

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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78.

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At Seattle, Wash.

Date January 29, 1914.

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

Seattle, Wash., January 29, 1914.

Met pursuant to adjournment at 9:00 A. M.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

Ernest C. Wagner, Seattle, Wash., appearing for The Bank of California.

J. H. Bloedel, Seattle, Wash., appearing for Bloedel Donoven Lumber Mills.

O. L. Miller, Seattle, Wash., appearing for the Seattle Business College.

James D. Hoge, Seattle, Wash., appearing for Barry Club and others.

Thos. H. Brewer, Spokane, Wash.

N. W. Durham, Spokane, Wash.

Gordon C. Corbally, Spokane, Wash.

D. W. Twohy, Spokane, Wash., appearing for Spokane, Wa

Edwin T. Coman, Spokane, Wash., appearing for the Exchange National Bank.

Eugene F. Wilson, Tacoma, Wash., and  
W. H. Pringle, Tacoma, Wash., appearing for the  
Tacoma Clearing House.

A. R. Titlow, Tacoma, Wash., and  
George Milton Savage, Tacoma, Wash., appearing for  
Tacoma Commercial Club and Chamber of Commerce.

F. W. Tinkel, Coeur d'Alene, Idaho,  
A. H. Keller, Weiser, Idaho.  
T. J. Humbird, Sandpoint, Idaho,  
Wm. Thompson, Lewiston, Idaho, all appearing in beh  
of Idaho.

Victor A. Roeder, Bellingham, Wash., for the  
Bellingham National Bank.

Miles C. Moore, Walla Walla, Wash., appearing for  
the Baker Boyer National Bank.

William McCush, Bellingham, Wash., and  
C. J. Lord, Olympia, Wash., appearing in behalf of  
Seattle, Wash.

F. S. Lusk, Missoula, Mont., appearing for the First  
National Bank of Missoula.

A. C. Johnson, Helena, Mont., appearing for the  
Helena Clearing House Association.

The Secretary of the Treasury: The Federal Reserve Act  
 Zephin, Job, Butte, Mont., appearing for the Butte  
 National Bank.

David J. Charles, Butte, Mont., appearing for Butte  
 bankers and Butte Chamber of Commerce.

M. A. White, Hamilton, Mont., appearing for Hamilton  
 Chamber of Commerce, and Hamilton banks.

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 and shall not necessarily be conformable with any state or  
 states. The problem before the Committee is, very largely  
 an economic one, almost wholly so; and what the Committee  
 seeks are such facts as will enable it to determine, as  
 required by the Act, what is the best arrangement or what  
 is the best division of the country to serve the conveni-  
 and customary course of business.

The time which the Committee has at its disposal is  
 necessarily limited, and as a great many people want to be  
 heard, we have found as we proceeded that it is better to  
 have each of the cities represented by a certain number of  
 men speak for it and represent its views, and that course  
 will be pursued here. We are obliged to suggest that it  
 not ordinary that we want, but facts, and we would like to  
 have the witnesses remain in conference, so far as practicable.

The Secretary of the Treasury: The Federal Reserve Act requires this Committee to divide the country into not less than eight nor more than twelve Federal Reserve Districts and to locate in each one of them the headquarters of a Federal Reserve Bank. In doing this work, the Act expressly provides that the district shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states. The problem before the Committee is, very largely an economic one, almost wholly so; and what the Committee seeks are such facts as will enable it to determine, as required by the Act, what is the best arrangement or what is the best division of the country to serve the convenience and customary course of business.

The time which the Committee has at its disposal is necessarily limited, and as a great many people want to be heard, we have found as we go along that it is better to have each of the cities represented by a certain number who may speak for it and represent its claim, and that course will be pursued here. We are obliged to suggest that it is not oratory that we want, but facts, and we would like to have the witnesses confine themselves, so far as practical

to a statement of those things which will be useful to the Committee in learning something about the normal course of trade and business in these respective cities and in these respective districts.

I see that Seattle has presented here a list of names of gentlemen who wish to be heard, and the first on the list is the Governor of the state, Governor Lister. We shall be very glad to hear from you, Governor.

STATEMENT OF HON. ERNEST LISTER, GOVERNOR OF THE STATE OF WASHINGTON.

The Secretary of the Treasury: Governor, you may proceed to make any statement you desire.

Gov. Lister: Secretary McAdoo and Secretary Houston, I feel sure that I am echoing the unanimous sentiment of the people of this particular territory when I say that it is their desire that a regional bank be located in the northwest. I possibly may cover more fully the lines of the northwest regional bank than that of the claims of any particular city and I hope in doing that, that I will not to any degree depart from the desires of this Committee.

The west welcomes the passage of the Currency Bill. We

also feel that the proper course has been pursued in deciding upon a number rather than but one bank, one central bank in preference to the number. And feeling that way, we desire to present the claims of the northwest district for the location of a bank in this district.

When I speak of the northwest districts, I refer to four states, the States of Idaho, Montana, Oregon and Washington; and coupled with that combination of states would also be the Territory of Alaska, if it decided to take advantage of this bill, which, without doubt, would be the case. Regardless of that, however, the business interests of the two districts are so interwoven that the advantage would be great to the district of Alaska, in our opinion, if a bank were located in this particular district,

It is not known by some that the Pacific Northwest area of which I have spoken, covers approximately one-eighth of the area of the United States. The district including Alaska, in round figures, is almost one-fourth of the area. This information will be given in more detailed shape for the Committee to take along with it for future consideration, so that in the use of figures I shall not get down to the very close points.

The other question which seems to be one much in favor of the location of a bank in the northwest is the fact that it is a remote district. In the cities of Seattle and Tacoma and in this particular district we are located approximately 1000 miles from San Francisco. The time required in the handling of mail between the two cities is equal to that required in the handling of mail between the cities of Kansas City, for instance, and New York. There are a number of reasons that bring that about. Of course, the distance is greater between Kansas City and New York, but our train service is slower in this particular country.

One matter that might be considered in connection with that too, is the fact that from the central state cities reaching back to New York and the other centers we find a network of railways, while in our western district, between this point and San Francisco, we have but one line of railroad and that running part of the distance through a mountainous district. I think that the point in connection with that can be readily seen by the Committee, that the San Francisco location as the headquarters for the entire coast regional bank would not be a location that would be in the line of giving the service that the northwest district

feels would be to its best advantage, and would best handle the business of the northwest.

Another point in connection with the location of a northwest regional bank rather than one Pacific Coast bank, and I think one to consider, is not only the present day conditions, ~~and~~ but also the rapid increase that will naturally in this northwestern district. And to indicate to the Committee that thought, I think we have but to call attention to what has occurred in the past. The increase in this great district has been rapid, and without doubt you will consider that as one of the elements in deciding upon the districts to be formed and the lines of those districts for regional banks.

Take the entire district that we are now speaking to, its population was 2,500,000 approximately in 1910, having almost doubled since 1900. I speak of that to show the development of this particular district.

And another point along that line that might just bring forcibly to the minds of the Committee the rapid development of the west, is the fact that just a little over 30 years ago I remember the city we are now in having a population of but approximately 4,000 people, known as the "Sawdust town"

of the Puget Sound district, and yet today, even under the census of 1910, we find a population exceeding 237,000 people. That indicates, I think, the growth of the western country and its development along those lines.

Speaking of the total population of this particular district I am speaking of, the State of Washington has approximately half of that population. Washington also has the densest population of any of the Pacific Coast states, as will be shown by accurate figures furnished you for your consideration at some future time. We also can show the largest per capita of wealth-producing capacity in this particular district.

In relation to the reasons for the location of a regional bank in this district, I might say that our resources are of a most varied character. We have in the entire district approximately 158,000 farms valued at over \$1,800,000,000 according to the reports, covering that particular alone. Of this, one-third is in Washington. In ten years it has doubled or has increased the farm valuation two and a half times. The state of Washington more than maintains its proportion of that by showing a gain of three and a half times. The product of this particular district is approxi-

mately \$190,000,000. The increase in ten years has been approximately 194 per cent. In Washington the product amounts in round figures to \$74,000,000, with an increase 235 per cent in ten years time.

The district, although the state of Washington is the most heavily settled of the northwest, is but a sparsely settled district, yet I think the Secretaries will agree with me that it is a country of great possibilities and a country having room for many, many more people than we have.

In the matter of other resources we have here timber exceeding in value and quantity that remaining in any other part of the United States. The cut per annum is approximately seven billion feet, which amounts to approximately one-sixth of the total lumber out-put of the United States. Of this seven billion feet the state of Washington cuts approximately four billion, one-tenth of the cut of the entire United States. And in our state is manufactured approximately 65 per cent of all of the shingles used in the United States.

Along manufacturing lines we have but a new country and yet we are developing rapidly.

I might speak of the different factories in detail; however, I do not feel that the Committee would care to have me take up their time in doing that. We do manufacture everything from the smaller articles, such as shoes, up to battle ships, and the United States now has in its navy the Battleship Nebraska, built in the yards of this city, I think the record of which has not been at all a record that would injure the reputation of this city as a manufacturing point.

In the matter of possible development of water power, I know there is no district in the United States of greater possibilities along that line. An estimate has been made that there is approximately 12,000,000 potential horse power that can be developed in this district. We are developing each year new power propositions, all of which tends to assist along almost every line of industry. We all realize that electric power is the power that enables communities to develop along manufacturing lines.

In minerals, this district is rich in all lines, from coal to gold. The total output in 1909 was nearly \$76,000,000. Montana, principally in precious metals and copper, amounted to \$55,000,000.

Another point not generally known, by our own people even, is the fact that over 55 per cent of the coal mined on the Pacific Coast is mined within a radius of 100 miles of the point we are now sitting, over 55 per cent of the coal. The output of Alaska in gold and copper was approximately \$20,000,000. In the matter of fisheries, the state of Washington and Alaska had an output of approximately \$30,000,000 during the last year. The output of the state of Washington was by far the greater proportion of that. That, in a degree, is but in its infancy. The state of Washington has taken and is continuing to take particular interest in the development of its fishing industry. Today we have 25 fish hatcheries in operation under the control of the state, and the United States Government also has some fish hatcheries in the state. This line is being improved upon each year and cannot but result in a greater production of fish from the waters of Puget Sound and vicinity. The pack of the state of Washington in salmon alone during the year just passed was approximately two million cases of salmon.

One point, we believe, is in favor of the location of a regional bank in this district is the fact of the handling

of the foreign commerce. We have here a magnificent body of water. The foreign commerce of the Pacific Northwest exceeds that of the state of California. Four-fifths of the foreign commerce of the Pacific Northwest is handled through Puget Sound. The growth has been exceedingly heavy in this district, and with the completion of the Panama Canal without doubt will continue to rapidly increase.

We have running into this particular district four trans-continental lines of railway as against one connecting this point with the state of California, with San Francisco in ~~xxxx~~ the state of California. The net tonnage of vessels in foreign trade on Puget Sound is second only to that of the Port of New York. That ~~the~~ records will also show, ~~and~~ it will be furnished to you.

~~of the foreign commerce. We have here a magnificent body~~  
 The domestic commerce of the Pacific Coast, I hardly feel it is necessary to go into, as that will be covered by others better able to handle it than I. The Seattle Chamber of Commerce and the Clearing House Association of this city have prepared a number of maps that will show to you the condition from a map standpoint. Oftentimes a map ~~of the foreign commerce of the Pacific Northwest is handled~~ ~~through Puget Sound. The growth has been exceedingly heavy~~ ~~in this district, and with the completion of the Panama~~ ~~Canal without doubt will continue to rapidly increase.~~ very clearly and quickly indicates a point that 15 minutes

~~We have running into this particular district four trans-~~ of conversation would hardly make clear.

~~continental lines of railway as against one connecting this~~

~~point with the state of California, with San Francisco in~~

~~xxxxxxx the state of California. The net tonnage of vessels~~

~~in foreign trade on Puget Sound is second only to that of the~~

There is one particular point I desire to call to your attention here, and that is the length of the Coast Line, beginning at the northern boundary of Alaska and reaching down to the southern boundary of California. (Producing map.) I think the map shows that more clearly than any words could express. Here we have the northern boundary of Alaska, and I think it is not necessary to say that the regional bank business of Alaska would of necessity be handled through a Northwestern bank, if one were located in the Northwest. Here we start in on the scale map with the coast line of Alaska. We reach here the city of Seattle. We go on down and come to the southern border of the state of California. The point I desire to particularly call your attention to is the fact that this shows that San Francisco would be located almost on the extreme southern border of the Pacific Coast Lines.

The Secretary of the Treasury: That is an accurate map is it, Governor?

Gov. Lister: That is an accurate map, made up for this purpose, and it will be furnished you.

The Secretary of the Treasury: Drawn to scale?

Gov. Lister: Drawn to scale, and the information will

be furnished you, giving the miles along the line. I feel that a map of that kind brings the matter out clearly, and possibly would be of some value in making your decision on this point.

