and to Kansas, either to the gas or to the coal. There is one other large shipping point, and that is in Illinois - in fact two, La Salle and Peru.

John A. Cragin.

The Secretary of Agriculture: Is this business handled through Kansas City or some other city?

Mr. Cragin: It is handled through both. In fact, most of it is handled through Joplin, and we clear it, of course, through either Kansas City or St. Louis as may best suit our purpose.

The Secretary of Agriculture: In which city do you keep your reserves?

Mr. Cragin: We carry over twice as much money in Kansas City as we do at any other point. Some of the banks there carry, they tell me, over three times as much money in Kansas City as they do elsewhere. There is one, and possibly two, banks in Joplin that do carry more money in St. Louis than they do elsewhere, but I only know of two.

The Secretary of Agriculture: I think some gentleman appeared at St. Louis who had signed this resolution and said he really thought the relation ought to be the other way.

Mr. Cragin: You refer to Mr. Waite?

The Secretary of Agriculture: I do not know the name.

The Secretary of the Treasury: Yes; that was Mr. Waite.

You would be equally well served from St. Louis as Kansas City, with a regional bank, I mean?

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John A. Cragin.

Mr. Cragin: In every way, with one exception, and that is accessibility.

The Secretary of the Treasury: What is the difference in time?

Mr. Cragin: About seven or eight hours additional time.

The Secretary of the Treasury: The question of a night, is it not, in either case?

Mr. Cragin: In either case, you say, a night. But I can jump on the train in the morning and come here to Kansas City and transact business and be home in my own bed the same night.

The Secretary of the Treasury: Assume you had a branch in Kansas City you could do the same thing.

Mr. Cragin: If the branch could do the same business that a parent bank could, yes; if it had the same facility, if the branch did not have to refer everything to headquarters.

The Secretary of the Treasury: Well, the seven directors of the branch bank you would look for a good deal of power to be conferred on them, and they would undoubtedly transact a good deal of business without referring the details to headquarters. That is the object of the law.

## STATEMENT OF J. C. SWIFT.

The Secretary of Agriculture: state your name to the Reporter.

Mr. Swift: J. C. Swift.

The Secretary of Agriculture: Your occupation?

Mr. Swift: President of the Swift & Henry Live Stock Commission Company, representing the packers.

Mr. Secretary, I appreciate your problem, and assuming that Kansas City or St. Louis should have a bank, it is the same problem that has confronted the packers for years, because they have houses at both cities. It seems to me the territory they have worked out as the territory that is naturally tributary to the two markets, having houses at both places, is very impressive of their opinion how it should be divided, and I can say to you, in a general way, that the map as outlined there by the clearing house indicates what might be termed Kansas City's packing house shipping territory.

The packing business has changed in the last few years. It is no longer merely a slaughtering and refrigerating business, but it has become more and more a merchandising business. And while it is true that Kansas City is the second food supply depot in the world, and ships in carload

J. C. Swift.

lots every day in the week, except the day we are not supposed to work but do, we have a territory that we cover every week with our traveling men, and I think that territory and these routes are the best expression of what years of experience has found to be our jobbing territory.

In Missouri the irregular line there is fairly representative. Of course, we have one or two packers with no houses in St. Louis, except distributing houses; they go east farther, particularly in the Northeast part of the state.

Kansas City packers take practically half the state of Kansas, we go south in Texas with our regular traveling men as far as that black line, and ship in carlots every day to the Ft. Worth house and they distribute from there. We take in all the Panhandle, practically all of New Mexico, and while Denver does a good deal of the retail business of the smaller supply points of Colorado, we ship into Denver each week. And we get as many cattle, Mr. Secretary -- and that is with reference to your proposition west of the Mountains -- we get as many cattle west of the Mountains as east of the Mountains from Colorado.

We get sheep for killing out of Utah, we get practically

J. C. Swift.

everything that comes from Arizona, we get practically everything that comes from New Mexico, and in the spring of the year we get as many cattle from south Texas as St. Louis, and in the course of the year we get over 100 per cent more cattle than St. Louis. We follow the season through and take the cattle from central Texas, then the cattle from Oklahoma, then the cattle from Arkansas late in August, then the cattle from Colorado late in September and October, and then are ready for the cattle in the feed lots that have been turning the corn into beef.

The Secretary of Agriculture: You know the situation.

Where do the Arizona cattle go?

Mr. Swift: The Arizona cattle that come to market come to Kansas City, with the exception that in the last few years there has quite a trade developed with Los Angeles.

The Secretary of Agriculture: What percentage would you say came to Kansas City and what percentage goes to Los Angeles?

Mr. Swift: I would prefer to get those figures and submit them, because Los Angeles has developed as a live stock market. And there is another thing about the New Mexico and Arizona trade, the young cattle are taken when yearlings or two years old to the Northern pastures and then go to

J. C. Swift.

Chicago.

I would say without hesitancy that there are more cattle from Utah, and possibly more sheep to Kansas City than to any other single market.

The Secretary of Agriculture: Would you undertake to prepare us a map, such as I have before suggested, showing the area from which you draw, with such shading as would give us a hint of your distribution area?

Mr. Swift: Yes; I would be very glad to have the six great packers - and this is as a matter of information: I would like to say that this is the only market that maintains big plants for all of the Big Six. I would be glad to have each packer prepare a map, not only showing his most productive trade territory, but shading it out as it reaches out, and I would like to say for the Committee's information that this live stock industry in this town furnishes more than half the total tonnage of the town. It turns out a yearly product of at least two dollars' worth of product for every man, woman and child in the country; it is right at the door of a third of the meat supply, that is, the live stock that can be converted into meat, and also at the door of a territory touching the future development of Kansas

J. C. Swift.

City trade that has not realized one-half its possibilities in the live stock line.

The Secretary of Agriculture: Will you also give us, as far as you can, the data as to the Western movement?

Mr. Swift: I would be very glad to, very glad indeed. It will take a little time.

The Secretary of the Treasury: You will have the time. I think if the six packers would give a composite map showing the influence of the combined industry in Kansas City.

Mr. Swift: There is another significant feature. If we have a bank here naturally, St. Joseph being as close to us as it is, would come in our territory. Mr. Chandler has spoken of Wichita. It is developing as a live stock market.

The Secretary of the Treasury. St. Joseph asks to go to Chicago.

Mr. Swift: St. Joseph asks to go to Chicago, but I think it is 400 miles to Chicago and 70 or 80 miles to Kansas City, and I think if we had a bank here it would be natural to come here. And Oklahoma City, which is developing quite rapidly as a live stock center, I believe has expressed itself as desiring to come here, and if you add Wichita and Oklahoma City and St. Joseph and Denver, or eliminate Denver, you

J. C. Swift.

have got the heart of the live stock industry as developed in the last few years.

The Secretary of Agriculture: Ft. Worth is your center for distribution and receipts in Texas, is it not, around Dallas?

Mr. Swift: Ft. Worth is the live stock town of Texas, but the railroad facilities are such that none of that Panhandle cattle, that dot up there in the northwest corner, goes to Ft. Worth; all of the Panhandle cattle come to Kansas City.

The Secretary of Agriculture: I meant as between those two cities, Dallas and Ft. Worth.

Mr. Swift: Swift & Company and Armour & Company have plants at Ft. Worth.

The Secretary of Agriculture: As a matter of fact the cattle go around to get out of the quarantine.

Mr. Swift: They have clean pens in Ft. Worth and you can ship into Ft. Worth and not come under the quarantine.

The Secretary of the Treasury: I understand that. If you will prepare that map it will be of service to us.

## STATEMENT OF W. B. KANE.

The Secretary of Agriculture: Give your name to the reporter..

Mr. Kane: W. B. Kane, Cartersville, Missouri.

The Secretary of Agriculture; What do you represent?

Mr. Kane: I believe I am what you would call an interlocking director. I am Cashier of the First National Bank of Cartersville, Vice President of the Citizens State Bank of Wagoner, Oklahoma, and Vice President of the First State Bank of Locust Grove.

The Secretary of Agriculture: And your interlock states as well as business?

Mr. Kane: Yes, sir; which makes me very familiar with the business in that section of the country.

Now, I believe that Kansas City should have a reserve bank for the reason that it affords us the best facilities for doing business easily and well. The transportation facilities of our section, both in Joplin territory and in Oklahoma, are far superior to what they are to St. Louis. In fact, there is only one railroad from the southwest crosses the Ozark range of mountains to St. Louis, while there are five lines of railroads extend up here to Kansas

W. B. KANE.

City.

Geographically the Ozark Mountain interpose a barrier between us and the east and forced the construction of five lines of railroad running north and south. That naturally brings the commerce in that section to Kansas City.

Our telegraph facilities with Kansas City are much superior to those of other places; our telephone service is perfect; our transportation facilities are as good as they could be.

Our cattle, grain, and all the commodities of that section are diverted, on account of this barrier, to Kansas City, and I know of no way that it can be overcome unless you overcome the laws of nature.

The Secretary of Agriculture: Your business men's relations are more intimate where?

Mr. Kane: In Jasper County, Missouri, although I make a weekly visit to Oklahoma.

The Secretary of Agriculture: I say where do your business men go?

Mr. Kane: To Kansas City. We do most of our business in Kansas City. We buy in our Jasper County Bank commercial paper here. I usually carry \$75,000.00. This morning I

W. B. Kane.

bought \$40,000.00 here. In our Oklahoma banks we re-discount in Kansas City. Our facilities for doing business here with these Kansas City banks is better and more satisfactory. The time we save is valuable. If we need money over night of our correspondents, all we have to do is to telephone to Kansas City and we have it in from five to seven hours.

The Secretary of Agriculture: Are any of the banks/<sup>with</sup> which you are connected eligible under this law?

Mr. Kane: Two of them are, and the location of the Federal Reserve Bank will be a factor that the directors in many of those state banks will take into consideration, and I believe in locating a Federal Reserve Bank it would be well to consider the interests of the state banks and not send them off too far to do business.

The Secretary of The Treasury: Would not their interests coincide to a large extent with those of the National Banks? In other words, whenever a Federal Reserve Bank is located in the general interests of the National Banks that would also serve the general interests of the state banks?

Mr. Kane: Yes; but if the Federal reserve bank was too far off they would probably arrange to do their business

W. B. Kane.

through some National Bank, a member of the Federal Reserve Bank, and I am positive there are some state banks I know of that will join the Federal Reserve Association if there is a bank located in Kansas City.that would not join if it was farther away.

## STATEMENT OF W. J. BAILEY.

The Secretary of Agriculture: Give your name to the Reporter.

Mr. Bailey: W. J. Bailey.

The Secretary of Agriculture: What do you represent?

Mr. Bailey: The Exchange National Bank, Atchison, Kansas, and I am president of the Kansas Bankers' Association.

The Secretary of Agriculture: Are you authorized, Governor, to speak for any particular group?

Mr. Bailey: We have circularized all the banks of Kansas, and while we have not a letter from every bank, we have not a letter that is not favorable to Kansas City, and I think I can express the universal sentiment of every one of these bankers that we want the bank here. I have a resolution here which I will file.

The Secretary of the Treasury: You might read it.

" Resolutions unanimously adopted by the Executive Council of the Kansas Bankers' Association in Session at Kansas City, Mo., January 17, 1914.

" Resolved , by the executive committee of the Kansas Bankers' Association, that since it is to the direct interest of 1147 banks and trust companies of this state that one of the federal reserve banks, provided for under the Federal Reserve Act, be located at Kansas City:

W. J. Bailey.

We do hereby petition and urge your Honorable body to consider favorably the application of that great city for the location of one of these banks:

And that in apportioning the districts, you include the entire state of Kansas in the district with Kansas City.

The regular flow of our commercial and financial business is to and from Kansas City."

That is the thing that concerns us.

"That city is our natural market, distributing and financial center.