In connection with this, and almost in conclusion, I desire to say that as chief executive of the state of Washington, feeling that I know its resources and its business conditions possibly as well as one could know them, and I cannot but feel that the proper location for a regional bank in the Northwest district would be in the city of Seattle. While the point might be made that the city of Seattle is on the extreme west of what the district would be, we cannot but see that we are going to have a large business from our northwestern possessions, the territory of Alaska, and that the commerce of a district is naturally handled at the seaport cities. We might take the same position in relation to the city of New York. New York is the natural point for handling the business of what will be the particular district there, being on the coast line. I feel that the same condition exists with relation to the city of Seattle. That is all that I care to say in relation to the particular city location. I wanted rather to cover the general

proposition.

In connection with this matter, I have had correspondence with Governor Strong of Alaska. It was the Governor's intention to be present at this time, but he found it would be impossible, and I desire, if I may be allowed, to read a letter at this time, received by myself from Governor Strong.

The Secretary of the Treasury: Yes, you may read the letter.

Gov. Lister: The letter is as follows:

## TERRITORY OF ALASKA

Governor's Office,

Juneau, January 22, 1914.

-96-

Honorable Ernest Lister,  
Governor Washington,  
Olympia, Washington.

Dear Governor:

I regret exceedingly that I will be unable to attend the meeting of Governors called by you for January 29th to discuss the matter of regional banks for the Pacific Northwest under the new currency law.

Recently the revenue laws passed by the Alaska Legislature have been invalidated by the Circuit Court of Appeals and I am confronted by the probable necessity of calling an extra session of the Legislature, and this prevents me from leaving the Territory at this time.

In my opinion one of the regional banks should be located at Seattle and in this matter I am speaking as an Alaskan and I believe that on this question I voice the sentiment of a great majority of the Alaska people. Alaska necessarily has a deep interest in this question and should

be given consideration in the application of the banking and currency law. At least 75 per cent of the trade and commerce of the Territory is through that port and our merchants, miners and business men generally have close business relations with Seattle. The trade and commerce of Alaska is increasing and it will continue to increase indefinitely with the development of the Territory. Important mining developments are under way in the different geographical sections; industrial enterprises are increasing in number; agricultural possibilities are being inquired into, and with a hope for the opening of the interior country, by means of railroads and wagon roads, together with the development of our coal mines, a tremendous impetus will be given to the Territory's material development along permanent lines.

The above statements embody a few of the reasons why Alaska should be considered in the operation of the currency laws, and it is my belief that Alaska's interests in that particular would be best subserved by the naming of Seattle as a federal reserve city in view of the intimate business relations sustained by the people of the Territory with that city.

With renewed assurances of my consideration, I am,

Sincerely yours,

(Signed) J.F.A. Strong,

Governor.

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In addition to this letter is also a letter received by the Reserve Bank Organization Committee of the Seattle Chamber of Commerce from Governor Strong, and if I might be allowed to, I would like to present that to the Committee as one of the exhibits in this hearing.

The Secretary of the Treasury: Let both of these be incorporated in the record, if you like, Governor.

Gov. Lister: Yes, I should like to have them so incorporated.

(The letter above referred to is as follows:)

## TERRITORY OF ALASKA

Governor's Office,

June 22, January 22, 1914.

-96-

The Reserve Bank Organization Committee,  
C/o Seattle Chamber of Commerce,  
Seattle, Washington.

Gentlemen:

I beg leave to address you briefly, as an Alaska, in an endeavor to point out to you a few reasons why Alaska should be considered in the application of the new banking and currency law.

In all its relations with the United States proper, financially, economically and politically, Alaska occupies a peculiar position by reason of its geographical situation, the immensity of the Territory, its diversified resources, and its comparative isolation from the outside centers of trade and commerce. The wealth produced by the Territory since it was acquired by the United States, and which has been added to that of the nation, aggregated several hundred of millions of dollars. It has all been taken from the soil or the sea; notwithstanding all difficulties which any people

must face in the development of a new country, due to legislative handicaps, such as inadequate laws and economic and other conditions, the commerce of the Territory has increased, is increasing and will continue to increase with the development of the great mineral and other natural resources with which it abounds. Its resources are widely distributed and their development is now commanding attention in the different geographical sections of the Territory.

The volume of merchandise shipments, including precious metals and copper, between Alaska and the United States and between the Territory and foreign countries, as is shown by the report of the Governor of Alaska for the fiscal year 1913, was the largest in the history of the Territory. It exceeded the total of 1912 by \$3,028,015, the grand total for the year being \$67,150,579, as against \$64,122,506 in 1912. These figures are quoted in order to show the increasing commerce of the Territory and to emphasize the necessity of Alaska being given consideration in the application of the banking and currency law. The Territory needs the benefits that will be derived from its operation just as much and perhaps more than some sections of the United States, for the reasons that have been briefly

sketched or indicated above.

Alaska is potentially the richest storehouse of natural resources in America. This fact has been demonstrated by actual prospecting and development and is confirmed by the numerous official reports of its mineralogical and other resources for the past 15 years. It is a generally accepted belief that the entire Territory is now entering upon a new era of development, which will double its present commercial business within the next 5 years. Its mineral output will be more than doubled within the same period and with the opening up of the coal fields to commercial development, which is confidently expected, and the construction of a system of railroads from the coast to the interior, the productive capacity of the inland country will be vastly increased by the opening to development of new regions tributary thereto. If then it be admitted that Alaska is a vast storehouse of these natural resources, which the rest of the world needs and demands, it seems to me that present and future requirements of the Territory are such as to deserve your serious attention to the end that the Territory and its people shall not be deprived of the advantages which they

~~XXXXXX~~

believe will accrue from the operation of the new banking and currency law.

Permit me further to point out for your consideration in view of the close business relations existing between Alaska and the city of Seattle (as indicated by the volume of commercial and other business transacted annually), the selection of that city as a federal reserve center would best serve all parts of Alaska.

I have the honor to be, gentlemen,

Respectfully yours,

(Signed) J.P.A. Strong,

Governor.

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In addition to that, I have letters from Governors Haynes and West, of Oregon, indicating that they personally favor the Northwest Regional Bank. I want to make that clear.

The Secretary of the Treasury: A Northwest Regional Bank?

Gov Lister: A Northwest Regional Bank. I want to make that position clear, and I think the Committee understands it.

The Secretary of the Treasury: They did not name the city?

Gov. Lister: Not naming the city. In this connection I might, in conclusion, say this: I have talked with a large number of the state bankers of the State of Washington, those who are operating banks under the State Laws. The bankers operating state banks take just exactly the same interest in this measure that is taken by those operating national banks, and there is no doubt in my mind but that those banks and bankers will take advantage of the opportunity to become members of the Regional Reserve Bank to the same extent as will the national bankers of this district.

The Secretary of Agriculture: Does the law permit them at present to subscribe?

Gov. Lister: In relation to that matter, there is a close question in the law of this state, as in the case of other states, as I understand it. I might add to that, however, that the State Bank Examiner of the state of Washington would raise no objection whatever to the state banks holding Reserve Bank stock; and in taking that position, the State Bank Examiner would do it knowing that it had my hearty

approval. I think that is about as fully as that matter can be covered.

The Secretary of the Treasury: Is the State Bank Examiner here, Governor, the authority to which such a question would be referred?

Gov. Lister: Yes.

The Secretary of the Treasury: And his decision would be final?

Gov. Lister: His decision would be final.

The Secretary of the Treasury: Has he given any official expression of opinion yet on that?

Gov. Lister: He has not given that out. I might say that I have, however, such an expression from him, given me shortly before leaving Olympia on this trip. He is in the city, if the Committee desire to hear from him, and I would be very glad indeed to have the Committee ask that question of him.

The Secretary of the Treasury. I would think it would be necessary for him, perhaps, to give some official expression for the guidance of the state banks.

Gov. Lister: He stands ready to do it at any time.

The Secretary of the Treasury: They would naturally want

that before taking any action.

Gov. Lister: The position is this, that if any amendment is necessary to our law to make the matter more clear, there is not any question that at the first session of the Legislature to be held that matter would be so amended.

The Secretary of the Treasury: When is the next session?

Gov. Lister: In January of the coming year. That is about all, gentlemen.

The Secretary of the Treasury: We thank you very much, Governor. Will you be good enough to sit with us here? We should be very glad to have you hear the evidence.

Gov. Lister: Thank you, I will. Do you want to hear the Bank Examiner now on that one point? He has just come in.

The Secretary of the Treasury: May I ask, Mr Backus, are you directing the program for Seattle?

Gov. Lister: The position is this, that if any amendment is necessary to our law to make the matter more clear, there is not any question that at the first session of the Legislature to be held that matter would be so amended.

Mr Backus: I am Chairman of the Committee, but we have no set program.

The Secretary of the Treasury: I mean who is controlling or suggesting the arrangement of the witnesses?

The Secretary of the Treasury: When is the next session?

Mr Backus: We made up a little list, and I think it was handed to you.

Gov. Lister: In January of the coming year. That is about all, gentlemen.

The Secretary of the Treasury: We thank you very much, Governor. Will you be good enough to sit with us here? We should be very glad to have you hear the evidence.

Gov. Lister: Thank you, I will. Do you want to hear the

The Secretary of the Treasury: Is this the order in which you wish us to hear them?

Mr Backus: Yes.

The Secretary of the Treasury: Mr Behrends, of Juneau, is here on the list, I see, and we will hear from him now.

STATEMENT OF B. M. BEHREND'S.

The Secretary of the Treasury: Mr Behrends, will you state your full name, and occupation and residence?

Mr Behrends: B. M. Behrends, Juneau, Alaska, Banker and merchant.

The Secretary of the Treasury: Will you speak louder so that the audience can hear you.

Mr Behrends: I am not an orator, but I will do the best I can. My remarks will be very brief. I have lived in Alaska and have made it my home, winter and summer, since 1887, during which time I am satisfied that 75 per cent of the business transacted in our country has been done with Seattle. It is geographically located<sup>so</sup> as to make it tributary to our great country. For instance, we have from Seattle to Alaska, I think, 26 steamboats in the year, that is operating all the time, most of which make two trips per

month. An Alaska banker can have replies and have his receipt on return steamer --

The Secretary of the Treasury: How long does it take by fast steamer from Seattle to Juneau?

Mr Behrends: About three days, from three to three and a half; so that on the ten day schedule, these boats going on a ten day schedule, we can have our returns by return mail.

Another matter is the cable. We find that if we need money, that is, need gold, and it is two o'clock in the afternoon, we can cable that same day to Seattle to send us on that boat leaving that evening such an amount of money as we may want. The same thing holds true in every respect in commerce between Seattle and our great country of Alaska. I could give hundreds of reasons, perhaps, but I wish to make my statement brief. Governor Strong, whose letter I have heard read, has stated it aboutn as it is, as an old resident of that country.

The Secretary of Agriculture: How many points in Alaska are there from which the trade comes to this country?

Mr Behrends: Oh, I think from every point in Alaska.

I do not know of any point that does not. Take Nome, for instance, it has direct steamer service every summer, and there is no other city in the United States which has any steamer service to that particular place.

The Secretary of the Treasury: You mean Seattle is the only one which has steamship connection?

Mr Behrends: It has the only direct steamship connection with all these places. I think there is a fleet of steamers operating out of San Francisco, but they belong to the Alaska Packers Association, and they are their own steamers, but all other steamship lines leave Seattle for Alaska.

The Secretary of the Treasury: Your point is that the bulk of the Alaska trade all focuses on Seattle, in this country?

Mr Behrends: Exactly.

The Secretary of the Treasury: And very little of it goes elsewhere.

Mr Behrends: Very little of it goes elsewhere.

The Secretary of the Treasury: That is all, thank you, Mr Behrends. Mr Backus, we will hear from you next.

## STATEMENT OF M. F. BACKUS.

The Secretary of the Treasury: Mr Backus, you may state your full name, and occupation.

Mr Backus: M. F. Backus; president, National Bank of Commerce, Seattle.

Mr Secretary, I would say that the Governor has --

The Secretary of Agriculture: Pardon me, but have you a map that you are going to present?

Mr Backus: I was going to call attention to that map, but not as representing the district that we expected to cover.

The Secretary of the Treasury: Have you a map of the district you propose?

Mr Backus: I have no special map of it prepared, but I would say that we expected to ask that Oregon, Washington, Idaho and Montana be included in the district.

The Secretary of the Treasury: I see. You can proceed, Mr Backus. You know the problem confronting us?

Mr Backus: I have prepared a statement, Mr Secretary, but Governor Lister has so fully covered the subject that there is really little left. This chart would show what we expected to include in the district; these four states are what we had hoped might be included.

The Secretary of the Treasury: And you address your argument to that district?

Mr Backus: Yes. Now, as you yourself stated this morning, the districts shall be apportioned with due regard to the convenience and customary course of business.