"Her railroads, radiating through our state, give us better transportation and mail facilities than can be had from any other city.

"The failure to establish a federal reserve bank at Kansas City would cause serious inconvenience to the business interests and bank of this entire state, which is one of the greatest agricultural, mineral and manufacturing states of the Union."

We still retain our modesty.

"Kansas City, ranking sixth in bank clearings, seventh in postal receipts, second as a live stock market and tenth in manufacturing, proves her supremacy in this

W. J. Bailey.

great Southwestern territory."

(The resolutions, so identified and referred to, were marked Bailey Exhibit 1, received in evidence on the 23d of January, 1914, and are attached hereto.)

The Secretary of Agriculture: You said you had circularized the banks, Governor?

Mr. Bailey: Yes, sir.

The Secretary of Agriculture: Have you a copy of the letter that you wrote them?

Mr. Bailey: I have not.

The Secretary of Agriculture: Would you file a copy of that?

Mr. Bailey: I will file a copy.

The Secretary of Agriculture: And a summary of your replies?

Mr. Bailey: Yes, sir; would be glad to. In addition to that, in Kansas we have what is called the Bankers Deposit Guaranty & Surety Company. It is an organization created by the banks of Kansas - not by all the banks of Kansas, but all the stockholders are bankers in Kansas, and that company issues insurance on depository and fidelity bonds, and they passed a resolution somewhat similar to the one I read, which I will file.

W. J. Bailey.

(The resolutions of the Bankers Deposit Guaranty & Surety Company, so identified and offered, were received in evidence and marked Bailey Exhibit 2, received in evidence January 23d, 1914, and are attached hereto.)

The Secretary of the Treasury: Are you going to file the replies you received to this circular, or only a summary?

Mr. Bailey: I have not the replies, which came to the secretary, and I will ask the secretary how many of them there were.

Mr. W. W. Bowman: A goodly number.

The Secretary of the Treasury: May we ask that you send a copy of the circular letter with the original replies to the Committee at Washington, and file them as an exhibit?

Mr. Bailey: Yes, sir; will be glad to.

The Secretary of the Treasury: Do you think that the customary courses of business and the general convenience of business would be best served by a bank at Kansas City?

Mr. Bailey: We certainly do as far as Kansas is concerned.

The Secretary of the Treasury: Suppose one were located only at St. Louis for this general district, with a branch here and branches in such places as necessary in Kansas,

W. J. Bailey.

would you not get the same facilities, aside from any question of local pride?

Mr. Bailey: I had the theory in the start we did not need these banks, that we only needed one and that the branches would do, but now since they have got into the regional reserve business, this whole Southwest, with its possibilities, ought not to be shut out with a branch.

The Secretary of the Treasury: We do not intend to shut it out with a branch.

Mr. Bailey: I hope not.

The Secretary of the Treasury: We are talking about the scheme of organization, which does not seem to be thoroughly understood. The purpose was to divide the country into districts so there is a headquarters bank for each district, which would be better than only one bank located somewhere in the East, probably, and branches throughout the country, and then have the branches in each district so located as to bring the facilities of the bank in that district into close contact with the people throughout the district.

Mr. Bailey: I would not be able to answer that more than this: I feel there is a spirit of business in the territory adjacent to Kansas City that is different from the

W. J. Bailey.

spirit of business in the territory adjacent to St. Louis.

The Secretary of Agriculture: You think it is a distinctive territory?

Mr. Bailey: I do. I think it is a distinctive territory and that there is a distinctive character to this territory, and it is a great undeveloped territory that lies southwest of Kansas City; it is a great borrowing territory, and we feel, as Kansas bankers, we ought to have a regional bank here and be in the A class. There may be some sentiment in that, but it seems to me there is a lot of good business sense in it, if we are going to have a lot of regional banks. I believe the territory of St. Louis is better defined and better developed.

The Secretary of the Treasury: You speak of Kansas as a borrowing state?

Mr. Bailey: Yes, sir.

The Secretary of the Treasury: Am I understanding you correctly?

Mr. Bailey: We do borrow.

The Secretary of the Treasury: The problem confronting the Committee is, of course, to so arrange the territory that it shall not consist wholly of borrowing territory, but

W. J. Bailey.

that it shall be linked up with a lending territory as well.

Mr. Bailey: I would suggest that just at this time the banks of Kansas have in Kansas City a good many millions of dollars. I would have to ask Mr. Thralls of the Clearing House Association how much, but I assume they are the heaviest depositors of any other state adjacent to Kansas City, and while it takes money to feed our cattle at certain times of the year and to move our crops at certain times of the year, I did not even want to infer that Kansas, as a general proposition, was a borrowing state or her people were constituted that way.

The Secretary of the Treasury: What we have reference to is the seasonal borrowing.

Mr. Bailey: That is what I referred to.

The Secretary of the Treasury: And in all such cases it seems wise to connect such territory up with a territory that has a large lending power, in order that these units may be as self-contained and self-supporting as possible. Now the question is, should you have a district with Kansas and St. Louis both in it?

Mr. Bailey: I should judge we would have a stronger institution here in Kansas City, because we would not have

W. J. Bailey.

to divide with that great cotton country down there that absorbs this great amount of money at certain seasons of the year. In other words, the territory of Kansas City is the kind that diversifies its borrowing, wheat, cattle and corn, and three or four borrowing periods in the year.

The Secretary of the Treasury: Thank you very much.

Mr. Goebel: I would like to get in the record a statement signed by 1500 banks, expressing their desire that a Federal reserve bank be located at Kansas City:

Arkansas	5
Colorado	4
Kansas	825
Missouri	211
Nebraska	19
New Mexico	20
Oklahoma	397
Texas	19

The Secretary of Agriculture: Were those voluntary or were they in response to letters?

Mr. Goebel: In response to letters.

The Secretary of Agriculture: Have you copies of the letters sent out?

Mr. Goebel: Yes, sir.

The Secretary of the Treasury: They may be filed as exhibits. Bring the letter to which they are responses, and

W. J. Bailey.

file that with them.

The Committee will adjourn until 2:30.

Whereupon at 12:50 O'Clock P. M. a recess was taken  
until 2:30 O'Clock P. M.

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## AFTER RECESS

2:30 o'clock P.M.

The Secretary of Agriculture: Gentlemen, the Secretary of the Treasury will be here in a few minutes and to expedite matters we might proceed with the hearing, since everything that is said will go into the record.

## STATEMENT OF WILLIAM MEE.

The Secretary of Agriculture: Your name?

Mr. Mee: William Mee.

The Secretary of Agriculture: Your occupation, Mr. Mee?

Mr. Mee: Banker.

The Secretary of Agriculture: What do you represent?

Mr. Mee: I am President of the Security National Bank, also President of the Oklahoma City Clearing House.

The Secretary of Agriculture: Mr. Mee, do you represent the Clearing House Association?

Mr. Mee: Yes, sir, I am one of the members here representing the committee.

The Secretary of Agriculture: Are you delegated to represent the Clearing House?

Mr. Mee: Yes, sir.

## STATEMENT OF WILLIAM MEE.

The Secretary of Agriculture: Have you any resolutions?

Mr. Mee: No, sir, I have not. We did not take any official action or appoint a committee.

The Secretary of Agriculture: Do you know the problem the Committee is dealing with?

Mr. Mee: Yes, sir.

The Secretary of Agriculture: We will be glad to have you express your views.

Mr. Mee: The Oklahoma city bankers, I will say personally, that I have inquired of every member who is eligible to be a member of the Regional Bank, and they all support Kansas City, and St. Louis was their second choice.

The Secretary of Agriculture: You are speaking of Oklahoma City?

Mr. Mee: Yes, sir. They also unanimously favor keeping the entire state intact in the regional district, and that it should not be placed in Texas or Denver, Colorado.

The Secretary of Agriculture: You dont want to go south?

Mr. Mee: South nor west. We have no business whatever, no business connections with Denver and only very little with Texas. Once in a while during the fall when cotton is moving, the southern portion of the state has some connections, but

## STATEMENT OF WILLIAM MEE.

very little.

The Secretary of Agriculture: How many banks are there in Oklahoma City?

Mr. Mee: There are 14 banks in Oklahoma City, 9 of which belong to the Clearing House.

The Secretary of Agriculture: How many of those are National Banks?

Mr. Mee: Five National that belong and one that does not.

The Secretary of Agriculture: Five of the nine are National Banks?

Mr. Mee: Five of the nine are National Banks, yes, sir.

The Secretary of Agriculture: I dont know whether anybody has told us whether there is any legal barrier to subscriptions by State Banks?

Mr. Mee: I am not prepared to discuss that question. There will be a gentleman probably from Ardmore --

The Secretary of Agriculture: To what extent are your banking relations with these two cities that you mention?

Mr. Mee: As near as I could estimate it, it would be about 20 per cent, 20 to 25 per cent to St. Louis, about 75 to 80 Kansas City. To illustrate that, I asked my remittance clerk

## STATEMENT OF WILLIAM MEE.

yesterday to give me the remittance of our bank to Kansas City for the last week and the remittance to St. Louis. The remittance to Kansas City was something over \$540,000.00, and between ninety-four and ninety-five thousand to St. Louis. St. Louis is a central reserve city, while our balances here do not count as reserve.

The Secretary of Agriculture: What interest do you get on your balances?

Mr. Mee: Two per cent.

The Secretary of Agriculture: Could you give the facts for any other bank than your own?

Mr. Mee: I could not, but Mr. Guthrie, President of the State Bankers Association I think can.

The Secretary of Agriculture: He is here?

Mr. Mee: Yes, sir. I do not expect to go into that detail.

The Secretary of Agriculture: What city is the volume of your business men's trade with?

Mr. Mee: That is divided, mostly east and with Kansas City. Of course the banking largely is with Kansas City.

I might state that Oklahoma City's banking interest is largely with Kansas City and Chicago. The cotton interests are divided

## STATEMENT OF WILLIAM MEE.

to the east almost altogether, New York and Boston very largely.

The Secretary of Agriculture: Do you think there would be a unanimous disinclination to be attached to any other bank to the south?

Mr. Mee: No, there is absolute unanimity not to be attached.

The Secretary of Agriculture: I said disinclination.

Mr. Mee: I am certain of that, Mr. Secretary.

The Secretary of Agriculture: Suppose New Orleans would request a regional bank?

Mr. Mee: We do practically no business whatever with New Orleans.

The Secretary of Agriculture: So your first choice is Kansas City and your second St. Louis?

Mr. Mee: Yes, sir.

The Secretary of Agriculture: Is there any other fact that you desire to state?

Mr. Mee: No, sir; there is nothing except capital and surplus and some matters like that, which I think you will get from some of the other gentlemen.

## STATEMENT OF WILLIAM MEE.

The Secretary of Agriculture: Thank you very much.

## STATEMENT OF ELMER E. BROWN.

The Secretary of Agriculture: Please give your name.

Mr. Brown: Elmer E. Brown.

The Secretary of Agriculture: What is your occupation,

Mr. Brown?

Mr. Brown: Secretary of the Chamber of Commerce of Oklahoma City.

The Secretary of Agriculture: You know the problem that we are confronted with?

Mr. Brown: Yes, sir.

The Secretary of Agriculture: We will be very glad to have your views.

Mr. Brown: We are here for the purpose of urging --

The Secretary of Agriculture: May I ask before you begin if you are delegated in anyway to represent the business interests?

Mr. Brown: Yes, sir, the Chamber of Commerce of Oklahoma City asked me to be present here.

The Secretary of Agriculture: Was that an offer?

## STATEMENT OF ELMER E. BROWN.

request?

Mr. Brown: Yes, sir, from the President. One of the important --

The Secretary of The Treasury: Will you speak a little louder, so these gentlemen can hear you.