It is our contention that a district for a Federal Reserve Bank should be created in the Northwest, because if the entire Pacific Coast country from British Columbia to Mexico were included in one district it would not be "an apportionment with due regard to convenience and the customary course of business". This statement would be true even if no consideration whatever were given to Alaska. And although Alaska is excluded from the territory to be districted, it comprises an empire equal in size to about one-fifth of all the states of the Union. And to direct your attention graphically to the magnitude of that district, I would say that the encyclopedia shows that if the entire population of the world, every man, woman and child on the face of the globe were herded into Alaska, there would be less than five to an acre. We feel that that great country should be considered in establishing a district, its needs, and the needs of the people and business houses

and barks dealing with that territory

Transportation facilities should also be considered. Rapid and easy communication with all parts of the district are one of the requirements set forth by the Committee. As a previous witness has just testified, all the steamship lines, with the exception of the steamers operated by one private corporation, come to Puget Sound. And the general movement of commodities, business transactions and transfer of funds and exchanges of credits with that country must be taken into consideration.

All of the mails going to Alaska are forwarded from Seattle. 75 per cent of the Commerce of Alaska centers here on Puget Sound. And I think right here it might be well to say to the Committee that we treat Puget Sound as one great harbor, of which Seattle and Tacoma may be considered the centre. And Tacoma being only 28 miles away from us, and being in perfect accord with us in the desire to have a northwest district created, and to have the Federal Reserve Bank located at Seattle, we have in a few instances consolidated the figures of Tacoma and Seattle in preparing our statistics, because they are virtually one city. The same might be said also of Olympia and of Everett and of

Bellingham. All these places on Puget Sound are centred about Seattle, and all of them without exception are anxious to have the district created and to have the bank located at Seattle, although we have not added any of the figures of any out of town place in any instance except those of Tacoma.

Now, we feel that convenience and the customary course of business must be considered next with reference to the great and constantly increasing commerce with the Orient, and in that connection the international scope of these Federal Reserve Banks. The established custom and trend of business in this regard is shown by the fact that more mail for Oriental countries is dispatched from the post office of Seattle than from any other city or post office on the Pacific Coast, including San Francisco. Why? Because the distance, measured either in miles or hours, is less, and the frequency of service is greater. This shows the trend of the established channels of business.

The Secretary of the Treasury: How many steamship lines are operating from Seattle to the Orient?

Mr Backus: I cannot give you the number, but I can say this, there are fifty eight steamship lines operating from

this port of Seattle alone, and they include such lines as the Royal Mail, the Hamburg-American, the Nippon Yusen Kaisha, the Ocean Steamship Company, the Osaka Shosen Kaisha, the American-Hawaiian, the Great Northern, the Blue Funnel, the Kosmos, the Harrison and East Asiatic companies. Many of these companies have established their shipping offices for the entire Pacific Coast in Seattle. Many of these steamers operate not only to the Orient but down the coast of South America to Europe, and practically to all points of the world, to say nothing of the tramp steamers that come here. Now, it certainly could not be said to conserve the interests of these great steamship lines and their patrons, not only here but all over the world, to locate one Federal Reserve Bank on this coast, and that 1000 miles away from their headquarters. That is our feeling.

Now then, we have next to consider the increase in commerce with British Columbia, which is a very large factor. It certainly would not suit their convenience to have one bank located at San Francisco, and attempt to transfer the business transacted with Vancouver and Victoria and Prince Rupert right over Seattle to San Francisco. It seems to us

that such a thing would be absurd.

And I wish to correct Governor Lister in one respect: He said there were four trans-continental roads operating into Seattle at present. I call attention to the fact that there are five, including the Canadian Pacific, which not only operates trains but a line of steamers also into Seattle, making the fifth trans-continental line, taken with the Great Northern, Northern Pacific, Chicago, Milwaukee & St. Paul and the Union Pacific, or the Oregon-Washington Railroad & Navigation Company. Now, the Grand Trunk Pacific and the Canadian Northern are expected to complete their lines during this year. The Grand Trunk Pacific is also already operating its line of steamers between Prince Rupert and Seattle, and of course the volume of business with British Columbia will vastly increase as soon as these two new trans-continental lines connect up with their western terminal. That business must be taken into consideration. We feel also that that is certain to grow, not only on account of the added transportation facilities, but because of the recent reduction in tariff rates, which is already having an effect on the commerce between British Columbia and Puget Sound.

This, we think, shows what you asked for, the established custom and trend of business. It comes here to Puget Sound and goes from here to British Columbia.

The Secretary of the Treasury: If that is all you have to say on the trend of business in the suggested district, Mr Backus, I would like to ask you a few questions now with respect to other portions of it which you have not touched. If your argument is going to take in the trend of business in Montana, Idaho and Oregon, then I shall defer the questions until you finish.

Mr Backus: I will be very glad to answer such questions as I can.

The Secretary of the Treasury: Or I would like to take it up with you now. Where does the business go through this district? Let us take Montana, for example; where is the natural trend of business there, is it eastward or westward?

Mr Backus: I suppose most of it would go eastward from Montana.

The Secretary of the Treasury: To what cities would that go?

Mr Backus: I fancy Minneapolis and St Paul largely.

The Secretary of the Treasury: And the course of exchange

is that way also, banking exchange?

Mr Backus: I suppose so, because the products of Montana are mostly sold in the east.

The Secretary of the Treasury: They are mostly marketed in the east?

Mr Backus: Yes.

The Secretary of the Treasury: How about Idaho?

Mr Backus: That is sold to a lesser extent, I should say, of Idaho. I do not mean to say that there is not a large commerce also coming westward from those two states. There is, and bank accounts are kept here in Seattle; we have accounts both in Idaho and Montana; but I should say the majority of the business of Montana would naturally go east.

The Secretary of the Treasury: How about Idaho?

Mr Backus: To a less extent, that would be true. The business of Southern Idaho would probably more largely go to Portland than to Seattle, because the rail connection is better.

The Secretary of the Treasury: And take Oregon itself, would the natural course of business throughout Oregon flow towards Seattle or to Portland?

Mr Backus: Naturally, I should say, the majority of the

business of Oregon would go to Portland. It is the only great city in that state. Our business, of course, is divided among three cities, Tacoma, Seattle and Spokane.

The Secretary of the Treasury: Now, you spoke of the bank balances or bank accounts which are kept here in Seattle. Seattle is a reserve city?

Mr Backus: Yes.

The Secretary of the Treasury: What inducement do you hold out for these accounts; what interest rate do you allow on bank balances?

Mr Backus: Two per cent.

The Secretary of the Treasury: How about check collections?

Mr Backus: We charge in almost every case on the collection of checks.

The Secretary of the Treasury: You do charge?

Mr Backus: Yes sir.

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

Mr Backus: No sir. I would qualify that statement to this extent, that where banks keep balances with the banks of Seattle, making the account a valuable one at all, we

usually accept their out of town checks at par. In a great many instances we charge the banks with the actual cost to ourselves, but wherever we are able to collect at par we credit our correspondent at par.

The Secretary of the Treasury: To what extent do Seattle banks hold the reserves of Montana banks?

Mr Backus: I am unable to answer that.

The Secretary of the Treasury: Have you any data at all? I suppose you could furnish us with a statement showing how many of the Montana banks keep their reserves here?

Mr Backus: I do not think any statement of that kind has been prepared.

The Secretary of the Treasury: It could be, I suppose, without much difficulty?

Mr Backus: I suppose we could get at that approximately.

The Secretary of the Treasury: I should be glad if you would have that done and submit it to the Committee. Now, take the same thing with respect to Idaho, how many of the Idaho banks keep reserves in Seattle? I am speaking of national banks now.

Mr Backus: I could not answer you.

The Secretary of the Treasury: And Oregon?

Mr Backus: Or that. I know that we all have, that is all the larger national banks at least, have a good many accounts from Oregon and a less number probably from Idaho, and a still less number from Montana, but we all have accounts.

The Secretary of the Treasury: I should like you to give the Committee a statement showing what amount of balances are kept here by the banks of these three states, Montana, Idaho and Oregon, national banks, showing just how they distribute it.

Mr Backus: Mr Latimer is going to come on a little later, and I think he can give you some information on that subject.

The Secretary of the Treasury: If you have any witness who is informed on this point, I will take it up later.

Mr Backus: That comes more within the scope of what he was to speak of, but I do not know what data he has accumulated.

The Secretary of the Treasury: Where do the Seattle banks keep their reserves?

Mr Backus: Chiefly in New York and Chicago.

The Secretary of the Treasury: And how do you divide it?

Mr. Backus: Of course, some in St. Louis.

The Secretary of the Treasury: What percentage of the reserves is kept in Chicago?

Mr. Backus: I could only give an estimate of that. Judging from my own business, I should say that probably 60 per cent of the reserves are kept in New York, perhaps 30 per cent in Chicago, and 10 per cent in St. Louis.

The Secretary of the Treasury: What is the normal course of exchange in business as between Seattle and other parts of the country? It is mostly in what direction, the bulk of your exchange and business transactions from this territory here, where do they go.

Mr. Backus: It is east and west.

The Secretary of the Treasury: Is it more with Minneapolis and St. Paul, for instance, than with Chicago?

Mr. Backus: No, more with Chicago.

The Secretary of the Treasury: And more with Chicago than with New York City?

Mr. Backus: No, more with New York City.

The Secretary of the Treasury: You are speaking of banking exchanges?

Mr. Backus: Yes.

The Secretary of the Treasury: I am speaking of business and commerce.

Mr. Backus: Oh, pardon me; I should say more with Chicago.

The Secretary of the Treasury: More with Chicago. I am speaking of all sorts of commodities, both those brought in and those sent out.

Mr. Backus: You are speaking of shipments of goods?

The Secretary of the Treasury: yes, all character of product and commodities; is it more with Chicago than any other city?

Mr. Backus: Measured in dollars and cents, or in carloads?

The Secretary of the Treasury: Well, I should say in value, of course.

Mr. Backus: I should say Chicago. Minneapolis and St. Louis also have a very large business with us, because they are great buyers of lumber there. The fish products are many of them sent around by vessel, and they run into money pretty fast and they would in that case, of course, go through New York either to Chicago or Minneapolis, and some to Charleston.

The Secretary of the Treasury: Considering bank exchange, you say that your exchanges are more with New York than with Chicago?

Mr. Backus: Yes, sir.

The Secretary of the Treasury: Well, that would seem to be illogical, would it not, if the larger amount of trade and intercourse is with Chicago than with New York?

Mr. Backus: Yes, sir.

The Secretary of the Treasury: Normally your exchange would follow the course of business. How do you account for the larger amount of exchange in New York, Mr. Backus?

Mr. Backus: Partly by the very thing that this bill is intended to correct, Mr. Secretary; the fact that we can use our money in New York to some better advantage than we can in Chicago.

The Secretary of the Treasury: Exactly. It is an artificial condition as it now exists.

Mr. Backus: That is true.

The Secretary of the Treasury: In view of the fact that under this bill, after the establishment of these banks there will be a parring of exchange between the different Federal Reserve Banks and you will not find the same necessity for having New York exchange as you now have -- and I am taking another phase of the question now-- for instance suppose a Regional Bank were established here in Seattle;

Seattle exchange would pass at par everywhere in the country

Mr. Backus: I realize it.

The Secretary of the Treasury: Just exactly as New York exchange does now, and sometimes it commands a premium. Do you not think that will be a tremendous corrective of this artificial condition?

Mr. Backus: I do; yes, sir.

The Secretary of the Treasury: And that it will tend to re-establish a normality of conditions as between these different sections of the country, in the matter of exchange?

Mr. Backus: Undoubtedly.

The Secretary of the Treasury: It will not be necessary, when that happens, to keep exchange balances in New York or Chicago, or these other central reserve cities to the extent that you do now.

Mr. Backus: I suppose we may keep 10 or 15 per cent as much in New York as we do now.

The Secretary of the Treasury: Suppose, on the other hand you have a system of clearances between these banks by which there is a settlement of daily balances; you would not find the same necessity for keeping large exchange balances somewhere else, would you?

Mr. Backus: No.

The Secretary of the Treasury: Transfers would be effectuated quickly, and to that extent there would be a corrective of another artificial condition that obtains now.

Mr. Backus: The advantages are very patent and numerous.

The Secretary of the Treasury: When it comes down to the relations between Seattle and San Francisco, to what extent have you intimate commercial and financial relations with San Francisco?

Mr. Backus: To what extent? Does that mean the percentage of business and --

The Secretary of the Treasury: In a general way, I would like to get an idea of the extent of your business relations.

Mr. Backus: Oh, we have intimate relations and transact considerable business with San Francisco. I would say that 25 years ago 75 per cent of all the business of the western states here, the Pacific Coast states, you might say, was transacted with San Francisco. I venture at the present time it would not amount to 10 per cent. The tendency has been just the other way, because 25 years ago this was a little unimportant city and San Francisco commanded the entire trade of the Pacific Coast, except that held by

Portland, and Portland pretty nearly dominated Oregon and Washington in the matter of trade, of selling goods, and Seattle at that time amounted to nothing.

The Secretary of the Treasury: Now, Mr. Backus, with your knowledge of the course of business, and of exchange, in so far as exchanges reflect the normal course of business, and treating it in that light, and also dismissing all considerations of local pride or prestige, and looking at this problem solely from the standpoint of the common and general interest in the establishment here of an inter-related system which will serve in the highest degree the purpose for which this act was passed; and assuming again that a headquarters bank was not established in Seattle, what would be Seattle's second choice for the location of a Federal Reserve Bank; what would best serve the course of business and exchange here of any city in the country, that is within striking distance of Seattle.

Mr. Backus: That is very difficult for me to answer.

The Secretary of the Treasury: Would it be Minneapolis-St. Paul?

Mr. Backus: I had no second choice --

The Secretary of the Treasury: But we must have second

choices, because here is a problem which has to be considered in the light of facts. Now if Seattle did not have a headquarters bank of its own and had to be connected with a Federal Reserve Bank located in some other accessible city, which would be the best city in this country, dismissing Seattle for the moment, with which you could be connected? What would best suit the convenience of business and the customary course of trade and exchange?

Mr. Backus: If we had none located in the Northwest?

The Secretary of the Treasury: Yes.

Mr. Backus: In that case, San Francisco.

The Secretary of the Treasury: San Francisco would be best?

Mr. Backus: Because it is within easier reach, the time is much shorter than it would be to any other place.

The Secretary of the Treasury: It would be shorter than to Minneapolis and St. Paul, for instance?

Mr. Backus: Yes.

The Secretary of the Treasury: How much shorter?

Mr. Backus: Oh, the mail service to Minneapolis is about three days, and to San Francisco practically two days.

The Secretary of the Treasury: You know, Mr. Backus, that

the bill requires the Federal Reserve Banks to locate branches in these different districts?

Mr. Backus: Yes, sir.

The Secretary of the Treasury: And that wherever the main office of the bank might be, assuming that you had a branch in Seattle, you would, of course, get all the facilities of the headquarters bank.

Mr. Backus: I do not agree with you, Mr. Secretary.

The Secretary of the Treasury: Why not?

Mr. Backus: I have had a good deal of experience, and I have never yet known a branch that could give the service that the parent bank did. Further than that, if you will pardon me, I believe it is the intent of this bill to create stability. Now the importance of this Northwest district is so rapidly growing that it must be necessary to have a bank here within a few years, if not immediately. Now --

The Secretary of the Treasury: Let me explain one feature of the bill before you proceed, in order that you may understand this point. If a Federal Reserve Bank were located at Seattle, comprising the territory you have suggested, the Act then requires that the banks in this district shall be divided into three classes according to capitalization,

and that each of those classes shall select two directors, which would make six directors of the Reserve Bank. Those six directors so chosen would necessarily represent this district. They would not all be Seattle men, necessarily; they would be scattered over the district, and be from Montana, Idaho, Oregon and Washington; so that you would not have a distinctively local Board operating the headquarters bank here. In addition to those six the Government, through the Federal Reserve Board, chooses three more, which makes nine. Now on the other hand, if the headquarters bank were somewhere else and the directors would be chosen, three by the Federal Reserve Board and four by the Reserve Bank of the district, necessarily the branch would have a smaller sphere of influence, I mean to say it would be more localized, because at Seattle, for instance, it would have attached to it the banks within this immediate locality; and the directors would, therefore, be more local in character and would know more about the local needs, and therefore you would get more of a local administration through a branch than you would through the headquarters bank itself. I am merely explaining this that you may understand the scope and purpose of the Act.

Mr. Backus: I follow you.

The Secretary of the Treasury: Now, necessarily on the broad questions of policy, the headquarters bank would prevail; but upon the purely local discounts and matters which came ordinarily and customarily before the local Board for attention or action, the local Board would undoubtedly determine. Telegraph facilities are good throughout America between all these cities, and in many cases telephonic communication is good.

Now many people who discuss this problem do not seem to understand that the branch banks in any case will be established, and that the purpose of the Act is to bring these facilities through the headquarters of the main bank and the branch banks into intimate connection with trade and commerce throughout the district. Now with that understanding of the mechanism of the law and its operation I should be very glad if you would tell me why you think that a Reserve Bank located even at San Francisco and with a branch here, would not very effectively serve the needs of this community. And let me say here, as a warning to everybody, that the questions which are asked by the Committee do not indicate any opinion nor even a trend of thought on

the part of the Committee. We have to take the opposite view always, to bring out the argument, and no significance therefore, must be attached to these questions.

Mr. Backus: I base my opinion, as I said, upon a good many years of experience. A local bank is established here, for example, by the Canadian Bank of Commerce, a local branch. They have a very excellent man as manager, one in whom I am sure the bank has great confidence, and who who is very able to take care of their business --

The Secretary of the Treasury: They have no local Board?

Mr. Backus: They have no local Board. Questions of importance coming to that bank must be referred to headquarters. Now let me ask you, Mr. Secretary, would not a question of an important and large loan coming before the local Board, have to be referred to the parent bank, we will assume it was located at San Francisco?

The Secretary of the Treasury: I do not think that necessarily would follow: You must remember that the operations of these Federal Reserve Banks or their functions, are of a very limited character. They hold the reserves of the banks of this district. They are not banks of deposit and discount in the ordinary sense; they do not deal with

individuals.

Mr. Backus: I think I understand that fully, but what I had in mind was re-discounts by the member banks.

The Secretary of the Treasury: I am coming to that. These re-discounts are based upon a certain class of specified paper under the Act, eligible paper, and they are made upon endorsement of the member banks, of course, and upon their application. Now unquestionably a local Board of Directors -- the Federal Reserve Board has the power to issue the necessary regulations governing the relations between the branch and headquarters bank, and very naturally a local Board of seven men here in Seattle would be competent to pass upon the paper presented by some member bank for re-discount, and unquestionably they would have sufficient authority to act with a great deal of promptitude upon matters of that sort coming before them.

Mr. Backus: Suppose that a branch were located in Seattle, how extensive a territory would that cover?

The Secretary of the Treasury: Well, that is the thing we are not trying to figure out. You presented a territory covering Montana, Idaho, Oregon and Washington.

Mr. Backus: For a Reserve Bank.

The Secretary of the Treasury: For a reserve Bank,

Mr. Backus: And not for a branch.

The Secretary of the Treasury: Have you any figures showing what the capital and resources of that bank would be based upon the minimum of the national banks, for instance, as constituting the membership?

Mr. Backus: It would not be possible to secure a subscription of four millions of dollars from the national banks alone on the basis of six per cent of their capital and surplus.

The Secretary of the Treasury: What would you get?

Mr. Backus: But I count on a very large percentage of the state banks within the district joining the district.

Mr. Latimer: \$86,000,000, including state banks.

The Secretary of the Treasury: In considering this question we cannot consider anything but the actual capital which we know can be depended upon. What is the aggregate national bank capital of this district?

Mr. Backus: I have it here somewhere, Mr. Secretary, but if I may just interject a statement which has just been handed me --

Mr. Latimer: \$43,700,311.

The Secretary of the Treasury: Then you would only have a capital of about two and a half million.

Mr. Latimer: And state banks \$29,577,000.

The Secretary of the Treasury: That would give you \$2,500,000 capital for a Federal Reserve Bank. What would its resources be, what would it hold in reserves? What is the total national bank deposits in the district?

Mr. Latimer: You mean reserves with other banks?

The Secretary of the Treasury: Yes, what reserves would this bank hold?

Mr. Backus: The total deposits of the district?

The Secretary of the Treasury: Take the national banks alone.

Mr. Backus: The total deposits in the four states would be \$453,618,000.

The Secretary of the Treasury: That is state and national. I wanted it for the national banks only.

Mr. Backus: About \$265,000,000. I am giving you those in the state, now.

The Secretary of the Treasury: Those are what?

Mr. Backus: The state bank deposits.

The Secretary of the Treasury: You mean the total of the national bank deposits in these four states?

Mr. Backus: No, that was in round numbers the total of the state bank deposits. You want the national banks?

The Secretary of the Treasury: The national banks.

Mr. Backus: About \$236,000,000, in round numbers.

The Secretary of the Treasury: That would give you resources of probably \$12,000,000. I mean you would hold in this bank in reserves about \$12,000,000. Now, Mr. Backus, what is this district, is it largely a borrowing district?

Mr. Backus: Yes, sir.

The Secretary of the Treasury: You constantly need money here, do you not? I mean through the district the demand for loans is always large, is it not?

Mr. Backus: I do not think so, more than other western districts, anywhere west of the great cities.

The Secretary of the Treasury: If am not making any comparisons; I only want to find out what the character of the district is; it is essentially a borrowing district, is it not?

Mr. Backus: Yes, and it just suits the purpose of this

Act in this respect, that the resources of the district are so varied that we have no seasonal demand here at all. The demand is good here the year round.

The Secretary of the Treasury: Of course, the Act provides that you must have a minimum capitalization of \$4,000,000, so that this would not comply with the provisions of the Act.

Mr. Backus: Not if we relied upon the national banks alone.

The Secretary of the Treasury: I understand.

Mr. Backus: But if you include the state banks, there would be sufficient capital to provide the \$4,000,000.

The Secretary of the Treasury: Of course, unless the committee had assurances in advance that the state banks would make up the subscriptions, then we would have to rely wholly upon the actual subscriptions made, which would be from the national banks.

Mr. Backus: Pardon me, I think not. If the Committee would allow it, I think large individual subscriptions could be obtained. I certainly would be quite willing to take the maximum amount allowed to any one individual myself.

The Secretary of the Treasury: Well, you know the Act was

not designed to deliberately create banks of insufficient capitalization upon the bank subscriptions, and it is only where the national banks fail to come in and provide the minimum capital required under the Act that the alternative is to be resorted to; so that the Committee is bound for the time being to disregard that phase of it until we know whether the National banks are going to raise the subscription.

Mr. Backus: It is pretty well settled that the national banks will come in, but I believe the state banks will come along right after them.

The Secretary of the Treasury: yes, but up to the present we have not any certain knowledge of that. Now do you think a bank embracing this territory, with so small a capital and resources, could care for the normal and usual demands of this district?

Mr. Backus: With a minimum capital of \$4,000,000, which must be subscribed anyway?

The Secretary of the Treasury: yes.

Mr. Backus: I think so, and I think each year it would be better able to do so, because the resources grow so rapidly in this country.

The Secretary of the Treasury: The very fact that you are growing so rapidly means that the strain upon the bank capital is necessarily great all the time.

Mr. Backus: The strain upon the bank capital is nothing now to what it was 20 years ago.

The Secretary of the Treasury: Well, naturally it would not be.

Mr. Backus: The banking capital has increased more and in a greater ratio than that of the business. When I came here the current rate of interest was one per cent a month. Especially favored customers were allowed to borrow at ten per cent, if they carried handsome balances, but one per cent each month was considered the regular banking rate.

The Secretary of the Treasury: That has a familiar sound to me, because I used to live in the south.

Mr. Backus: Now, what I wished to illustrate was the growth of the banking capital and the increase in the ability of the banks to take care of their customers. Today I do not believe that the average rate of interest of the banks of the State of Washington would be higher than six and one-half per cent. Now that, in the face of the most rapid growth of any section of the entire union. To show, for

instance, how we are going along, our clearings in 1904 in the City of Seattle were \$223,000,000; this past year, 1913, they were \$664,000,000, an increase of just about 300 per cent in ten years.

The Secretary of the Treasury: Now, Mr. Backus, those statistics are very interesting, and are very remarkable, and we are rather familiar with them. But considering the requirements of the Act, about having due regard to convenience and the customary courses of business with these districts, do you not think it would be doing considerable violence to the customary courses of business to require of Montana, if the trend of her trade and commerce is eastward, to reverse herself westward?

Mr. Backus: Well ---

The Secretary of Agriculture: Telegrams were read to us in another city, at Chicago, indicating that 80 per cent of the banks there preferred St. Paul and Minneapolis, and the other 20 per cent Chicago, on the ground that their trade was eastward, and they would not want to reverse their exchanges.

Mr. Backus: Well, I am unable to say what the percentage of business going east and west from Montana is. I suggested Montana as a part of the district because it seemed

geographically to fit in with the Northwest.

The Secretary of the Treasury: Well, geographically, you see, while of course we want to have all possible regard to geography, at the same time the provisions of the Act are mandatory with respect to the course of business and general convenience. For instance, the Act says that the district shall be apportioned; it is not discretionary with the Committee; it shall be apportioned with due regard to the convenience and customary course of business.

Mr. Backus: Now you also have laid down as one of your cardinal principles that you will consider geographical convenience, involving transportation facilities, and so forth.

The Secretary of the Treasury: In so far, of course, as that relates to the fundamental which the Act prescribes here, the customary course of business, naturally we do regard that.

Mr. Backus: I also want to suggest to your Honorable body that in my judgment the opening of the Panama Canal will change the course of business of Montana very largely, as well as of Idaho and Washington.