Mr. Brown: One of the important features to my mind was that we did not want the state to be divided between two, put into two regional districts, nor did we want it to go to the south or to the west, any district largely comprising territory to the south or to the southwest; but we prefer that it be in a district to the north and east, and would prefer a district with Kansas City as the -- including Kansas City as the regional bank, for the reason that we believed that would entirely eliminate any danger of having our state dismembered, also following the regular channels of trade.

The Secretary of Agriculture: Waiving the question of dismemberment of the state, what would you say?

Mr. Brown: I should say by all means to the northeast, Kansas City. As an illustration, the mails going south are probably not more than ten per cent. of the mails going to the northeast, I should say even less than that, probably not more than five per cent. of the mails moving southward of

## STATEMENT OF ELMER E. BROWN.

total, as against 25 per cent. moving to the north and north-east.

The Secretary of Agriculture: There is nothingt in your mind about any point to the south or west?

Mr. Brown: No, sir.

The Secretary of Agriculture: What would you say as between Kansas City and St. Louis.

Mr. Brown: Well, decidedly Kansas City, because there is one day saved in the transmission of mail or exchanges.

The Secretary of Agriculture: To what extent can you speak of any other locality than Oklahoma City?

Mr. Brown: I have not been delegated to speak for them, I have some statistics presented by the entire state as to the volume of business.

The Secretary of Agriculture: On what are those based?

Mr. Brown: Do you mean how are they compiled?

The Secretary of Agriculture: Yes.

Mr. Brown: They are from the federal census and state census.

The Secretary of Agriculture: Do you mean the volume of business to any given point, or --

## STATEMENT OF ELMER E. BROWN.

Mr. Brown: No.

The Secretary of Agriculture: Or simply showing the strength of the industries?

Mr. Brown: Only the strength of the industries, and the particular needs of the industries of Oklahoma, for such assistance as a regional bank can give, (1924)

The Secretary of Agriculture: We are familiar with the development of Oklahoma, Mr. Brown, with its great, rapid industrial evolution. Perhaps it would be better for you to just bring out anything that is in your mind as to the needs of the state.

Mr. Brown: As illustration and proof that we would fare better to go to the northeast, to be connected to a point northeast is the matter of cotton. While at Oklahoma City the 27 firms handled about \$43,000,000.00<sup>worth</sup> of cotton, the paper, as you know, does not follow the cotton, the cotton being billed directly, so that the paper does not follow it, but would more likely go through Kansas City, or the northeast, than it would to the south where the cotton is billed from the compress.

STATEMENT OF ELMER E. BROWN.

The Secretary of Agriculture: You might direct yourself more especially with reference to which of the cities that you have discussed that you would prefer.

A 1

## STATEMENT OF ELMER E. BROWN.

#3 Mr. Brown: I would say Kansas City, because we are better acquainted, and the Kansas City bankers and the regional bank at Kansas City would be better acquainted with the conditions in Oklahoma, and therefore better prepared to give credit to industrial concerns.

The Secretary of Agriculture: Would they be Kansas City bankers?

Mr. Brown: I judge that being that near, they would be in closer communication with Oklahoma.

The Secretary of Agriculture: Who would be the directors that would pass on your paper?

Mr. Brown: That I don't know.

The Secretary of Agriculture: It is conceivable that there might not be a Kansas City man on the Board.

Mr. Brown: No, but it is probable that they would be from this district.

The Secretary of Agriculture: Yes, from that entire district.

Mr. Brown: Yes, from this entire district.

The Secretary of Agriculture: If you have any statistics, Mr. Brown, that you would like to file as exhibits to your testimony, we should be glad to have them presented.

## STATEMENT OF ELMER E. BROWN.

Mr. Brown: I will be pleased to do that, thank you.

Mr. Goebel: I would like to get into the record the resolution by the Secretary of the Kansas Retailers for their Association.

The Secretary of the Treasury: That may be filed as a part of the record.

Mr. Goebel: I would like to call Mr. Kemp.

Mr. Kemp: Gentlemen, you have heard a number of Kansas City bankers, and I am going to give way to Mr. Mulvane, a state banker of Topeka, Kansas, president of the Bank of Topeka, who wants to get away on an early train.

## STATEMENT OF JOHN R. MULVANE.

The Secretary of the Treasury: Mr. Mulvane, will you state for the record your full name and your occupation and address?

Mr. Mulvane: John R. Mulvane; president of the Bank of Topeka, Topeka, Kansas.

The Secretary of the Treasury: Do you represent the Clearing House Association, Mr. Mulvane?

Mr. Mulvane: No, sir, Mr. Burrows will represent them, Mr. J. B. Burrows.

## STATEMENT OF JOHN R. MULVANE.

The Secretary of the Treasury: You know the problem confronting us, Mr. Mulvane?

Mr. Mulvane: Yes, sir.

The Secretary of the Treasury: Will you give us any views you have to offer?

Mr. Mulvane: About 65 per cent of the business from my town comes to Kansas City, as represented by our regular exchanges, day by day, day by day. We have 28 trains between my town and Kansas City. We have a town of about 50,000 people. Our business naturally comes here. This is our natural center.

The Secretary of the Treasury: Is that true of all of the banks do you think of Topeka, that the percentage is about the same with all the banks of Topeka?

Mr. Mulvane: I would think so. I would think there could not be much difference.

The Secretary of the Treasury: Is there practical unanimity of sentiment about the desire to be attached to Kansas City?

Mr. Mulvane: All of them.

The Secretary of the Treasury: If you did not have a bank in Kansas City, what would be your second choice?

Mr. Mulvane: The natural trend of our business is Chicago next in volume of business.

## STATEMENT OF JOHN R. MULVANE.

The Secretary of the Treasury: What is third?

Mr. Mulvane: St. Louis.

The Secretary of Agriculture: Do you know what proportion, how it would divide up?

Mr. Mulvane: Looking over the exchange, I believe that possibly from my bank it runs about 85 per cent Kansas City, 20 to Chicago, 10 to St. Louis and about 5 to New York. People die occasionally and we have some life insurance to collect down in New York.

4 The Secretary of the Treasury: You do not seem to be strongly tied to New York.

Mr. Mulvane: We are too far off.

The Secretary of the Treasury: You are tied to New York only in case of death?

Mr. Mulvane: That is all.

The Secretary of the Treasury: Yours is a state bank, Mr. Mulvane?

Mr. Mulvane: Yes, sir, the oldest bank in the state.

The Secretary of the Treasury: What seems to be the probability in reference to membership in this Association by state banks?

Mr. Mulvane: Our bank expects to become a member if we

## STATEMENT OF JOHN R. MULVANE.

are permitted.

The Secretary of the Treasury: What is your capital, Mr. Mulvane?

Mr. Mulvane: \$310,000.00.

The Secretary of the Treasury: I think you might break in with that.

Mr. Mulvane: I believe so. We will try it, if the law will let us.

The Secretary of Agriculture: Mr. Mulvane, Kansas seems to be rather modest in this matter.

Mr. Mulvane: Why not?

The Secretary of Agriculture: We have heard no suggestion of any regional bank exclusively in Kansas.

Mr. Mulvane: We will tell you what we might do. We might compromise with you and put this regional bank over in Kansas City, Kansas. That would suit us just as well. The Governor is here and I believe he will grant permission to go over there.

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

Mr. Mulvane: There is just one other idea I want to state to you gentlemen.

In the various business of this territory, I want you

## STATEMENT OF JOHN R. MULVANE.

to remember that there are 14 different Portland cement plants putting out an immense product, with headquarters in Kansas City. I happen to belong to one of them and we have to keep headquarters here, doing I forget how much but a very large business.

The Secretary of Agriculture: Could you approximate it?

Mr. Mulvane: No, I could not. Our plant has a capacity of 3,000 barrels a day. I don't know what the others are.

Mr. Thralls: The figures will be filed, Mr. Secretary.

Mr. Mulvane: That is all.

The Secretary of Agriculture: Thank you very kindly, Sir.

Mr. Goebel: I would like to call Mr. R. A. Long of Kansas City, president of the Long-Bell Lumber Company.

## STATEMENT OF R. A. LONG.

The Secretary of Agriculture: I presume you have some information, Mr. Long, relating to the lumber industry?

Mr. Long: Yes, sir.

The Secretary of Agriculture: Connected with Kansas City?

Mr. Long: Yes, sir. Do you want me to give it to you?

The Secretary of Agriculture: You may proceed, except

## STATEMENT OF R. A. LONG.

if it is statistics, we would prefer to have you file them, that is all.

Mr. Long: It is very brief.

The Secretary of Agriculture: You may give the general results, yes, but I am speaking of details.

Mr. Long: Total capital employed by manufacturers of lumber located in Kansas City, \$77,827,530.00.

Total value in dollars and cents of lumber marketed wholesale through Kansas City, and cleared here, \$40,155,270.00.

By comparison, St. Louis has about 50 per cent of the amount, or about \$32,000,000.00, and Chicago about 70 per cent, or about \$28,000,000.00.

Amount of money coming into this city on account of headquarters of numerous retail lumber yards being located here, \$17,687,883.00, Chicago receiving about 70 per cent of this amount, or about \$13,000,000.00, and St. Louis about 30 per cent of this amount, or about \$5,200,000.00.

The Secretary of the Treasury: How far do your operations cover these states which are described in this district here?

Mr. Long: Our lumber, about 11 per cent of it goes export. We ship to practically all the states east of the Rocky Mountains, but you understand that lumber is all paid for

## STATEMENT OF R. A. LONG.

through this office and cleared through the banks in Kansas City, and these figures indicate that.

The Secretary of Agriculture: Where do you draw your lumber from?

Mr. Long: Our lumber is manufactured in Louisiana, Texas and Arkansas.

The Secretary of Agriculture: And your distribution is principally over what states, the distribution of the product itself?

Mr. Long: Well, as I say, we practically cover all the states in the Union, Texas ---

The Secretary of Agriculture: I am speaking of the states of this district, particularly, about what are the percentages?

Mr. Long: About 11 per cent of it goes into Missouri. The larger portion of the balance goes into Texas, Illinois, Kansas, Indiana, Oklahoma, Ohio, Nebraska, Iowa, Arkansas, Michigan, New York, the New England states, Pennsylvania, Colorado and New Mexico.

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

Mr. Goebel: Mr. Guthrie, president of the Oklahoma Bankers' Association.

## STATEMENT OF W. S. GUTHRIE.

The Secretary of Agriculture: Will you give your full name, Mr. Guthrie?

#5 Mr. Guthrie: W. S. Guthrie, president of the Oklahoma Bankers' Association.

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

Mr. Guthrie: Yes, sir.

The Secretary of Agriculture: Will you give that please?

Mr. Guthrie: Farmers National Bank, Oklahoma City.

The Secretary of the Treasury: Will you proceed to tell us what views you have to express?

Mr. Guthrie: I came here to represent the views in a general way of the Oklahoma Bankers' Association.

The Secretary of Agriculture: In what sense are you a representative?

Mr. Guthrie: I am president of the Association and was designated by the executive committee to represent as near as possible their feeling in the matter.

The Secretary of the Treasury: Speak a little louder, please.

Mr. Guthrie: We have in Oklahoma about 930 banks. 323 of those are national banks, and I daresay are eligible

## STATEMENT OF W. S. GUTHRIE.

to the regional reserve stock. We will contribute possibly \$800,000.00 of the capital stock. There is about all told fifteen millions capital and surplus that could be contributed by the national banks and state banks that will be eligible, providing they are eligible.

The Secretary of Agriculture: May the state banks under your law subscribe?

Mr. Guthrie: That I presume is to be determined. They might not under your law.

The Secretary of Agriculture: Is there any barrier in your law at all, that is what I am trying to find out.

Mr. Guthrie: The barrier as I understand it was held by our Attorney General, at least, not so held, but it has been held that state banks cannot hold stock in any other corporation.