The Secretary of the Treasury: So far as the Panama Canal

is concerned, Mr. Backus, everybody seems to think that is going to be an Aladdin's Lamp. We have had the Panama Canal argument presented to us in every city we have visited in this country (laughter); and at St. Louis the other day they urged it upon us with great force as changing the conditions at St. Louis, while Kansas City had the same argument, and so did Denver.

Mr. Backus: I believe it is unnecessary for me to suggest to you that no city in the union will be affected by it more than this city on Puget Sound.

The Secretary of Agriculture: I think New Orleans is going to contest that with you. They think they are the ones who are going to be affected more greatly.

Mr. Backus: I should think distinctly New Orleans would come next.

The Secretary of the Treasury: And San Francisco will have a few things to say on that.

Mr. Backus: Yes, San Francisco is in the same class. Those three cities will derive more benefit, in my judgment, unless possibly Houston, Texas, might be included.

The Secretary of the Treasury: I think San Francisco ought to be generous enough to concede that Seattle has a

sort of double cinch on Alaska, but I do not think she would be willing to concede that you would have anything like the same sort of a cinch on the Panama Canal.

Mr. Backus: I have just been handed this memorandum from the Assistant Postmaster. There were dispatched from San Francisco during the year 1913, 57 mails for the Orient and 17 for Australia. From Puget Sound there were 104 dispatches to the Orient and 13 for Australia. In other words, we sent nearly twice as many mails to the Orient as San Francisco. That rather indicates the natural trend of business, it seems to me.

The Secretary of Agriculture: Let us not get away from this other point. When we were in Denver they had a district in which they included Montana, and when we asked them whether they had any warrant for it, they said no, they just did it because it fitted in geographically.

Mr. Backus: probably that is why we did it.

The Secretary of Agriculture: Montana seems to fit in very pleasantly geographically with all these districts, but what we want to know is where her trade goes and what connection would be in the interest of her industries and business.

Mr. Backus: Well, I would suggest this, Mr. Secretary, that a Northwest district should be created and that it be left to the wisdom of yourselves to select the territory. It is not at all necessary, as I understand <sup>and</sup> read the law, that the boundaries of this district shall be co-terminus with those of any of the states. I believe there is a territory so vast up here that you can carve out of it, if it shall seem wise to you to do so, a Northwest district. I see no reason why, if it were necessary, a portion of Wyoming or even of Northern California might not be tacked on to it. All that I wish to impress upon you is that the great Northwest, including Alaska, with the tremendous volume of foreign business that we have, which is bound to grow -- and as I said, here are five trans-continental roads operating trains into Seattle every day, where they meet 58 different steamship lines from this port alone -- now that is commerce that cannot be set aside or overlooked, and this bill is especially intended to foster foreign commerce. It provides for the establishment of branches of the banks in foreign countries.

The Secretary of the Treasury: The member banks themselves may do that.

Mr. Backus: Yes. It also provides for discount --

The Secretary of the Treasury: But its purpose is more to take care of our domestic situation, and incidentally, of course, of the foreign situation.

Mr. Backus: But it is our situation, when we are dealing with foreign countries; we are to be accommodated, and we have tremendous transactions with these foreign countries. I grant you that the bill is not intended to take care of Alaska or British Columbia, or of China, Japan, or Australia, but it is intended to take care of the people who are dealing with those various countries, and the banks and business houses.

The Secretary of the Treasury: It is intended to take care of every kind of commerce, foreign and domestic, so far as it is possible to do it.

Mr. Backus: Yes, sir.

The Secretary of the Treasury: Now, for that very purpose, dismissing as I said before, merely local considerations, which of course the Committee must always disregard, purely local ones, I mean, that do not affect the problem, the interests of the Northwest will be best served by the organization of a bank of sufficient power to enable it to

take care of the interests of the Northwest. That is fundamentally the thing the Committee has got to consider, and while organizing a bank of such power, we must have regard to the convenience and customary course of business throughout this section. That is our problem, and we ask these questions because we want to get just as much light as we can and as many facts as we can which will elucidate it for us.

The Secretary of Agriculture: It was clearly the intention of Congress that the country should be so laid out that each of these banks, in normal times, would be independent and not normally dependent. Now we are trying to discover how to do that; and furthermore, we cannot lay out any one of these districts without reference to the others.

The Secretary of the Treasury: They are inter-related units, coordinated through the Federal Reserve Bank, and must be as far as possible self-contained.

Mr. Backus: You have taken the very word out of my mouth, they are coordinated. The bill provides for not less than eight nor more than twelve Federal Reserve Banks, and it provides for a Federal Reserve Board. I believe it was the

intent of the Act that the Federal Reserve Board should be the parent bank, in fact, and that the so-called Federal Reserve Banks are branches of that, and they all look to the parent bank for support. As I think it was Senator Owen said, these various reservoirs are all piped together.

The Secretary of Agriculture: yes, but there are only eight or twelve of them; they are not eight or twelve plus another. That is only a supervisory Board.

Mr. Backus: Well, I call the Federal Reserve Board the parent of all the others.

The Secretary of Agriculture: Before you get away from the main question, what we want to know is, can you develop here a district such as you have laid out which, in normal times, will be self-sufficient; and secondly, does that arrangement serve the best interests and the convenience of trade as it is established today along normal lines.

Mr. Backus: Answering first the first question, I have no doubt that this bank would, in normal times, take care of all the business in the Northwest. There is very little re-discounting. Our bank has not had a re-discount in 20 years, of any kind, and we have been obliged to carry 25 per

cert reserve. Under the provisions of the New law we will only have to carry 15. And when I say 25 per cent, we have actually carried 35, because we have had to keep balances in various cities, like San Francisco, St. Paul, Kansas City and Denver, where they were really of no use to us, but for the purpose of making collections.

The Secretary of Agriculture: The same statement was made in another city, that the banks had to re-discount very little and took care of the district in normal times, and yet the representatives of large business interests doing many millions of dollars worth of business annually in the development of that section, testified that the banks could not take care of them and they were constantly dependent on eastern banks to finance their enterprises and to re-discount their paper. Now is there not a vast deal of development going on in this section that the banks in this section cannot take care of?

The Secretary of the Treasury: And do not finance.

Mr. Backus: No, sir; on the contrary, we are very large buyers of eastern commercial paper. My bank carries an average of probably a million dollars of that paper as sort of secondary reserve, and I know of other large banks which

do likewise.

The Secretary of Agriculture: To what extent would you say these four states which you have indicated are dependent or not dependent on eastern capital?

Mr. Backus: You are referring to the banking business?

The Secretary of Agriculture: Yes.

Mr. Backus: I do not think they are at all. I do not know of any bank in the City of Seattle that borrows anything in the east.

The Secretary of the Treasury: In purchasing this paper which you referred to as part of your secondary reserve, to what extent does that reduce your ability to take care of local needs; to what extent do you decline to take local paper.

Mr. Backus: We do not decline. If we had to, we would not purchase this paper. We are able to take care of all the legitimate local needs in Seattle.

The Secretary of the Treasury: In order to clear up a misapprehension in your mind, in the statement you made a moment ago, where you said you looked upon the Federal Reserve Board as a central bank and these reservoirs were piped together through that Board, you must remember that

the only time that the Federal Reserve Board can compel one of these banks to re-discount for another is in times of emergency, and then only upon the affirmative vote of five members of the Federal reserve Board; so that you cannot rely -- it would not be sound for this Committee to deliberately organize weak units upon the theory that they can be bolstered up by the Federal reserve Board constantly.

Mr. Backus: I believe sincerely that a Federal Reserve Bank, with a capital of four million dollars, would take care of the Northwest in anything like ordinary times. Let us go back for a moment to the panic of 1907. If we could have drawn our money in this district from Chicago, New York and St. Louis, we would not have known there was a panic in existence. Conditions were all right out here, but our reserves were simply tied up and we were helpless.

The Secretary of the Treasury: The State of Montana has not been heard from, but I understand there are a number of representatives here today, and of course we will hear what they have to say; but assume that Montana makes out a case that it would violate the customary course of business if she were forced westward, and suppose Idaho did the same

thing; then what would you put into the Washington district or the Northwest District? What would be the alternative, what would be homogeneous territory here for this section?

Mr. Backus: Of course, any territory that you might select would probably raise some objection. I fancy you have met with that sort of objection in other places.

The Secretary of the Treasury: Montana is a tremendously popular state, apparently, and many people are contesting for her.

Mr. Backus: We all want her.

The Secretary of the Treasury: But if she would be an unwilling bride, or refuses to be a bride at all, and therefore you have to look elsewhere, what would you say would be the most homogeneous alternative territory here.

Mr. Backus: Perhaps part of Wyoming, or Northern California, or both, and I presume both would promptly object --

The Secretary of the Treasury: pardon me a moment. I say, assuming that Idaho also made out a case against attached northwestward; of course, then you could not jump over that state and take in Wyoming. Now excluding those two states for the purpose of this hypothetical question, what would you embrace in this Northwest territory, or

what territory here would you take that would seem homogeneous to you, to meet the situation.

Mr. Backus: You cut out all that is adjacent, and you cannot jump over a territory to get to another, and we certainly could not claim to take in all of California, for I grant that it is important that a bank be located in San Francisco, without question. It is the older and the larger and more important place on the Pacific Coast, although I do not believe that it will continue to be.

The Secretary of the Treasury: Now assuming that California and the Pacific Slope was inaugurated into one district, since you have made that suggestion; would you not get a pretty strong unit here, with a combination of banking resources and with a combination of diversified territory, I mean both physically and industrially and agriculturally that would be a very effective and strong district?

Mr. Backus: yes, sir; there is no gainsaying that fact. But I take it you want to establish these banks permanently, you want stability. There is no doubt in my mind that the northwest will have to have one of these banks within a few years. Is it not better to locate it now, have it settled

and fix the stability of the whole system, even though the bank be not very strong at first? I do not believe that any of the Committee doubt for a moment that the growth is going to continue at least as it has here, after the opening of the Canal, and after the government starts in and completes its railroad and opens up Alaska so we can begin to get some of the real development of that country. What we have had has been a mere bagatelle to what we expect.

The Secretary of the Treasury: With the future of this country, especially as it was outlined to us last night, I gather what you want is the service of strength and not the service of weakness.

Mr. Backus: We are willing to take our chances on the service of weakness with the prospective growth ahead of us, because every national bank and probably every state bank will join this system.

The Secretary of the Treasury: Let me say in that connection that the Act requires the division of the country into not less than eight nor more than twelve Federal Reserve districts. Now whatever the decision of this Committee may be, suppose it were the minimum, to illustrate the point only, the Federal Reserve Board has the power at any time

to readjust these districts and if the growth of the country justifies it, it can later on establish and rearrange these lines and create more districts up to the maximum; and the purpose of the Act is to have just that sort of flexibility. We thank you, Mr. Backus, unless you have something else you want to submit.

Mr. Backus: I do not suppose you care to hear about the water commerce of Seattle?

The Secretary of the Treasury: We would be glad to have that statistical information, and it may be filed with the stenographer and go into the record.

Mr. Backus: And the private bank statistics, and so forth?

The Secretary of the Treasury: I would like to ask a question of you, as Chairman of the Clearing House Association, before you leave the stand. The Act provides, in Section 13, among other things: "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?"

Now a proper definition of commercial paper in contemplation of this provision of the Act, is a very important one, and we are asking the Clearing Houses in these different cities, and also the different commercial bodies interested in this very important subject, to consider that provision of the Act, and to file a brief with the Committee at the earliest possible date, giving their ideas as to what is a proper definition of commercial paper. We should be glad also to have you suggest at the same time, with a view to a standardization of notes and bills of exchange and acceptances, your ideas as to what those forms should be; and wherever you have some specific local conditions, where you have a special character of paper that is current in this community, for instance, like cattle paper in Denver or Kansas City, if you have any special conditions of that sort, we would like to have you suggest the forms of notes and bills of exchange which would cover those peculiar transactions. That may be filed with the Committee within

the next two or three weeks, and if you will be good enough to give that some thought, we would appreciate it.

Mr. Backus: Did you say you would give me a marked copy?

The Secretary of the Treasury: Yes. The stenographer will write that question out for you as I have propounded it. In Section 16 of the Act it is also provided that "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 function, and may also require each such bank to exercise the functions of a Clearing House for its member banks."

Now that relates to the Clearing House function to which I alluded a short while ago. We should be very glad indeed if your Clearing House would give that careful thought and submit to us any suggestions in the form of a brief that will enable us to consider the matter as soon as the Federal Reserve Board is organized. I hand you a copy of the Act, and I have marked the two sections, on pages 14 and 19.

Mr. Stenographer, see that those questions are submitted to Mr. Backus.

Mr. Backus: I desire to present to the Organization Committee an album which we have had prepared, showing various maps and photographic maps, containing many statistics which we did not want to take up your time by giving you, but which we would want to have you accept and file.

The Secretary of the Treasury: Let it be filed as an exhibit to Mr. Backus' testimony.

Mr. Backus: I believe all the maps we have prepared are absolutely authentic. Most of them have been copied from government charts or maps of various kinds. I thank you.

(The album and maps above referred to were filed as exhibits to Mr. Backus' testimony.)

(The memorandum submitted by Mr. Backus is as follows:)

ACT - Section 2.

"Districts shall be apportioned with due regard to convenience and customary course of business".

JON TITHE RULES.

1. "Will consider Geographical Convenience, involving transportation facilities and easy communication with all parts of the district".

2. "Will consider Industrial and Commercial Development and needs of each section, which involves consideration of general movement of commodities and business transactions within the district, and transfer of funds and exchanges of credits."

3. "Will consider established custom and trend of business as developed by present system of bank reserves and checking accounts x x x To promote business convenience and normal movements of trade x x x Claims of all cities will be considered on merits."

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A district for a Federal reserve Bank should be created in the northwest because if the entire Pacific Coast country from Mexico to British Columbia were included in one district it would not be "an apportionment with due regard to convenience and the customary course of business", as provided by the Federal Reserve Act. Nor would it meet the first "primary" factor laid down by this Committee, to wit, "Geographical convenience x x x involving easy communication with all parts of the district."

This statement would be true even if no consideration whatever were given to Alaska which, although excluded from

~~the territory to be districted, comprises an empire equal~~  
in size to about one-fifth of all the States of the Union. So vast, indeed, is its extent that if every man, woman and child on the face of the globe were herded within its boundaries there would be less than five to an acre. This great country is at least about to be developed and come into its own. The Federal Government is about to build a railroad for that purpose, and "due regard to the convenience and customary course of business" of its people and its commerce, present and prospective, must be exercised.

"Transportation facilities, rapid and easy communication with all parts of the district" must not be overlooked. The "general movement of commodities, business transactions and transfer of funds and exchanges of credits" with this great domain must not be disregarded in determining the boundaries of the district on which it will be compelled to depend for bank service. This, not only for best serving the people, business and banks of Alaska, but also the banks and business concerns located within the district and having dealings with Alaska.

All mails for Alaska are forwarded from Seattle. Seventy two per cent of all the commerce with Alaska goes from or

comes from Puget Sound, the only important item going elsewhere being the fish product of the Alaska Packers' Association, a corporation owned in and operated from San Francisco.

Right here it may be well to call attention to the fact that for all practical purposes connected with this hearing Seattle and Puget Sound may be considered as synonymous terms, Puget Sound being all one great harbor with Seattle and Tacoma combined as the central point. Seattle and Tacoma are only twenty-eight miles apart as the crow flies, and being in perfect accord in the desire to have a Northwestern District created with a Bank located at Seattle, may be considered one city. In compiling statistics we have in some instances combined the figures of the two.

"Convenience and customary course of business" must be considered next with reference to the great and constantly increasing commerce with the Orient and likewise the International scope of the Federal Reserve Banks. The "established custom and trend of business" in this regard is shown by the fact that more mail for Oriental countries is dispatched from Seattle than any other Post office on the Pacific Coast, including San Francisco, because the distance

measured either in miles or hours is less and frequency of service greater, showing the natural trend and established channels of business.

The net tonnage of vessels entering and clearing from Puget Sound is more than double that of any other port on the Pacific Coast, including San Francisco. Could it possibly be "with due regard to convenience and the customary course of business" -- Would it provide "rapid and easy communication according to established custom and trend of business" to locate the only reserve bank on this entire Coast a thousand miles distant from the seat of this commerce

Five great transcontinental railways are operating trains every day in the year to Seattle, where they meet fifty eight steamship lines which operate from the port of this city, including such great companies as the Royal Mail, the Hamburg-American, the Nippon Yusen Kaisha, the Ocean Steamship Company, the Osaka Shosen Kaisha, the American-Hawaiian, the Great Northern, the Blue Funnel, the Kosmos, the Harrison and East Asiatic Companies. Many of these companies have established their supervising traffic offices for the entire Pacific Coast at Seattle. Would it conserve their convenience and that of their agencies in Seattle, in

the Northwest, and all over the world, to have one district bank only, and that operated from San Francisco?

Then, what of the rapidly growing business interchanged with British Columbia? Would it be convenient and along the customary course of business and normal movements of trade to undertake to transfer the business interchanged with Vancouver, Victoria and Prince Rupert to San Francisco? Two new transcontinental lines, the Canadian Northern and the Grand Trunk Pacific, will be opened to Vancouver and Prince Rupert this year. The Grand Trunk Pacific already operates steamers to Seattle and the Canadian Pacific operates both trains and steamers. All indicative of "established custom and trend of business", which is bound to increase tremendously with the advent of the new railway lines and because of the recently reduced tariff rates.

While it must be kept in mind that Federal Reserve Banks are not established for the especial benefit of British Columbia or Oriental countries, they are designed to serve the banking and business interests located within the district and which "finance the movement of commodities and handle transfers of funds and exchanges of credits" for these countries. The promotion of foreign trade also is one of

the most important functions the new Institutions are intended to perform, and there can be no doubt that commerce with South America, Australia and the Orient will be greatly stimulated by their establishment on this Coast.

To illustrate the value of this foreign business, I will say that in the midst of the panic of 1907, when it was impossible to get money on any ordinary security, the National Bank of Commerce of Seattle sold a half million dollars of foreign bills drawn against flour shipments to the Orient without the slightest difficulty.

The water commerce of Seattle alone for the year ending November 30, 1913, amounted to \$124,000,000. 393,000 passengers embarked and debarked here last year for foreign and Alaskan ports, and more than 3,100,000 for local points, a total of 3,485,000 altogether inbound and outbound from this one Port. This commerce and travel suggest at least "established custom and trend of business".

The shortest distance and most natural route from any port in the United States to Alaska, to British Columbia, and to Oriental countries, is from Puget Sound. This certainly affects and involves consideration of "the general movement of commodities". Everyone concedes that one Federal Reserve

Bank should be located at San Francisco, so notwithstanding that the tonnage of Puget Sound exceeds that of San Francisco, we will dismiss any consideration of that point. The only other important port on the Coast handling foreign business is the Columbia River.

To show the comparative growth of foreign commerce at Puget Sound and at the Columbia River, attention is invited to a comparison of thirty years ago and now: ~~xxx~~ (Figures from United States Customs Office.)

In 1884 the foreign commerce of the Columbia

River amounted, in even thousands, to	\$7,700,000.
That of Puget Sound to	\$2,100,000.

(Columbia River 3-1/2 times greater)

In 1913 the foreign commerce of the Columbia

River amounted to	\$ 16,900,000.
That of Puget Sound amounted to	\$114,000,000.

(Puget Sound nearly seven times greater)

This growth of foreign commerce of Puget Sound from 1900 to 1913 is three thousand per cent -- of Oregon one hundred and fifty per cent.

This shows the natural trend of business as clearly as anything can.

What reason is there to doubt that the same ratio of growth will continue? The percentage of growth for 1913 over 1909 on Puget Sound was 116.2 per cent, the percentage for the Columbia River 35.9 per cent.

The line of the Oregon Railroad & Navigation Company was opened in 1883, giving the same down-grade haul to the mouth of the Columbia River about which much will be heard later on in connection with the North Bank Road, which parallels it. The North Bank Road was completed in 1909. The subsequent increase in foreign commerce is less than \$4,500,000 as compared with \$51,000,000 on Puget Sound. One of Mr. James J. Hill's characteristic epigrams is as follows: "The trouble with the Columbia River is that its bottom is too near the top".

I am now going to ask you to look at the heavy blue line marked on this map of the West, cutting off from the rest of the country the states of Oregon, Washington, Idaho, Montana, Wyoming, North Dakota and South Dakota, a territory equal in extent to nearly one-fifth of the United States, exclusive of Alaska. I ask you, also, to bear in mind that Alaska, lying to the north and west of the described territory, is also equal in size to about one-fifth of the entire United

States. Thus we have northwest of the lines shown, more than one-fourth of all the Continental United States, including Alaska, which for convenience I will call a Northwest district. Seven entire states, besides Alaska, are embraced in this district. The report of the Comptroller of the Currency shows that the State of Washington leads all of these in amount of Capital Stock, Individual Deposits, amounts due to Banks, Loans, Total resources and Liabilities. And this same statement might also be made to include Utah, Colorado, Arizona and New Mexico.

The deposits of the United States Government are greater in the Banks of Washington than in any other state west of the Mississippi River, excepting Texas. Presumably they are kept where needed.

If the savings bank deposits of Washington, which are larger than those of any other state West of the Mississippi River except Iowa, Minnesota and California, be eliminated from individual deposits, it will still outrank any state lying North and West of the boundaries shown on the map.

In the seven states making up part of this great Northwest district, there are but four Reserve cities, three of which are in the State of Washington, and the city of

Seattle, in banking capital, surplus, deposits, loans, resources and liabilities, as well as clearings, exceeds the other two combined. The year 1913 was one of depression, clearings of the whole country decreased about 3 per cent, but those of Seattle increased 10 percent and established a new high water mark.

This indicates the steady growth of this particular section of the country and is indicative of the natural trend of business, which will increase by leaps and bounds under the stimulus of railway constructions and general development in Alaska, and the opening of the Panama Canal.

The establishment of one Bank only on this Coast, located at San Francisco, would doubtless leave, not alone this city but Tacoma and Spokane also, more remote from one of the Federal Reserve Banks than any other equally important commercial city in the Union. Not certainly promotive of "geographical convenience or rapid and easy communication".

Again, to secure the greatest possible efficiency for the new system must be the earnest desire alike of this committee and the banks, and to insure this efficiency it is extremely desirable that the Federal Reserve Banks be located at financial and commercial centers where the most diversified

industries are financed and distributed, so as to equalize borrowing demands. There is no city in the Union of the same size which so fully meets this requirement as Seattle. It is comparable in this regard to New York. Here is brought and distributed the output of the only important coal mines on the Coast from British Columbia to Mexico. The State of Washington cuts ten per cent of all the lumber and sixty-five per cent of all the shingles produced in the United States. The amount and value of fish and fish products stored, shipped and financed from Puget Sound are overwhelmingly greater than from any other center in the world.

The manufacture of flour at Tacoma and Seattle exceeds that of any other city on this Coast. The same statement is true regarding exports of wheat and flour (reducing barrels of flour to bushels of wheat). From here very largely are financed and shipped the products of the agricultural and horticultural districts lying east of the Cascade Mountains. To Puget Sound come the shipments of supplies for Alaska, which produces little and consumes much. Here are the United States Assay Office and the United States Navy Yard. In 1913 the United States

Quartermaster disbursed over three million dollars in Seattle, and \$341,000 only in Oregon. Here is the leading manufacturing centre of the Pacific Coast north of San Francisco. Here, also, the largest population, the largest customs receipts, the largest Internal Revenue receipts, the largest Post Office receipts, the largest commerce. Where else, except in New York, can be found such diversity of industries? Where else would a Federal reserve Bank be assured of such distribution of borrowing demands. Where else could it be located to so promote foreign trade and commerce.

Fifty-five years ago Lincoln's great secretary of War, Wm. H. Seward, then senator from the Empire State, said in the United States Senate "The Pacific Ocean will become the chief theatre of events in the world's great hereafter". Prophetic words these!

We most respectfully urge that, in view of the great extent of territory to be served, of the great diversity of industries to be provided for, on account of geographical convenience and splendid transportation facilities, on account of industrial and commercial development, and general movement of commodities, in order to make easy the

transfer of funds and exchanges of credits, in order to protect established customs and trend of business, in order to promote convenience and normal movements of commercial, that you lay out a Federal reserve district in the great Northwest, embracing the four states of Oregon, Washington, Idaho and Montana, and that you establish a Federal Reserve Bank at Seattle which we believe is in all respects best calculated to meet the requirements of the district described, always keeping Alaska's needs in view.

We feel that one Bank at San Francisco is insufficient, while to locate a second one at any other Coast point than Seattle would no more be with due regard to convenience and customary course of business than to locate it at some inland point hundreds of miles from the commerce it is designed to conserve and promote, and which would be comparable only to locating a bank at Rochester or Buffalo instead of New York City.

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## STATEMENT OF EUGENE T. WILSON.

The Secretary of Agriculture: Mr. Wilson, will you give your full name, residence and occupation?

Mr. Wilson: Eugene T. Wilson; vice-president of the National Bank of Tacoma.

The Secretary of Agriculture: You know the problem that the Committee is confronted with?

Mr. Wilson: Yes, sir.

The Secretary of Agriculture: We would be very glad to have any additional light that you can throw on it.

Mr. Wilson: Mr. Secretary, I was selected, with two other members of the Clearing House Association of Tacoma, to come over here and state why Tacoma is anxious for Seattle to be selected as the location for a Regional Reserve Bank. What I have to say I shall say very briefly, and deal mostly in figures, with a little comment on some of the questions asked Mr. Backus regarding Montana.