Kansas City in this map has shown that there are 529 banking points in Oklahoma, and I think they are approximately at least correct, if not technically so, for the number of bank accounts in Kansas City from Oklahoma, and I think it is safe to say that five-sixths of the business of Oklahoma is done with Kansas City, and drafts drawn; in fact those are actual figures or very close to it.

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STATEMENT OF W. S. GUTHRIE.

The Secretary of the Treasury: You are speaking of the banking business alone?

Mr. Guthrie: The banking business. Of course we are largely dependent on and more particularly interested in that than anything else. The flow of the banking trade is to Kansas City. It is true that we all or a number of us have accounts in St. Louis, it is true that ---

The Secretary of the Treasury: 370.

Mr. Guthrie: Have accounts in St. Louis, yes.

The Secretary of Agriculture: National banks?

Mr. Guthrie: That is a little better than two-thirds of our banks.

The Secretary of Agriculture: There are 375 in Kansas City.

Mr. Guthrie: Probably I will qualify my remark to say that the volume of business - the amount of deposits is greater certainly in Kansas City.

The number of checks that we sent from Oklahoma City, for example, last week was - I have those figures - the amount of remittances last week was \$3,568,700.00, the Kansas City remittances, and the remittances to St. Louis were \$300,500.00, and that is about the ratio that will go through the year.

## STATEMENT OF W. S. GUTHRIE.

The Secretary of the Treasury: Would you be served practically as well by a regional bank at St. Louis as by one at Kansas City?

Mr. Guthrie: We have some doubts in that regard.

The Secretary of the Treasury: Assuming that you had a branch at Kansas City, for instance, and a bank at St. Louis.

Mr. Guthrie: Well, I can only answer that question similar to the answer that you received from other witnesses this morning.

The Secretary of the Treasury: You prefer to deal with headquarters?

Mr. Guthrie: We want to be near headquarters. It is just like an army that wants to do good work, it has to be close to its bases of supplies, and Oklahoma is a considerable portion of the territory to be represented, and furthermore, we are still developing.

The Secretary of the Treasury: What is your second choice? Kansas City is your first and what is your second?

Mr. Guthrie: St. Louis is our second choice. Our committee passed a resolution to that effect, and I have it here.

The Secretary of Agriculture: Mr. Guthrie, is there any

W. S. Guthrie.

difference in your judgment between your section of the state and the eastern section, take Muskogee, for instance.

Mr. Guthrie: We hardly believe there is, with regard to the flow of trade. Oklahoma is unlike any other state I think in the Union that you will have to deal with. We have various crops in Oklahoma of everything that can be raised in the temperate zone, wheat, cotton ---

The Secretary of the Treasury: How far do you represent the sentiment, or do you think you represent the sentiment of the bankers of the entire state? I see you are president of the Bankers' Association of Oklahoma.

Mr. Guthrie: I will say in reply to that that immediately following our executive committee meeting on January 15th, our secretary sent out a letter and asked the simple question, in what state would you prefer a federal reserve bank. 80 per cent of the answers received designated Kansas City.

The Secretary of Agriculture: Could you tell us whether there was any variation in those replies from East to West?

Mr. Guthrie: Well, I could not tell you that. A few - I think Mr. Harrison has the figures - 15 or 20 designated either Kansas City or St. Louis and some actually designated

W. S. Guthrie.

Oklahoma City.

The Secretary of the Treasury: Will you file the original letter of inquiry, a copy of it, with all replies received to it?

Mr. Guthrie: Yes, sir.

The Secretary of the Treasury: And send that to Washington, if you please.

Mr. Guthrie: All right.

The Secretary of the Treasury: I wonder if you could chart those on a map.

Mr. Guthrie: We can do it.

The Secretary of Agriculture: Attach a map to it.

#6 Mr. Guthrie: Yes, sir, if our secretary will do that.

The Secretary of the Treasury: At the same time you might classify the replies wherever they favor St. Louis as first choice and so mark them, and where they favor Kansas City as first choice, mark them.

Mr. Guthrie: When we started up here, the replies were not all in yet, but that was the percentage.

The Secretary of the Treasury: You will get that to the committee in Washington.

Mr. Guthrie: These replies that we have received, we have

W. S. Guthrie.

here now.

The Secretary of Agriculture: You can chart them for us?

Mr. Guthrie: Yes, sir.

The Secretary of the Treasury: You can chart them within the next two weeks, and you may have the remainder of the replies?

Mr. Guthrie: Yes, sir.

The Secretary of the Treasury: Thank you.

STATEMENT OF W. B. HARRISON.

The Secretary of the Treasury: Please state your name and your address.

Mr. Harrison: W. B. Harrison, Enid, Oklahoma.

The Secretary of Agriculture: That is in the northwestern section?

Mr. Harrison: Yes, sir.

The Secretary of the Treasury: Can you add anything to what Mr. Guthrie just told us?

Mr. Harrison: I would like to say regarding the distribution of the replies so far received, that there is no difference whatever between the Eastern or southern or northern

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part of the state. I have the original evidence here, and I also have the letter here which was sent out and there is absolutely nothing in that letter relative to Kansas City or Oklahoma; but we did say in that letter that we thought it would be a calamity to attach Oklahoma or any part of it to Denver, or to any place in Texas, and the evidence here all <sup>are</sup> shows that is the opinion of everybody else. They/all ~~are~~ arranged alphabetically, so you can find any town that you want. We did not get replies from all that we sent the letter out to. We never do on a circular letter. We sent out 373 and we received back 182 of the blanks, and about 18 letters, and the 18 letters were all of the same tenor, that they wanted to go to Kansas City or St. Louis, but they did not care much which. That was the 18 letters.

The Secretary of the Treasury: You have heard the request that we have made of Mr. Guthrie: If you will be good enough to make such a map as we asked for and have it filed at Washington.

Mr. Harrison: I did not quite understand.

The Secretary of Agriculture: Take these answers and chart them on the states.

Mr. Harrison: That is hardly necessary, they are so one-

W. B. Harrison.

sided.

The Secretary of Agriculture: It will be helpful.

The Secretary of the Treasury: That will make the map look all the better from your standpoint.

The Secretary of Agriculture: Just one word. There have been suggestions that points in Texas might ask for a regional bank. Your letter seems to have conveyed some prejudice against that idea.

Mr. Harrison: No, sir, I beg your pardon. If you will read the letter it says that the northern part of the state—it does not say all of Oklahoma. It says it would be a calamity to attach the northern part of the state. We were of the opinion that if a Texas City would planned, that a large part of southern Oklahoma would want to go that way, but the evidence shows absolutely the contrary. They have 182 banks and there are only four that desire to go to any point in Texas, and those four from the best information I can obtain are owned and controlled by Texas banks.

The Secretary of Agriculture: You think there would be a decided disturbance of business relations to attach the banks in Oklahoma to any Texas City?

W. B. Harrison.

Mr. Harrison: No question about it at all. We have no connection except some cotton business there at certain seasons which does go that way, but the exchange goes around the other way, and none of our banks actually want to go that way and none of them I think even want to go to Denver.

The Secretary of Agriculture: How about New Orleans, down that way?

Mr. Harrison: I would like to say that we have acted entirely with the idea of helping Oklahoma. It is not our position here to help Kansas City or to try to work against any other city. We did not know even what the facts were regarding the feeling of our bankers until we sent this out, but the natural channels of trade and commerce simply make it certain here, and we were<sup>as</sup> much astonished at the almost unanimity of the result that anybody would be. We expected a majority, but we did not expect ---

The Secretary of Agriculture: You are not primarily concerned about Kansas City?

Mr. Harrison: Not a bit.

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

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## STATEMENT OF E. L. COPELAND.

The Secretary of The Treasury: Please give you name, occupation and residence.

Mr. Copeland: E. L. Copeland, Secretary and Treasury of the Atchison, Topeka & Santa Fe Railway Company, Topeka, Kansas.

The Secretary of the Treasury: Where are you located, Mr. Copeland?

Mr. Copeland: Topeka, Kansas.

The Secretary of The Treasury: Mr. Copeland, do you want to submit some facts or views about this problem?

Mr. Copeland: Yes, sir. I would like to give my opinion as a financial officer of one of the largest railroads in the United States, owing to the fact that transportation is our greatest industry, and anything affecting the finances of this country affect, every transportation company.

I represent the Atchison, Topeka & Santa Fe Railroad Company, which for a number of years had its terminus in Kansas City, and then we built about 450 miles to Chicago; but the whole balance of the line terminates and delivers its freight through Kansas City.

## STATEMENT OF E. L. GOPELAND.

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I speak as the financial officer of that company with 800 banks that are in side of that territory practically adjacent to Kansas City. Through those banks I collect \$5,000,000.00 a month, which, a majority of it, 80 per cent of it, is collectible through Kansas City. Anything that is detrimental to Kansas City will effect that standing, and the fundamental principles of credit are greatly involved . I therefore want to say that I am fully in accord with Kansas City's receiving a regional bank. For 25 years the bankers of Kansas City, who are the brainest, brightest, up-to -date bankers and business men of this country, and have built up this western country by backing every industry that has been established, assisting the railroads which have expanded so rapidly through this west, because without the help of Kansas City we could not have expanded so far and established so many industries along our line; and in establishing that, we have established a credit wherein the employee of every railroad receives his check, which he knows will be bankable through this city, because of the fact that Kansas City is as large a financial center as any other center in the United

## STATEMENT OF E. L. COPELAND.

States comparatively with its district.

The Secretary of The Treasury: You understand, of course, that the operation of this act will not interfere with any of those relationships that you now have established?

Mr. Copeland: It will not if it gives Kansas City a regional bank.

The Secretary of The Treasury: But whether you have a regional bank here or not, your relationship with your present correspondants and with your banks will not be affected one way or the other.

Mr. Copeland: I think it will. It has taken us years--

The Secretary of The Treasury: In what way?

Mr. Copeland: When did <sup>the</sup> Government establish Postal Savings Banks? Because they want people to have confidence in the Government. Now, they are getting back to these regional banks. Why? Because they want the people to have confidence in these banks where they are established.

The Secretary of The Treasury: You dont touch the point at all. The relationship that the Santa Fe System has established with banks and bankers throughout the country will not be affected in the slightest degree by the location

E. L. Copeland.

of one of these regional banks. \*

Mr. Copeland: It will if you take it off of our line, it will have an effect as to the standing of Kansas City.

The Secretary of The Treasury: It hasnt anything on earth to do with it, not a thing.

Mr. Copeland: If you do not indorse as a committee a regional bank in Kansas City, you give us a branch bank, dont you?

The Secretary of The Agricultural: It has nothing to do with your relations, your existing banking institutions.

Mr. Copeland: If these banks continue banking with Kansas City I admit --

The Secretary of Agriculture: They will continue to do just as they have heretofore done.

The Secretary of The Treasury: These reserve banks are a different proposition. You apparently do not understand what this act states.

Mr. Copeland: I think I understand it, but it is a question of retaining the trend of trade through its present channels, isent that correct?

The Secretary of Treasury: We will be glad to hear about that trend of trade, but the point you make as to the:

E. L. Copeland.

relations of your railroad to your banking correspondents will not be changed in the slightest unless you voluntarily change them.

Mr. Copeland: How about paying our employees?

The Secretary of The Treasury: That will be done just as it is now.

Mr. Copeland: They will not clear through Kansas City unless the Kansas City banks --

The Secretary of The Treasury: They wont deal with this regional bank, they will deal with the same banks they have been dealing with.

Mr. Copeland: They may.

The Secretary of Agricultural: Regional banks do not interfere with those operations in the slightest degree.

Mr. Copeland: But it places Kansas City on a standing with the other central points of the United States. It looks--

The Secretary:of The Treasury: If you have any facts concerning the trend of business we will be glad to hear them.

Mr. Copeland: They have all been exploited by Kansas City men and I did not believe you wanted me --

The Secretary of The Treasury: We do not unless you have

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something new to add. If you have anything new to add we will be glad to receive it.

Mr. Copeland: I don't know as I can add anything except establishing the credit of Kansas City through this vast territory. That whole vast territory is practically on this Santa Fe System --

The Secretary of Agriculture: May I ask, Mr. Copeland -- I see that your line stops at Canyon City.

Mr. Copeland: Pueblo -- that is right it goes on up to Canyon City, yes, sir.

The Secretary of Agriculture: What would be your view as to the relation of Colorado to Kansas City as far as you can judge by the railroad business? Would it be related to Kansas City or Chicago?

Mr. Copeland: I think it would be related to Kansas City.

The Secretary of Agriculture: What about Western Colorado?

Mr. Copeland: It seems to me that --

The Secretary of Agriculture: You cannot speak from the business of your line?

Mr. Copeland: No, sir, our dealing is entirely through the eastern part of Colorado.

The Secretary of Agriculture: Could you give us any hint

E. L. Copeland.

as to the drift of trade in Arizona and New Mexico, to what extent it is to the east and to what extent it is to the west?

Mr. Copeland: New Mexico is entirely to the east over our line, most all through Kansas City. Arizona is most all to the west.

The Secretary of Agriculture: Cattle go more to the west there?

Mr. Copeland: No, it is about divided. They come over the road to the east; it is about divided, I think, the Arizona traffic from east to west, and the New Mexico more east.

I would like to add just one point as to the railroad expenditures through the western district. You may not know and you may know that the Interstate Commerce Commission report separates the railroad by either eastern, southern or western. The western territory covers all west of the Mississippi River. This compilation here shows that the lines west of the Mississippi River expend yearly \$825,000,000.00 for operation. Now, that includes all west of the Mississippi River clear to the Pacific Coast, and this territory adjacent to Kansas City receives of that

EsL.Copeland.

amount a sum equal to \$15,000,000.00 a month, or practically \$200,000,000.00 a year. Through Kansas City, this is still going. The railroad business through this section is growing rapidly every year, and consequently the payments through Kansas City, from a railroad standpoint are gradually increasing.

The Secretary of Agriculture: Thank you very much. Shall we file this map as an exhibit?

Mr. Copeland: You can, yes, sir. There is a little pamphlet showing the live stock figures.

## STATEMENT OF HONORABLE W. R. STUBBS.

Mr. Stubbs: I am more a farmer than a banker, and if you will permit me I am going to speak of that class of people who furnish the railroads and the banks all their business. We would not need any banks if it was not for the farmer, the producer of live stock and grain and agriculture.

The Secretary of The Treasury: Proceed, Governor.

Mr. Stubbs: And Kansas City is the very heart of the greatest food producing country in the world, and that country is now going up-hill; it has not started down hill. It is undeveloped. The farming resources of this vast empire of which Kansas City is the center are undeveloped and they need cash, they need money. The food products of this country that Kansas City represents and which is dependent on Kansas City for financial and commercial relations -- the food products can be doubled, Mr. Secretary, if we have proper banking facilities and proper means, and I am in favor of 12 banks and not 8 banks. I am in favor of branch banks in Wichita and Oklahoma City and the cities out through here, and a regional bank for Kansas City that will come in touch with the problems of this great country that is undeveloped.

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W. R. Stubbs.

I have got some land in Colorado that we have developed in the last three or four years that was a desert five years ago. This year we raised 800 tons of alfalfa on account of a pumping plant. Irrigation has not been touched in this country; it has only been started, and I believe it is the duty of this Government and of this administration at this time to encourage the development of this great west that furnishes the food stuff of the nation and furnishes the business of the railroads and the banks and the commerce.

I believe, again, you have got to come in touch with the small banks, with the little ten thousand dollar capital banks. We have got several hundred of them, Colonel Mulvane's bank of \$300,000.00, one of the largest state banks, if not the largest, but they run down to \$8,000.00, and there is one in every county and in every village practically in the state, and we want the financial center here that can meet the demands of the little folks.

I believe in your bank system, and I believe it is a good start in the right direction -- that the regional banks are. I am glad you passed the law, but I believe you have got to come to where you can touch the small fellows. Most of your banks will be in New York and Boston and Chicago and

W. R. Stubbs.

St. Louis, if you please, and big places, San Francisco, but here in Kansas -- this is a Kansas town; Kansas City. Kansas City is Kansas principally, and Kansas men have made Kansas City and Kansas money.

I want to tell you these banks would not amount to much, would they, Pete Goebel, if it wasn't for Kansas money and Kansas people. Goebel lives in Kansas. I am not modest. I want to tell the truth and want you to recognize it, and I believe this great Government ought to recognize the people who produce the food stuffs and feed the folks, and you can't do that better than to locate this Regional Bank in Kansas City. Thank you.

The Secretary of Agriculture: Governor, may I ask you if you have any advice as to where Colorado should be attached?

Mr. Stubbs: Well, sir, we ship our alfalfa hay to Kansas City and get the cash for it here from a little farm we have out there, and I believe Kansas City is the logical point.

The Secretary of The Treasury: You mean for Colorado?

Mr. Stubbs: Yes, sir; but a branch bank at Denver. I believe that this thing ought not to be restricted; it ought to be extended as fully as necessary to come in direct touch with the people of this country. Thank you.

## STATEMENT OF F. G. CROWELL.

The Secretary of Agriculture: Give your name to the reporter.

Mr. Crowell: F. G. Crowell.

The Secretary of Agriculture: What is your occupation?

Mr. Crowell: Vice President of the Hall-Baker Grain Company and formerly President of the Board of Trade of Kansas City, Missouri.

The Secretary of The Treasury: What is it you desire to submit, Mr. Crowell?

Mr. Crowell: I desire to discuss the four propositions, first, the volume of grain handled at Kansas City and financed here, the amount of flour manufactured at Kansas City and financed here --

The Secretary of The Treasury: And the distribution of it?

Mr. Crowell: And the distribution of it; the amount of hay that is brought to this market and distributed from here, and the amount of feeds that are brought to this market and distributed from here.

In the evidence that has been introduced so far it has appeared in the press, as taken by this Commission at

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other cities, I am inclined to believe that not a fair conclusion has always been drawn in reference to the grain.

Kansas City is a primary market. What is meant by a primary market is that the grain is bought from the farmers and shipped by them either direct to Kansas City or bought from the farmer by grain men at the smaller towns in Kansas, Oklahoma, Nebraska and Colorado and shipped to Kansas City. The volume of grain brought to Kansas City and inspected here for the last 12 years consists, on an average, of 70,000 cars. To be exact, last year in grain alone about seventy million bushels was brought into Kansas City, inspected here, unloaded here, handled here, and paid for by Kansas City grain men through Kansas City banks. In addition to this about forty million bushels of grain bought in Oklahoma, Kansas, Southern Nebraska and Colorado was financed by Kansas City grain men, cleared through Kansas City banks and forwarded from the point of origin to the point of destination without stopping at Kansas City, making a volume of about one hundred million bushels of grain of a value of about <sup>five</sup> seventy/millions of dollars which came to Kansas City and is distributed from here either for export or to the milling trade in the east. In addition to this, gentlemen, 80 per

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cent of all the grain that is exported from the gulf ports of Galveston, Port Arthur and New Orleans is bought by Kansas City exporters and sold direct to the continent and to the United Kingdom and financed through Kansas City. That varies all the way from twenty million bushels to forty million bushels. And the question that confronts us frequently is in reference to getting a ready market for our foreign grain bills upon the exportation of this large amount of grain which, as I say, is financed through here.

The volume of grain that is naturally tributary to Kansas City comes from south of the Platte, from all of Kansas, from all of Oklahoma, from eastern Colorado and from the Panhandle of Texas.

Within the last four years there has developed in what is known as the semi-arid region, or that part of the country in extreme Western Kansas and Eastern Colorado, a trade which comes to Kansas City and has no other market. That is a trade in kafir corn, milo maze and federita. Last year we brought into Kansas City, and this is the only market for its distribution, about two millions of bushels of that grain, and this same territory, comprising an empire in itself, so far

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as Eastern Colorado is concerned, extreme Western Kansas, a strip in Oklahoma and the Panhandle of Texas, is developing a large quantity of this which must seek an immediate and a ready market. This grain is being distributed at the present time by Kansas City merchants all throughout the eastern states and some for export.

Into Kansas City they were shipped last year 36,000 cars of hay.

Kansas City is the first primary hay market in the United States, or in the world, and this product is distributed all over the south and in the east.

In field seeds and garden seeds Kansas City handled last year about 65,000<sup>000</sup> pounds at a value of something over a million dollars.

I want to refer briefly to Kansas City in reference to its being a milling center. Kansas City is third in its milling capacity of any city in the United States, being only surpassed by Minneapolis and Buffalo. Its output last year was 2,235,000 barrels of flour and a great deal of this flour is also sacked for export, or a portion of it. Outside of Kansas City, Missouri, and in the states of Kansas, Nebraska and Oklahoma there was milled 15,343 barrels of

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flour. This flour is at the value of seventy-four millions of dollars. Therefore, you have coming through Kansas City, paid for by Kansas City flour merchants, by Kansas City grain and hay men, approximately one hundred and seventy-five millions of dollars annually, which is to be financed through Kansas City or by Kansas City merchants through Kansas City banks.

There has also grown up in Kansas City and throughout the states of Kansas and Oklahoma a large milling trade in what is known as alfalfa products. That is right in its inception. In this last year in Kansas City, Missouri, alone there was manufactured out of alfalfa what is called alfalfa foods for beasts about seven hundred and fifty thousand dollars worth of products.

That is about all I have to say.

Secretary of The Treasury: Thank you.

## STATEMENT OF J. G. SCHNEIDER.

The Secretary of Agriculture: Give your name to the Reporter.

Mr. Schneider: J. G. Schneider.

The Secretary of Agriculture: Where from?

Mr. Schneider: St. Joseph, Missouri.

The Secretary of Agriculture: What is your occupation?

Mr. Schneider: Vice-president of the German-American National Bank, St. Joseph, Missouri.

The Secretary of the Treasury: You know our problem, Mr. Schneider. If you will kindly address yourself to it.

Mr. Schneider: Very well. We in St. Joseph feel very friendly toward Kansas City. I have made some investments <sup>and</sup> here/made some money. But if you will look at that map I think you will agree with me we belong to Chicago, and every argument made here today by the people from south and west of Kansas City seems to me to be an argument in favor of our opinion that we belong to Chicago.

The Secretary of the Treasury: What reason is there for that?

Mr. Schneider: You will notice that second dark spot there represents St. Joseph, with about \$30,000,000.00 bank assets. You will notice north of there Kansas City

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has very few correspondents. You will notice in southeast Nebraska Kansas City has very few correspondents, and in southwest Iowa very few bank correspondents.

There are about 800 country banks in that territory that do business in St. Joseph. I think very few of them do business in Kansas City, their natural river point being St. Joseph and their natural eastern point being Chicago. 75 per cent of our business is with Chicago. We have very little business south and west of Kansas City. And if Mr. Neal's argument is correct that they would rather be hooked up with Chicago than St. Louis, then our argument is also certainly correct. He says the natural trend of trade from this country is to Chicago. If that is a fact you ought not to ask us to step backward 50, 60 or 70 miles. That is what you would do if you put us in the Kansas City district.

Here is a letter from our Clearing House Association. It is just a page and will take me just a minute.

(Letter read.)