In the first place, the distance between wharves, by water, from Tacoma to Seattle, is 26 miles. Mr. Backus' estimate of 28 miles is taken from the business centres, or a little further. The two cities are connected by water transportation. Two large steamers that were brought around

the Horn, from the Great Lakes, give an every other hour service between the towns. The five trans-continental railroads entering Seattle also enter Tacoma. I am mentioning this to show the importance of Tacoma's endorsement of Seattle, and not to encumber your records with statistics or statements which have already been made.

Puget Sound is one customs district, with the principal port of entry at Seattle, and Tacoma is a sub-port. It has 1200 miles of shore line, including, of course, the indentations, inlets, and so forth, of deep water. There is not a bar or a rock to obstruct navigation in the whole of Puget Sound. There are no bar-bound stormbound vessels attempting to go out or to enter Puget Sound, and vessels of the greatest depth of draft from all parts of the world, of course, participate in this Puget Sound commerce. These statistics I am giving you are taken from the report of the Deputy Master at Tacoma, and are authentic. I have no sympathy with any exaggerated figures that may be produced for the purpose of influencing the committee. The truth is sufficient.

The foreign shipments from Tacoma last year, 1913, were \$23,608,501. The Coastwise shipments were \$11,804,148; a

total of export business of \$35,412,649.

The foreign receipts at the Tacoma port were \$22,332,316, and the Coastwise receipts were \$11,343,188; a total of shipping receipts of \$33,675,504, or a grand total of \$69,088,153.

Included in the above was merchandise of almost every character. There were a little over a million and a half barrels of flour, four and a half million bushels of wheat, over 142 million feet of lumber, nearly eighty-eight thousand bales of cotton, a little over 151,000 tons of coal, \$2,949,896 of machinery; smelter products, \$2,866,187; there were \$335,012 of automobiles included in this; condensed milk, \$223,414; and many other articles that are too numerous to mention. This is all water business and does not include the rail shipments to the interior.

The deep sea arrivals at the Port of Tacoma were 1610 during that year, and the departures were 616. The registered tonnage of those vessels was 6,371,742 tons and the cargo tonnage was 1,646,373 tons.

It is a well known fact that the Clearing House reports do not always give a true indication of the business of a city. Those are multiplied largely where there are more

banks than in another town doing a like amount of business. So that in addition to our Clearing House reports, our banks in Tacoma, which number only seven within the city proper, have adopted a system of reporting the actual business transactions each day. These transactions do not include charges and cashier's check accounts, certified checks or accounts which constitute a resource, yet the bank transactions for Tacoma for 1913, excluding all of those charges to resources, like bills receivable, reserve banks and everything of that kind, were \$347,093,851. The combined clearings of Tacoma and Seattle, which are practically one city for the purpose of this discussion, were \$798,312,904.

You will probably hear in some of the other cities that you visit that Puget Sound is separated from the eastern part of the country by an impassable range of mountains, and that certain water grade railroads and river traffic is apt to carry all of the business from the eastern part of the state to another city. I want to say in connection with that, that before the Northern Pacific and the Great Northern railroads were constructed, before Seattle had any real communication whatever with the eastern part of this state, its population was 7,000 and the population of Portland at

that time was 40,000. Since then the Northern Pacific, Great Northern, Milwaukee and the Canadian Pacific have come in from the east, and the O. W. R. & N. from the southwest. Before the water grade road, the North Bank Road from Spokane to Portland was built, the only outlet that the Puget Sound cities had was across this so-called impassable mountain barrier. Yet during that time, according to the census of 1910, Portland increased to 207,000 people, and Tacoma increased from a sawmill town and with 7,000 people in Seattle, to 320,000 people. So that the mountains are not so impassable as they may seem.

The question was asked one of the other witnesses, I think Mr. Backus, as to the service of a part of Oregon, in the case of the organization of a Regional Reserve Bank in the Northwest. For a great many years I was employed under the Bureau of the Currency, in fact, to make it exact, for eighteen and a half years I was with the department; and in all of my examinations in Oregon I have never found a bank south of the Siskiyou Mountains which did not prefer to do its business in San Francisco. So there is a part in the southern part of Oregon, six counties in fact, with \$1,070,000 capital and surplus, and \$5,000,000 of deposits,

whose natural trend is southward, although they are in Oregon. They have to cross the Siskiyou Mountains to get to Portland.

Some questions were asked regarding Montana. I lived in Montana a number of years, and during all of this time of my service with the Bureau of the Currency I made bank examinations throughout that state, and for six years I was in Helena, and started in under Mr. Echols and in this particular position liquidated a couple of banks and served for six years before I finally got them wound up, and I have some knowledge of Montana conditions. I went to Montana when I was a boy, and the whole country was buffalo country east of Bozeman. I saw it develop into a stock country with cattle on thousands of miles of bunch grass. Recently, through the efforts of the railroad companies largely, these ranges are being cut up and agricultural pursuits conducted in lieu. During the stock raising days, Montana's natural market was eastward. Their cattle were shipped to the packing houses in St. Paul, Omaha, Kansas City and Chicago, and the business of Montana up to the present time, as was said, is largely eastward. Their business with the Coast here is not large. But now that those ranges are being cut

up into farms and agricultural products are to be produced rather than stock, the natural trend of that class of products will be to the nearest sea coast.

Taking Billings, which is about the centre of the state, and which is the last town except one where there are banking facilities to any great extent going eastward, the distance from Billings to the Atlantic Coast is 2200 miles, and the distance from Billings to Puget Sound is 1000 miles. They are plowing up that whole country, they are shipping grain in here now; and a representative of one of the largest grain purchasing companies on the coast, with business houses in Portland, Tacoma and Seattle, told me day before yesterday that he had just seen a lot of Montana grain sold in Seattle, shipped here in bulk, for three cents a bushel more than was paid for Eastern Washington grain in sacks; the millers demanding it to mix with our softer wheat. And in my opinion, with all due respect to my friends in Montana, when that country is developed and wheat growing becomes more of a factor in the development of the state, their natural business will be in this direction rather than towards the Atlantic Coast. They cannot ship grain by long rail hauls over very many miles. I mention that because it

was brought out in the other testimony.

The Secretary of Agriculture: It ought not to be impossible to discover the present direction of commodities in Montana --

Mr. Wilson: I think they are principally east now.

The Secretary of Agriculture: And the growth in either direction for the last five or ten years.

Mr. Wilson: The development of agriculture in Montana has only been of recent character. They have not begun to raise much grain as yet. I think it is only in the last six or seven years.

The Secretary of Agriculture: Is it your judgment that violence would be done to the present course of trade to direct Montana westward, or would it be better to connect it eastward?

Mr. Wilson: I think it would be to their advantage for the immediate present to do their business towards the east; but I am satisfied, from the fact that their cattle ranges are being plowed up, for the reasons stated, that before very long their business would naturally come to the Sound.

The Secretary of Agriculture: What about Idaho?

Mr. Wilson: Northern Idaho is a mineral country, with

some orchards and farms. Northern Idaho ought really to be a part of Washington; it is a panhandle which belongs to this state. Southern Idaho is a fruit and stock country. I think most of the Southern Idaho business comes down the Columbia River to Portland, although some of it comes here.

The Secretary of Agriculture: You think it does not go to Denver?

Mr. Wilson: No. Around Boise and southeastern Idaho, around Pocatello and other towns around there, they have considerable business with Salt Lake City, but when I was on the road they had very little business with Denver.

The Secretary of Agriculture: Did you have anything else you wanted to add?

Mr. Wilson: I wanted to call attention to one further fact, that in the establishment of Regional Reserve Banks on the Pacific Coast it should be remembered that vessels leaving Puget Sound for Japan can make the trip in about four days less than from San Francisco. That is by reason of following the Great Circle. In doing so they pretty nearly touch Alaska. They go north and follow the Great Circle. And as business is developing with the Orient, I think that that will be considerable of a factor.

We of Tacoma feel that if a Regional Reserve Bank is to be established in the Northwest, we prefer it at Seattle.

The Secretary of Agriculture: Suppose we should discover, Mr. Wilson, that the people of Montana insist on having their state connected with some district with headquarters toward the east; then do you think it/feasible to establish a district here in the Northwest at present.

Mr. Wilson: With Montana eliminated it would be very difficult to find sufficient adjacent territory to justify the organization of a reserve Bank, and in that event a branch would have to be located.

The Secretary of Agriculture: Of course, with these changes which you think are taking place, even if we should find it impossible to make a district with Seattle as headquarters, the situation would be dealt with in the future as the conditions demand, I imagine. What would be your judgment as to the desirability of establishing a Regional Bank here at this time with the relatively limited banking power that it apparently would start out with?

Mr. Wilson: Well, it would seem from the Act as read by Secretary McAdoo, that you are required to have a certain capitalization in order to locate a Regional Reserve Bank,

and without Montana you would not have that capital. The question answers itself.

The Secretary of Agriculture: Suppose now it is found to be an impossibility to establish this district with a parent bank at Seattle, what in your judgment would be the best centre?

Mr. Wilson: For a Regional reserve Bank?

The Secretary of Agriculture: yes.

Mr. Wilson: San Francisco.

The Secretary of Agriculture: For this section?

Mr. Wilson: Yes. The question was asked Mr. Backus, I think, in regard to the amount of business done in St. Paul. Tacoma does not do as much business proportionately with St. Paul as Seattle does, and I think that in our bank, and we have the larger bank in Tacoma, about all the business we have with St. Paul is with the Northern Pacific Railroad accounts. We are the depository for their stations in certain districts, and we have a limited balance to carry, and remittances in excess of deposits constitute most of our business with St. Paul, although there is a little lumber sent there.

The Secretary of Agriculture: Are your banking and

business relations more intimate with San Francisco than with any one of these eastern cities?

Mr. Wilson: We do a great deal more business with Chicago and New York than with San Francisco; and what I mean by that is that New York and Chicago exchange is current the world over, and the demand for drafts on those cities requires us to keep very large balances there. We do not keep so large balances in San Francisco, but nearly all of our Asiatic business is done through that city, because we have no branch connections in the Orient.

The Secretary of Agriculture: Waiving the banking aspect for the moment, and taking your business people, with which of the cities are their dealings more directly?

Mr. Wilson: Where they purchase their goods?

The Secretary of Agriculture: Yes.

Mr. Wilson: From the east largely. There is considerable stuff bought in San Francisco, but the Northwest cities are getting to that stage where they are more or less rivals of San Francisco in their simple way, and our merchants buy largely in the east, although we have a great Coastwise trade with California in timber and wheat and there are quite a good many lines of vessels that run between Puget

Sound and the California ports. It would be impossible for me to tell what the aggregate amount would be, but I think that our wholesale merchants purchase most of their goods east. Formerly, as Mr. Backus said, San Francisco was the real metropolis of the west, and Portland had the whole Northwest, before these towns became as large as they are, but business has changed.

The Secretary of Agriculture: In a business way, you think these states are more intimate with Chicago, St. Paul and Minneapolis, than with San Francisco.

Mr. Wilson: Not with Minneapolis and St. Paul.

The Secretary of Agriculture: Or Chicago and New York.

Mr. Wilson: Chicago and New York, of course. In the next place, Chicago and New York, under the old law, are central reserve cities, and we have to keep our reserves there.

The Secretary of Agriculture: I am not thinking so much now of that as I am of the business relation, the relations of the business men in the distribution of supplies and commodities.

Mr. Wilson: I do not think there is any question but what we have more business with the east than we do with Cali-

ifornia in a business way, putting it that way. Our social relations, of course, are a great deal more intimate with California, because a great many of our people spend their winters there and have winter homes in California.

The Secretary of the Treasury: With the parring of exchanges between these reserve banks will not the necessity for your keeping such balances in Chicago and New York very largely disappear?

Mr. Wilson: Yes, I think so.

The Secretary of the Treasury: As you say, New York and Chicago exchange passes current everywhere, and that is true.

Mr. Wilson: Yes.

The Secretary of the Treasury: Under this new system, if the exchange in this district passes at par everywhere, you would not, of course, have the same necessity for keeping balances there.

Mr. Wilson: No, that is true.

The Secretary of the Treasury: And to that extent this system will tend to restore normality of conditions very greatly, will it not?

Mr. Wilson: Yes, it will have another advantage, it will release in our bank over \$7,000,000 which is now tied up and

which will be available for use in this locality.

The Secretary of the Treasury: How far is it from Tacoma to San Francisco?

Mr. Wilson: I think that the distance from Portland to San Francisco is 770 miles, and it is 140 miles from Portland to Tacoma, 910 miles by rail.

The Secretary of the Treasury: About 1000 miles from Seattle, then?

Mr. Wilson: Yes.

The Secretary of the Treasury: Have you long distance telephone connection with San Francisco?

Mr. Wilson: I do not think that we have direct, I am not sure. I have never used it and never have had occasion to use it.