Mr. Schneider: Now just a few brief facts. It will not take me but two or three minutes. We are second in manufacturing in the state of Missouri, and that is borne out by the statistical department at Jefferson City. We are the fourth live

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stock market in the world. We are second in every department of jobbing except in the matter of agricultural implements. We have the largest saddlery and harness manufacturing establishment in the world. We have four lines to Chicago; all of our grain goes to Chicago. We keep some accounts in St. Louis simply for collection facility.

Look at that map again, and notice the map that was prepared here in Kansas City, and you will see that Kansas City has very few bank accounts north of St. Joseph in northwest Missouri, very few in southwest Iowa and not a great many in southeast Nebraska. That is our territory. We have nearly thirty million dollars of bank assets, and we belong in Chicago.

The Secretary of Agriculture: Is yours a national bank?

Mr. Schneider; Mine is a national bank with total assets of about \$6,000,000.00.

The Secretary of Agriculture: Have you considered Section 24 of the Act?

Mr. Schneider: I don't recall just what Section 24 is.

The Secretary of Agriculture: I will read it for you - as to loans on farm lands.

Mr. Schneider: I think I know what you refer to, yes.

J. G. Schneider.

The Secretary of Agriculture: A national bank may make loans on lands situated within its reserve district?

Mr. Schneider: Yes, sir.

The Secretary of Agriculture: You could not go south of you in that case?

Mr. Schneider: Exactly. We wouldn't want to.

The Secretary of Agriculture: Nor west?

Mr. Schneider: We wouldn't want to.

The Secretary of Agriculture: I just want to call attention to that.

Mr. Schneider: In addition to being in the banking business I am in the farm loan business, in fact I was in that business 10 years before I went in the banking business, and I make loans all over northwest Missouri, northeast Kansas, southwest Nebraska and southwest Iowa.

The Secretary of the Treasury: Mr. Schneider, in order to concede the request that you make there it would be necessary to attach to the Chicago district the northern strip of Missouri, because you could not attach one city in northern Missouri without carrying that territory with it?

Mr. Schneider: That is what we suggest here, to attach everything north of the Hannibal & St. Joe Railroad.

J. G. Schneider.

The Secretary of the Treasury: How many counties are included in that area?

Mr. Schneider: I don't believe I could tell you that.

The Secretary of the Treasury: How wide a strip would you say that was?

Mr. Schneider: I couldn't say, but there are 147 banking towns in that territory.

The Secretary of the Treasury: What is the distance from St. Joe to the north line of Missouri?

Mr. Schneider: My geography is at fault, Mr. Secretary; I do not believe I can tell you.

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

Mr. Schneider: About 60 miles by air line.

The Secretary of the Treasury: Considering the function which this reserve bank has to exercise, that is, holding the reserves of the banks within its district, re-discounting for member banks, but not necessarily interfering with the ordinary transactions between banks themselves, how far do you consider it of vital importance that St. Joe should be attached to Chicago against Kansas City, considering the function which this reserve bank has to perform?

J. G. Schneider.

Mr. Schneider: I think we can get the same facilities in Chicago, and our big jobbing trade in St. Joseph demands Chicago exchange. We do not have call for any Kansas City drafts. Our call is for Chicago drafts.

The Secretary of the Treasury: On that point exactly, there will be a parring of exchange between these reserve banks.

Mr. Schneider: Yes.

The Secretary of the Treasury: Now in that aspect of the case Kansas City exchange, if it were a reserve bank, would pass current the same as Chicago exchange?

Mr. Schneider: Yes, sir; but the fundamental purpose is to have that redeemed as quickly as possible, so why not let it flow naturally toward Chicago?

The Secretary of the Treasury: You are speaking of currency.

Mr. Schneider: Yes, sir; and exchange too. What is the use of drawing on Kansas City if the money has to go to Chicago? What I am speaking of is that our jobbers in St. Joseph want Chicago exchange 100 times where they want Kansas City exchange once.

The Secretary of the Treasury: Taking the next step which confronts us here, a system of check clearances instead of

J. G. Schneider.

check collections, as the bill contemplates, so that the methods now existing may be very considerably reformed, how far do you think it would make any difference whether you were attached to Kansas City or Chicago?

Mr. Schneider: Just this, Mr. Secretary. If you are going to pay a bill in Chicago is it not much easier, is it not in accordance with the spirit and intent of this law, to draw on Chicago than to draw on Kansas City? Chicago is our natural place. 75 per cent of our business flows there. We have very little business in Kansas City or southwest of Kansas City.

The arguments of every one of these men from Kansas, Oklahoma and south and west of Kansas City are an argument in favor of our being in the Chicago district.

The Secretary of the Treasury: Are you able to say what the sentiment of the 147 banks north of the Hannibal & St. Joe Railroad is with respect to Chicago and Kansas City?

Mr. Schneider: No; but I think I am safe in saying the banks in the northwest corner of the state and the southwest corner of Iowa and the southeast corner of Nebraska would rather be attached to Chicago than Kansas City, because that is not Kansas City territory. South and west of Kansas City

J. G. Schneider.

is the Kansas City territory. All the arguments given here today are to that effect.

The Secretary of the Treasury: Assuming you are not attached to the Chicago district and assuming again a district is situated there, what would be your second choice?

Mr. Schneider: I haven't any second choices. The reasons seem so preponderating in favor of Chicago that I cannot imagine any other place being a natural place for me.

The Secretary of the Treasury: I thought you might say St. Joe.

Mr. Schneider: Well, yes, if you will encourage me a little bit I will.

The Secretary of the Treasury; Sbriciously, though, if you would not be attached to Chicago what would be your second choice? There must be some other place.

Mr. Schneider: I don't believe I would have any second choice.

The Secretary of the Treasury: Would it be St. Louis as against Kansas City?

Mr. Schneider: I don't think there is much difference between St. Louis and Kansas City. St. Louis is south of Kansas City, Neither one of them is the logical place for us.

J. G. Schneider.

Kansas City is entitled to all south and west, but when she goes up in our territory she reminds me of the Sweded who said he could lick everybody in the county, and after he had been licked said "I think I took in too much territory." I think Kansas City is taking in too much. I think we ought not to be asked to come this way. Our trend is toward Chicago.

The Secretary of Agriculture: Where would you draw the line between Kansas city and St. Joe?

Mr. Schneider: Well, draw it right north of Atchison.

The Secretary of the Treasury: How much of the north Kansas territory do you think should be attached to the Chicago district under those circumstances?

Mr. Schneider: Everything south of a line running parallel with the southern line of Buchanan county, which is the county St. Joseph is in.

The Secretary of Agriculture: Would it then divide the state?

Mr. Schneider: Yes; I should think that red line on the map should be brought down.

The Secretary of the Treasury: And put as much into Kansas as has been carried into Nebraska?

J. G. Schneider.

Mr. Schneider: No; I think you would want to leave to Kansas City everything that is directly west of Kansas City and everything that is south of Kansas City. Take west and south, but I do not think that Kansas City ought to come north and east. That naturally flows to Chicago, as Mr. Neal himself told you. If they cannot get it in Kansas City, rather than go to St. Louis they will go to Chicago. That clinches my argument.

The Secretary of the Treasury: Omaha, of course, is an applicant for one of these banks?

Mr. Schneider: Yes.

The Secretary of the Treasury: Assume that Omaha was made one of the banks, would your relations be at all with Omaha?

Mr. Schneider: That is such an improbable thing that I never have speculated on it.

The Secretary of the Treasury: You do not know what is probable or improbable as far as this Committee is concerned.

Mr. Schneider: No; but sometimes I can make a pretty good guess.

The Secretary of the Treasury: You have no particular relations with Omaha?

Mr. Schneider: No. As I say, 75 per cent of our business

is with Chicago.

The Secretary of the Treasury: Where do you do the remaining 25 per cent?

Mr. Schneider: New York, St. Louis, Kansas City, Omaha and Denver.

The Secretary of the Treasury: In what percentages? Take Kansas city, St. Louis and New York.

Mr. Schneider: I would not attempt to divide up that 25 per cent, Mr. Secretary, because, as I say, the only thing that I see is Chicago.

The Secretary of the Treasury: That is all.

STATEMENT OF FRED H. QUINCY.

The Secretary of Agriculture: Give your name to the Reporter.

Mr. Quincy: Fred H. Quincy.

The Secretary of Agriculture: What do you represent?

Mr. Quincy: I represent the Chamber of Commerce of Salina, Kansas, and through them the bankers of that territory.

The Secretary of Agriculture: You are delegated by them to speak for them?

Fred H. Quincy.

Mr. Quincy: Yes, sir; by the Chamber of Commerce at a meeting called at the request of the bankers.

The Secretary of Agriculture: How many banks are there there?

Mr. Quincy: In Salina we have 30,000 people, four banks, two national and two state. We have between 50 and 75 country banks that keep balances there. Speaking for the banks, we favor Kansas City for this regional bank for the reason that it is the natural place for us to do business. That is where we do business now. From the standpoint of a state banker, and representing a bank that is eligible, the bank that I represent would not feel disposed to join the Association if we had to go to Denver or St. Louis. We prefer Kansas City.

The Secretary of Agriculture: Would your bank be eligible?

Mr. Quincy: Yes, sir; our bank has \$100,000.00 capital. Speaking from the standpoint of the Commercial Club, or the Chamber of Commerce, they passed resolutions which I have here and will file with the Committee and will not take the time to read them.

The Secretary of Agriculture: That is to the same effect?

Mr. Quincy: Yes, sir; they express a preference for Kansas

Fred H. Quincy.

City and have no second choice.

The Secretary of the Treasury: Thank you. Now let us have Muskogee, please.

I might say that any additional data of a statistical nature which you desire to file on behalf of Kansas city may be mailed to the Committee and will, of course, receive full consideration at the proper time. We do not, as a rule, take testimony in extenso on statistical matter, because it is impossible to carry statistics in your head, but we do like to have those matters on file so in rendering the decision the Committee may have the statistics before it, and we especially want the maps because those diagrammatical and statistical maps are very helpful.

Mr. Goebel: May I now give 23 resolutions from various Kansas clearing houses and various organizations into the record?

The Secretary of the Treasury: They may be filed.

STATEMENT OF L. W. DUNCAN.

The Secretary of Agriculture: Give your name and occupation to the Reporter.

E. W. Duncan.

Mr. Duncan: L. W. Duncan, Muskogee. I appeared in St. Louis. I do not know as I have anything additional to say. It was only in response to a telegram from Washington that I came; they wired if I would represent them here. They did not know I would appear in St. Louis at all.

The Secretary of Agriculture: Just for this record, will you state do you represent the Clearing House?

Mr. Duncan: Yes, sir.

The Secretary of the Treasury: We have his testimony in St. Louis.

Mr. Duncan: I was to be present at both hearings, and really I think it is immaterial to the Muskogee Clearing House which city is selected. We are more interested in the district. Kansas City would be agreeable to Muskogee, though.

The Secretary of Agriculture: You do not want to go south, was your main point?

Mr. Duncan: No, sir; we don't want to go south.

The Secretary of the Treasury: Let this telegram go in the record there.

"Tulsa, Okla., Jan. 23, 1914.

"William Huttig,

Prest. Nat'l Bank of Republic, K. C. Mo.

L. W. Duncan.

"We are very strongly in favor of Kansas City as the location for a reserve bank. Our balances in your city are ten times greater than our balances in St. Louis and our business is in your favor at a ratio of about six to one. If you see fit you may use this telegram in clearing up our position with the Committee. Our Mr. Leonard went to St. Louis without instructions. We expected him to obtain information as to relative merits of St. Louis from the Committee viewpoint and report back to us. We note by press reports that he favored St. Louis as the location. This is not our position in the matter. As he acted without instructions we feel that he has not committed the bank in regard to the matter.

"Exchange Nat'l Bank,

"By P. J. White, President."

## STATEMENT OF E. R. MOSES.

The Secretary of The Treasury: Give your name and address.

Mr. Moses: E. R. Moses, Gread Band, Kansas.

The Secretary of The Treasury: What do you represent?

Mr. Moses: I represent a National Bank and two State Banks.

The Secretary of The Treasury: And you desire to be attached to the Kansas City district?

Mr. Moses: Yes, sir.

The Secretary of the Treasury: You have no second choice?

Mr. Moses: None whatever. We do not do business in St. Louis. We pulled out of there nearly two years ago. Our business is only with New York and Kansas City.

The Secretary of Agriculture: What per cent is with Kansas City?

Mr. Moses: 90 per cent.

In regard to the mercantile business, I put out over twelve hundred thousand dollars worth of farming implements and machinery and 90 per cent came from Kansas City, and in various other lines I think fully 90 per cent came through Kansas City.

## STATEMENT OF T. H. DWYER.

The Secretary of The Treasury: Give your name and occupation.

Mr. Dwyer: T. H. Dwyer, President Chase Hill National Bank. Our interests are with Kansas City, Mr. Secretary.

The Secretary of The Treasury: What do you represent?

Mr. Dwyer: I represent the Oklahoma bankers. I am a member of the State Executive Committee of the Oklahoma Bankers Association and attended the meeting the other day and was ordered to come here and report on this proposition.

The Secretary of The Treasury: We have heard from your Association already?

Mr. Dwyer: Yes.

The Secretary of The Treasury: You confirm all that has been said by your associates?

Mr. Dwyer: Yes, sir. I want to confirm this much more and will not take your time; I know you are short of time. We would like Kansas City to have a Regional Bank. If they cannot have one we want them to have a branch bank, and also Oklahoma City to have one.

The Secretary of The Treasury: And your second choice would be St. Louis if you did not have a bank at Kansas City?

T. H. Dwyer.

Mr. Dwyer: That is it exactly, and 80 per cent of our business comes through Kansas City.

STATEMENT OF CHARLES M. SAWYER.

Mr. Sawyer: State Bank Commissioner of Kansas.

The Secretary of The Treasury: Mr. Sawyer, let us have your views on this problem.

Mr. Sawyer: I think you have been furnished with statistical information with regard to banks of Kansas. We have 930 State Banks in the state, of which number 181 are eligible to become members of this association, and of the 930 I presume 900 of them have account in Kansas City. This is the natural clearing house for Kansas.

The Secretary of The Treasury: Have you made a ruling as to whether the Kansas banks that are eligible may subscribe to stock in the banks?

Mr. Sawyer: We have a provision in the law against banks investing in the stocks of other banks and corporations, but our Attorney General has held they can make a distinction.

The Secretary of The Treasury: On this particular matter?

Mr. Sawyer: Yes, sir.

T. H. Dwyer.

The Secretary of The Treasury: That is on the theory this is not an ordinary stock, but a national system?

Mr. Sawyer: Yes, sir.

The Secretary of Agriculture: I would like to ask what you think about the suggestion that the northern strip of Kansas should go to Chicago?

Mr. Sawyer: Well, I believe that 80 per cent of the business comes to Kansas City now, but as between Chicago and St. Louis I presume the greater part of it would go to Chicago.

The Secretary of Agriculture: That northern strip?

Mr. Sawyer: Yes.

The Secretary of The Treasury: Do you think that the ordinary course of its exchange and business transactions in that northern strip is more with Chicago than with Kansas City, or the reverse?

Mr. Sawyer: No; as between St. Louis and Chicago I think probably the greater per cent is Chicago, but I think 80 per cent is Kansas City.

The Secretary of Agriculture: Kansas is pretty solid for Kansas City.

Mr. Sawyer: Well, it is the natural clearing house for

G. M. SAWYER.

all our products and all our exchanges:

The Secretary of The Treasury: You heard the remarks of Mr. Schneider, the representative of St. Joe, a moment ago, in which he was suggesting that the northern part of Missouri might be attached to the Chicago district, and he thought the northern part of Kansas might likewise go there. Do you feel that any part of Kansas should be attached to the Chicago District?

Mr. Sawyer: I don't think so, Mr. Secretary, because of the mail facilities and the transportation facilities and proximity to Kansas City.

STATEMENT OF GOVERNOR HODGES OF KANSAS:

The Secretary of The Treasury: Governor, we should be very glad to have you give us any information you can on this subject:

Mr. Hodges: It has been suggested that the Kansas laws would not permit our state banks to participate in this Regional Bank. I feel warranted in giving you gentlemen the assurance that if there is a delinquency that the succeeding or the coming legislature will remedy it:

## Governor Hodges.

My distinguished predecessor emphasized the fact that Kansas City, Missouri, was made up of Kansans. I believe that three-fourths of the great industries of this city are managed, or their directors or stockholders are Kansans. We are vitally interested in this. The establishment of this bank in Kansas City, Missouri, means perhaps more to Kansas than to any other of these states.

Our state is yet in its infancy, and if you will pardon me, last year was the worst drouth we have had in the history of this state in 45 years, and yet our normal increase in agriculture and live stock was two hundred and forty-two millions of dollars, and these bankers have stated to you that the big end of that is cleared through Kansas City.

If a bank loans money it wants the best assets possible. The assets of these great banks that you intend establishing, and I hope there will be twelve instead of eight, is the assets of one hundred million people. In Kansas we have about three billion dollars worth of property upon our tax rolls. That gives us \$1,750.00 each for every man woman and child in Kansas. We have about two hundred and ten million dollars on deposit in our banks. That gives us about \$125 each circulating medium or currency. These things are apparent

## Governor Hodges.

when we know that the average wealth throughout the United States is \$1200 per capital and the average credit or circulating medium is about \$35. And so Kansas will give you, when we borrow money through you the best assets in the United States by 50 per cent in one instance and 300 per cent in the other.

The natural commercial gravitation of the middle west is towards Kansas City, and these two great cities are the port, the established port. Our state is 50 years old. We are yet in our infancy.

You are establishing these banks and this bank perhaps will be here a hundred years from now. You cannot foretell what Kansas will be in a hundred years. Judging by the past - well, you cannot judge the future.

We hope this bank will be established on the Kansas side of the line. I would not be a Kansan if I did not hope for that, but if it is not, then we want to join these good friends over in Missouri, because three-fourths of them are Kansans, and establish it on this side of the line.

The Secretary of Agriculture: Governor, may I ask you a question?

Mr. Hodges: Certainly.

## Governor Hodges.

The Secretary of Agriculture: I should be glad to know why you suggest twelve instead of eight?

Mr. Hodges: If one is a good thing, twelve is just twelve times as good.

The Secretary of Agriculture: Could you proceed with that up to 25,000?

Mr. Hodges: No; there must be a sensible line of demarkation. And let me suggest just one more thing, Mr. Secretary. You expect to establish your banks where you have your greatest commerce, your greatest activity. If you establish eight banks, then why should we get away from Kansas City when Kansas City clearings are only sixth in the United States. If this as a commercial center ranks sixth and you establish eight banks is not that conclusive evidence you should have one of those banks here.

The Secretary of The Treasury: There is one thing about clearings, gentlemen. Under our present system there is a good deal of artificiality about the clearings of the different cities. They are not always indicative of the true standing of those cities. A short time ago we took evidence in New England, and among other things the City of Albany came under view. It was testified that <sup>there</sup> were two

Governor Hodges.

billion bank clearings in a year in Albany. On the face of it it would look like a/tremendous trade importance, but the truth is Albany holds out great inducements to other banks to keep reserve balances there, not only in interest allowance, but in free check collections, and those banks all testified their balances were absorbed by these advantages held out, which were purely artificial. And the same thing is true as to other cities, and I would not want you to base your argument too strongly on that.

Mr. Hodges: Then we can congratulate ourselves as there has been no evidence set forth today that the bank clearings in Kansas City have been padded along the same line.

The Secretary of The Treasury: We have not gone into that today.

Mr. Hodges: I might add one thing. They spoke about the Joplin district. We have a Pittsburg district down here, a sort of a thumb on the hand of commerce, and last year the output was \$740,000,000.00, \$7,000,000.00 more than the gold output of the United States, including Alaska, and our good farmers' wives sold \$22,000,000.00 this year of butter, eggs and poultry alone. That is \$7,000,000.00 more than the Government paid in the Louisiana Purchase, about a

Governor Hodges.

third of the acreage of the United States. So personally we hope you will see fit to establish this bank here, because it means more to our state than to the others.

The Secretary of The Treasury: Thank you, governor.

GEORGE R. McCULLOUGH.

The Secretary of Agriculture: Will you give your name and occupation.

Mr. McCullough: G. R. McCullough, President of the Tulsa Clearing House and President of the First National Bank.

The Secretary of Agriculture: What do you represent?

Mr. McCullough: I represent the Tulsa Clearing House.

The Secretary of Agriculture: How many banks in that?

Mr. McCullough: Eight banks.

The Secretary of Agriculture: State or National?

Mr. McCullough: Six National and two State.

The secretary of Agriculture: Did they request you to speak for them?

Mr. McCullough: They did.

The Secretary of Agriculture: Will you tell us what

George R. McCullough.

your method is?

The Secretary of The Treasury: Have you any resolutions from them?

Mr. McCullough: The Association passed resolutions favoring Kansas City as a location for a Regional Bank and it was submitted here. We are in favor of Kansas City as the location for a Regional Bank, first, because it is our natural banking center and clearing center.

We have a population of more than 30,000 people, eight banks, with deposits of nine and a half million dollars, and initial clearings of more than sixty million. We are in the heart of the Mid-Continent Oil and Gas field, of which during the past year the total average production of oil was 125,000 barrels per day, and more than \$60,000,000.00 of oil was marketed last year. We speak of this merely to show that our request should be considered along with the others.

The  
The Secretary of/Treasury: What would be your second choice if you did not have a reserve bank here -- headquarters here?

Mr. McCullough: Our second choice would be St. Louis naturally.

The Secretary of Agriculture: To what extent is your section a cattle section?

George R. McCullough.

Mr. McCullough: Well, not so extensively as it used to be. The range has been cut up and it has hampered the cattle trade. Now, our balances, as the telegram read would indicate -- I think I am safe in saying that 75 per cent of our bank balances are carried in Kansas City banks. We have four accounts, I believe, and I think every bank in Tulsa carries from three to five Kansas City accounts. Our business is here.

The Secretary of Agriculture: Where is the larger share of the contact of your business men? Have you anything bearing on that?

Mr. McCullough: No; I have not, but it is largely with Kansas City.

The Secretary of Agriculture: Thank you.

## STATEMENT OF CAMPBELL WELLS.

The Secretary of the Treasury: What do you represent,

Mr. Wells?

Mr. Wells: They just called me; I was here. I am in the banking business at Platte City, about half way between here and St. Joseph, the Wells Banking Company.

The Secretary of the Treasury: I suppose you want to talk about the place northern Missouri should be put.

Mr. Wells: Only the portion of it in which I reside, Platte county.

The Secretary of the Treasury: Where is Platte City exactly?

Mr. Wells: That is almost on an air line about half way between here and St. Joseph, the county seat of Platte county; it lies on the river.

The Secretary of the Treasury: To which place would you want to be attached?

Mr. Wells: Our business is almost altogether in Kansas City.

The Secretary of Agriculture: I should think that would be obvious.

Mr. Wells: Yes, sir; I do not see why they called on me at all.

The Secretary of the Treasury: Here are some telegrams that may be filed and sent to Washington.

## STATEMENT OF P. W. GOEBEL.

The Secretary of the Treasury: Mr. Goebel, I would like to ask you a few questions. This district, as you have outlined it, making Kansas City the reserve bank, I should like to get some idea as to the extent of the season of maximum demand when Kansas City banks have to re-discount or borrow from other banks.

Mr. Goebel: When the Kansas City banks borrow from other banks?

The Secretary of the Treasury: Yes; what was the extreme borrowing of the Kansas City banks this last fall, for instance, to take care of the situation?

Mr. Goebel: I would say that we re-discounted or sold paper to the amount of probably ten to fifteen million dollars - ten to twelve million dollars.

The Secretary of Agriculture: Over what period?

Mr. Goebel: Well, for about 60 days.

The Secretary of the Treasury: That is the period of maximum demand?

Mr. Goebel: Yes.

The Secretary of the Treasury: And do you think that that was necessitated by the demands of approximately the district that you have outlined here?

P. W. Goebel.

Mr. Goebel: Yes. Of course that was simply the surplus demanded from that district. We carry, as I told you this morning, about twenty-six million right now, and that paper that we sold simply represented the surplus demand.

The Secretary of the Treasury: How far is such a district as you have outlined capable of taking care of itself without borrowing from other districts?

Mr. Goebel: As I said this morning, Mr. Secretary, the district I have outlined would practically carry itself the year around unless, as I stated, we should have an extraordinarily large crop of wheat that it would take quite a long time to finance between threshing machine and mill, or an extraordinarily large crop of corn which would make a great demand for feeding stock, or a failure of the corn crop, as we had this year, necessitating the purchase of corn from other districts and shipping in here.

The Secretary of the Treasury: Now assuming St. Joe was eliminated from this district and the boundaries of the district were considerably reduced in other directions, taking Ft. Worth and Dallas out - I am only speaking now of debatable territory. Suppose you took out all the debatable territory, would you then have a district which would be sufficiently

P. W. Goebel.

self-contained and with resources adequate to take care of itself?

Mr. Goebel: Yes; except as I say, an abnormal demand.

The Secretary of the Treasury: Of course, one of the objects of the Act is to take care of abnormal demands.

Mr. Goebel: This district under ordinary conditions would have sufficient to take care of itself.

The Secretary of the Treasury: Under conditions of merely a normal crop do you think it would take care of itself?

Mr. Goebel: Yes, sir; I do.

The Secretary of the Treasury: Kansas City, in other words, generally has a surplus of capital for lending purposes?

Mr. Goebel: Yes, sir.

The Secretary of the Treasury: If you left Denver out also would that be true?

Mr. Goebel: Yes, sir; leaving out all debatable territory it is my judgment, based upon 30 years' experience in banking in the immediate Kansas City territory, there would only have to be a call from this regional reserve bank on any other reserve bank in case of special occurrences. I hope that every once in a while we would have to call on some other reserve bank to move an enormous crop.

P. W. Goebel.

The Secretary of the Treasury: That would be a very good and a very happy reason for doing it.

Mr. Goebel: Yes, sir. I want to make a statement in regard to the clearings of the Kansas City banks, and I want to make it officially as president of the Clearing House Association, that our clearing house balances are paid every day. There is no padding in the clearings. Our clearings are large because, as I stated to you this morning, our capital and our banking resources are obvious because there is a great initial point here of the products coming in that are bought and sold and later on, after they are sorted, resold again, which makes it a very active proposition.

The Secretary of the Treasury: Is there anything more you care to add, Mr. Goebel?

Mr. Goebel: Only this, that I am, as I told you, president of the Commercial National Bank of Kansas City, Kansas, and, therefore, a Kansas banker, and out of the over eleven hundred Kansas bankers I do not think you could get three bankers that would say to divide Kansas. They would all insist on coming to Kansas City and they have no second choice.

The Secretary of the Treasury: What is the population of Kansas City, Kansas, and Kansas City, Missouri?

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P. W. Goebel.

Mr. Goebel: About 260,000 in Kansas City, Missouri, and about 90,000 in Kansas City, Kansas; 88,000 at the last census. I am quoting census figures of four years ago.

The Secretary of the Treasury: Probably twice that large now?

Mr. Goebel: No.

The Secretary of Agriculture: What separates them except the state line?

Mr. Goebel: Nothing except paved streets between them.

The Secretary of Agriculture: And policemen?

Mr. Goebel: Yes, sir; and they have saloons on this side of the line and it is dry on the other side of the line, but it is only a nickel carfare.

The Secretary of Agriculture: Which has the more liquid assets?

Mr. Goebel: Kansas City, Missouri.

STATEMENT OF W. F. RANKIN.

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

Mr. Rankin: W. F. Rankin, First national Bank of Tarkio.

W. F. Rankin.

The Secretary of Agriculture: How far are you from Kansas City?

Mr. Rankin: About 123 miles. We are right in the northwest corner of Missouri.

The Secretary of Agriculture: I do not see it on this map.

Mr. Rankin: That single dot up there.

The Secretary of Agriculture: Right in the extreme corner?

Mr. Rankin: Yes, sir; about 165 miles north of St. Joe and about 75 miles south of Omaha.

The Secretary of Agriculture: What is the population?

Mr. Rankin: About 3500.

The Secretary of Agriculture: And you want to speak for those interests as a whole, do you?

Mr. Rankin: Yes, sir; I want to speak for the farming interests and for the feeding interests. We figure it would be an advantage to have a regional bank in Kansas City for the feeders. It takes a vast amount of money to feed the cattle and the hogs that are fed through this part of the country. Take the state of Kansas and the south half of Nebraska and the western half of Missouri, that all has to be handled by the banks. The farming community does not earn money enough to handle the cattle. They have the money in the farm,

W. F. Rankin.

but have to borrow this money, and the closer they can get in touch with these people here we think the better.

The Secretary of Agriculture: You buy your stuff here?

Mr. Rankin: We buy it in the three river markets, Omaha, Kansas City and St. Joe; principally in Kansas City.

The Secretary of Agriculture: And where do you ship?

Mr. Rankin: Well, our cattle go to Chicago and our hogs to St. Joe and Kansas City.

The Secretary of Agriculture: How would your product be distributed in value?

Mr. Rankin: Well, I suppose about half of it to St. Joe and Kansas City and about half to Chicago. We are in Chicago territory other than Kansas City territory. Our relations are all with Chicago, that is, practically so, outside of the river markets, and we do about, I should say, 75 per cent of our business with St. Joe and Kansas City.

The Secretary of Agriculture: You feel, in spite of the fact that you send about half of your product to Chicago, that you ought to be in this district?

Mr. Rankin: Yes, sir; because we buy all of our stuff in either St. Joe or Kansas City. That is the buying place; that is where we want to float the paper that we have to

W. F. Rankin.

handle.

The Secretary of Agriculture: What would be your second choice?

Mr. Rankin: Chicago.

The Secretary of the Treasury: Did you say Kansas City first?

Mr. Rankin: Yes, sir.

The Secretary of Agriculture: What would be your opinion, Mr. Rankin, with reference to that entire northern strip of Missouri?

Mr. Rankin: I think it would all be Kansas City. After you get east of us a ways it would divide between Kansas City and St. Louis.

The Secretary of Agriculture: Chicago drew a line from the eastern to the western boundary there and included that whole strip of Missouri in Chicago.

Mr. Rankin: Well, I think they would properly take about the north quarter.

The Secretary of Agriculture: The north central quarter?

Mr. Rankin: Yes.

The Secretary of Agriculture: But you are clear that the northwestern corner should come to Kansas City?

W. F. Rankin.

Mr. Rankin: Yes. Their first choice would be St. Joseph, because they are a little nearer St. Joseph, but that is not possible, so they feel that Kansas city is the next point. We handle a good many cattle ourselves. We feed about 10,000 cattle a year.

The Secretary of Agriculture: You know you might still continue your present relations, and would continue your present relations with your present banks?

Mr. Rankin: Well, it is a good deal easier to know these fellows than to know the fellows farther away.

The Secretary of Agriculture: But you would not deal with the regional bank.

Mr. Rankin: He would have to pass on it.

The Secretary of Agriculture: He would have to pass on the banks, perhaps.

Mr. Rankin: Well, the closer they are to the party that wants the money, the closer they are to the people that are producing it, the better they know the security.

The Secretary of Agriculture: I just want to emphasize the fact that you will still be dealing with your same bankers primarily.

Mr. Rankin: Yes; but it is quite true when you get a fellow

W. F. Rankin.

too big he don't know you so well, the little fellow. He knows these Kansas City fellows.

The Secretary of Agriculture: He probably would know you, judging from what I hear.

Mr. Rankin: Well, but he might not some of the others.

The Secretary of Agriculture: Thank you very much.

STATEMENT OF E. C. DINGS.

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

Mr. Dings: P. C. Dings. I am with the Guarantee State Bank, Ardmore, Oklahoma, but have been appointed as a committee representing the southern part of the state for the Oklahoma Bankers' Association, we being located 35 miles from the Texas line and in purely a cotton country, yet we want the Committee to understand that we want the state kept intact and do not want to go to the south.

The Secretary of the Treasury: Where do you want to go?

Mr. Dings: We want to come to Kansas City first, last and all the time.

The Secretary of the Treasury: What is your second choice?

Mr. Dings: The second choice would be this: since coming

P. C. Dings.

here today I learn that a branch bank has all the privileges and powers and accommodations for us that a regional bank has. That being true, my second choice would be a branch bank at Oklahoma City.

The Secretary of Agriculture: In that case would you care where the regional bank was?

Mr. Dings: Well, all of our business is with Kansas City.

The Secretary of Agriculture: Yes. The Secretary asked what your second choice would be for the regional bank.

The Secretary of the Treasury: If you did not have it at Kansas City where would you then prefer to have it?

Mr. Dings: As I say, it does not make any difference to us as long as we have a branch bank in our own state.

The Secretary of Agriculture: You are pretty near Ft. Worth and Dallas. You do not want to be connected with a bank at any place in Texas?

Mr. Dings: I am afraid that neither Ft. Worth nor Dallas will get a regional bank, hence we would have to go farther south to New Orleans.

The Secretary of Agriculture: Suppose one were at Dallas.

Mr. Dings: That would be our second choice.

The Secretary of the Treasury: It would be?

P. G. Dings.

Mr. Dings: Yes, sir, from the fact that three months in the year there is the cotton season and 60 per cent of our business goes south of Ft. Worth, Dallas or Houston.

The Secretary of Agriculture: Do you get advances from their discounts?

Mr. Dings: We do not borrow any money there, only on bills of exchange. We borrow our money in Kansas City and New York.

The Secretary of Agriculture: Do you think it would be possible to create a district with a bank somewhere in Texas as the center that would self-sufficient in normal times?

Mr. Dings: I believe that --

The Secretary of Agriculture: Or do you think it better to attach such territory to one that is normally a lending section?

Mr. Dings: We would like to see in southern Oklahoma, if there is going to be a bank in the South, that it be in Texas, and take New Mexico from Kansas City. They won't lose much by losing that. And then not have one at New Orleans.

The Secretary of Agriculture: You would prefer Texas to New Orleans?

Mr. Dings: Yes, sir; by all means.

The Secretary of Agriculture: But your first choice is

P. C. Dings.

Kansas City?

Mr. Dings: Yes, sir.

The Secretary of the Treasury: The Committee is on the point now of adjourning, and before doing so if there is any one here who has not been heard who desires to be heard and is prepared to present any new facts, the Committee will hear them briefly, but we should like to have new facts and not to cover ground that has already been discussed.

Is there any one, under those circumstances, who cares to present himself? If not, the hearing will be closed.

The Committee will now adjourn.

Before adjournment let me say for the Committee that it must not be inferred, as I said before, that the questions the Committee has asked of the witnesses in the slightest degree indicate any opinion on the part of the Committee. The Committee will form no opinion on any of these matters until the testimony has been taken from the entire country, so that the relation of the entire country to all of the districts can be seen and the general problem can be considered.

Whereupon at 4:50 P. M., on the 23d day of January, 1914, the Committee adjourned to meet at

Lincoln, Nebraska, on the 24th day of January,  
1914, at 10 O'Clock A. M.

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