The Secretary of the Treasury: How about that, Mr. Backus?

Mr. Backus: Theoretically there is, but practically there is not. It will not work. (Laughter)

Mr. Wilson: I believe it is possible that the telephonic connections go around by Salt Lake City, but I am not sure whether it goes around direct or not.

Mr. Backus: It does now.

Mr. Wilson: I have never had occasion to use it.

The Secretary of the Treasury: Of course, the distance being only 1000 miles, it is perfectly practicable to establish a long distance telephonic communication which would be satisfactory.

Mr. Wilson: Yes. I have known of long distance conversations between Helena and San Francisco, which went around the other way.

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

Mr. Latimer.

STATEMENT OF N. H. LATIMER.

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

Mr. Latimer: President of the Dexter-Horton National Bank of this city.

The Secretary of the Treasury: And also of the Dexter-Horton Trust & Savings Bank, I see.

Mr. Latimer: I am not president of it, but I am one of the directors and large stockholders in it.

The Secretary of the Treasury: Now, Mr. Latimer, you have heard the ground we have already covered. We should be

very glad if you would give us any new light or additional facts, so that we will not cover the same ground.

Mr. Latimer: I was going to say that so much ground has been covered that I do not know whether you will care to hear this which I have prepared.

The Secretary of the Treasury: We would be glad to hear from you in extenso, but there are so many to be heard and the time at our disposal is so limited that we shall have to ask you to confine yourself to pertinent facts.

Mr. Latimer: I should like to answer one or two of the questions propounded to Mr. Backus, in reference to the national banks only in Oregon, Montana, Idaho and Washington. In answer to that, the deposits of Washington are \$111,933,959; in Oregon \$71,163,605; Montana \$39,200,079; Idaho \$20,614,087; a total in the four states of \$242,911,72

The Secretary of the Treasury: And have you the national banking capital, capital and surplus, I mean, and not undivided profits.

Mr. Latimer: The capital, independent of state banks?

The Secretary of the Treasury: Yes, national banking capital and surplus, excluding undivided profits.

Mr. Latimer: The capital of the national banks in

Washington, \$17,252,170. Oregon --

The Secretary of the Treasury: That includes surplus?

Mr. Latimer: That includes surplus.

The Secretary of the Treasury: But not undivided profits.

Mr. Latimer: But not undivided profits. That is capital and surplus. Oregon \$13,737,330; Montana \$7,828,700; Idaho \$4,882,111; a total for the four states of \$43,700,311.

The Secretary of the Treasury: Now will you proceed?

Mr. Latimer: You also asked the question of Mr. Backus as to the reserves carried with national banks in the Northwest, in Washington; this is with the reserve cities, you understand. There are three reserve cities in Washington and only one in Oregon.

The Secretary of the Treasury: I understand. I was asking Mr. Backus to give the banks in Washington which carry their reserves in Seattle, and the same as to Montana, Oregon and Idaho.

Mr. Latimer: I have the total reserves for the three states. I think I have the other statistics, but I cannot put my hand on them now.

The Secretary of the Treasury: You can supply those later then.

Mr. Latimer: Would you care for the totals for the states?

The Secretary of the Treasury: Yes, we have it here, but at the same time you can give it. I wanted the distribution of these reserves; that was the more important point, showing what contribution of reserves in Washington is made by these different states.

Mr. Latimer: I think this would, to some extent, answer that question. Washington \$15,967,224.

The Secretary of the Treasury: Now is this national banks only?

Mr. Latimer: National banks only, carried with the reserve cities.

The Secretary of the Treasury: These are all national bank reserves?

Mr. Latimer: yes. Oregon \$10,013,446; Montana \$2,882,319; Idaho \$1,465,995; a total in the four states of \$30,328,982.

The Secretary of the Treasury: You have not the figures for Seattle alone, to show what proportion of that goes to Seattle?

Mr. Latimer: I do not believe I have for the moment, but I think I can supply it to you.

The Secretary of the Treasury: If you will, and they can be put in the record.

Mr. Latimer: Yes, I have it right here.

The Secretary of the Treasury: I know what your total reserves are, because I have the Comptroller's figures, but I wanted to see how they were distributed.

Mr. Latimer: Portland \$11,184,132.

The Secretary of the Treasury: How do you mean, Portland?

Mr. Latimer: reserves carried in Portland ~~with~~ by other banks.

The Secretary of the Treasury: I understand, but what I want is the reserves carried in Seattle by the banks of these different states, distributed by states.

Mr. Latimer: Oh, by these different states distributed by states?

The Secretary of the Treasury: Yes.

Mr. Latimer: I do not believe I have those figures. I could give you the totals carried in Portland, Seattle and Spokane --

The Secretary of the Treasury: That would not be worth while. You can supply that later. You understand what I want, how much of the reserves of Montana national banks are

carried in Seattle, the same question as to Oregon and Idaho.

Mr. Latimer: Would the capital and surplus of the banks of Portland, Seattle and Tacoma be of interest to you?

The Secretary of the Treasury: We have that. The aggregate for the district is all we want, and you have given us that.

Mr. Latimer: I think it would not be amiss for me to give you, although I believe some figures were given by Mr. Backus or the Governor, I have forgotten which, but I will simply call attention to the increase in volume of banking deposits in the City of Seattle. In 1896 the total deposits of the city were \$3,372,000. In 1903 they had increased to \$23,575,000. On October 21st, 1913, they had increased to \$81,533,000. Portland, in 1896, at which time our deposits were \$3,372,000, had approximately \$25,000,000. We are unable to get accurate figures on that, for the reason that at that time the foreign and state banks did not report, but those are the most accurate figures we are able to obtain. However, since 1898, since the passage of the State Banking Law in the state, we can get accurate figures. Portland's figures in 1898 had increased to \$47,000,000. You will observe that in 1896 their deposits were practically eight

times these of Seattle. Under the last call of 1913 Seattle's deposits had increased to \$81,677,573, whereas Portland's were \$74,194,378. You will thus see that Seattle had passed her in the race.

It would also be of interest, no doubt, to give you the clearings as shown for the last few years of those cities. I will try to make this brief and only give you a portion of them. In 1896 the clearings of the Portland Clearing House were \$62,408,893.52.

The Secretary of the Treasury: What is it today?

Mr. Latimer: \$627,818,010.31. At the same time the clearings of Seattle were \$28,311,616 as against nearly \$63,000,000 for Portland. Today Seattle's clearings are \$664,857,448; that is for the year 1913, I should have said, as against \$627,818,010 for Portland.

I will just give you the totals of the clearings of the two cities since 1905.

The Secretary of the Treasury: The object is to show that as between Portland and Seattle, this would be the place for the bank.

Mr. Latimer: That is the point exactly. The total clearings since 1905 of the City of Seattle are

\$4,702,329,592, as against Portland \$3,878,069,116. You will see that we have led them by practically a billion dollars .

The Secretary of the Treasury: In bank clearings?

Mr. Latimer: In bank clearings.

The Secretary of the Treasury: What are the conditions? Does Portland attract reserve accounts at all by a different rate of interest and by a different system of check collection or different inducements from those offered by Seattle?

Mr. Latimer: practically the same.

The Secretary of the Treasury: practically the same.

Mr. Latimer: But, Mr. Secretary, it would probably not be amiss to call to your attention that for many years before we had transportation, Portland and San Francisco were the only financial centres on the Coast.

The Secretary of the Treasury: Yes, I understand that, but I am speaking more of the clearings as of today. I want to find how far those reflect the normal, abnormal or artificial conditions.

Mr. Latimer: That is why I have given them for nine years, so as to take it past any boom period of any section.

The Secretary of the Treasury: I am not speaking so much

of the boom period as of the artificial condition created by certain inducements or temptations held out to banks to make deposits in these respective cities.

Mr. Latimer: Both cities pay two per cent on bank balances.

The Secretary of the Treasury: You are on the same basis in respect to that.

Mr. Latimer: practically on the same basis.

The Secretary of the Treasury: And the same as to check collections?

Mr. Latimer: practically the same. They may have some little variations in their Clearing House rules, but they are practically the same.

The Secretary of the Treasury: Suppose you were not a reserve city, to what extent would your bank clearances be affected?

Mr. Latimer: If we were not a reserve city?

The Secretary of the Treasury: Yes.

Mr. Latimer: It would be pretty hard to answer that question. I do not know.

The Secretary of the Treasury: To the extent that you carry reserves that are induced by interest rates and certain advantages in the way of check collections you are

creating an artificial condition, are you not?

Mr. Latimer: yes, sir, to a certain extent.

The Secretary of the Treasury: You do not attach so much importance to these bank clearances for that reason; they vary so much in various cities because they hold out all these inducements to get accounts with member banks.

Mr. Latimer: However, as compared with eastern institutions like New York, Chicago and St. Louis, our proportions would be relatively small.

The Secretary of the Treasury: Yes, you are far less artificial in the west than they are in the east, I admit that.

Mr. Latimer: Our transactions are more with small individual accounts. That is evidenced by the number of accounts. You might take the largest bank in New York and it probably would have no more accounts in its books than some of the largest banks here on the coast.

The Secretary of the Treasury: And of course that will be remedied by the operation of this Act eventually.

Mr. Latimer: No doubt. In point of population, would it be of interest to give you a few statistics on that simply to show again the relative growth --

The Secretary of the Treasury: I think we have had the population already.

Mr. Latimer: Only for the district, I believe.

The Secretary of Agriculture: Give it to us for three periods.

Mr. Latimer: Yes. I will begin with 1870, and take the U. S. figures.

The Secretary of the Treasury: That is a long way back for the Secretary and myself to think, but we can try.

Mr. Latimer: At that time Seattle had a population of 1107 people; Portland had 8,293, which was relatively  $7\frac{2}{5}$  as large as Seattle. San Francisco at that time had 149,473, in other words, San Francisco was practically 127 times larger than the City of Seattle.

The Secretary of Agriculture: Now for 1890?

Mr. Latimer: In 1890 Seattle had 42,837 people.

The Secretary of the Treasury: These are census figures?

Mr. Latimer: These are government census figures. Portland had 46,385; and you will notice that Portland had dropped from  $7\frac{2}{5}$  to  $1\frac{2}{5}$  times that of Seattle. San Francisco had 298,997, or reduced from 127 down to 7 times the size of Seattle. Now the last census, for 1910, Seattle

had 237,194 and Portland had 207,214. You will notice we had then passed Portland by a considerable majority, in other words, we were  $1\frac{1}{7}$  times as large as Portland. San Francisco had 416,912. In other words, she had been reduced in that period from 127 times the size of Seattle to  $1\frac{3}{4}$ .

The Secretary of Agriculture: Does that include all the suburbs?

Mr. Latimer: Only that given by the Government census, embraced in the city limits.

The Secretary of Agriculture: What is the area of Seattle

Mr. Latimer: About 74 miles.

The Secretary of Agriculture: And in suburbs, on the outside?

Mr. Latimer: Quite a number. We have not yet taken them in, but hope to before the next census.

The Secretary of Agriculture: Do you know what the area of San Francisco is?

Mr. Latimer: I do not.

The Secretary of the Treasury: And of Portland?

Mr. Latimer: In square miles I could not give you those figures.

The Secretary of the Treasury: I imagine those gentlemen will be able to inform us on that point when we get there.

Mr. Latimer: No doubt. I would say to your Committee that copies of all these charts will be furnished you. I think those are in the book Mr. Backus has just handed you.

The Secretary of Agriculture: Yes.

Mr. Latimer: And I will not take your time to attempt to quote any figures from them, except to show in point of population the concentration in the particular district of Puget Sound as compared with Portland, Oregon, and other sections of the suggested district.

The Secretary of the Treasury: If you can give us three copies of these exhibits we should like to have them. Can you supply them?

Mr. Latimer: That can be done.

The Secretary of the Treasury: They need not be so handsomely bound. We will take this as the original. I mean we do not want to put you to any unnecessary expense. All we want is the data.

Mr. Latimer: It might be interesting to your Committee to glance for a moment at the relative tonnage out of San Francisco and Seattle, again merely to show the growth.

Before we had a trans-continental line, which was only a few years ago, we had no foreign business --

The Secretary of the Treasury: I think it would be better to put those in the record, because it is difficult for us to carry them in our minds.

The Secretary of Agriculture: I should like to hear them.

The Secretary of the Treasury: Go ahead, then. Just give the totals.

Mr. Latimer: I will only give you 1912, so as not to burden you with the figures. The tonnage out of Puget Sound, which means Seattle and Tacoma taken together, was 2,498,150 tons; that was incoming tonnage. The same year San Francisco had 928,289 tons. You will see we had passed them by a considerable majority.

The Secretary of the Treasury: What was the outgoing tonnage?

Mr. Latimer: The outgoing tonnage for the same year from Puget Sound was 2,857,818 tons as against San Francisco's 1,569,317 tons, so we exceeded them.

The Secretary of the Treasury: That included the whole of Puget Sound?

Mr. Latimer: Included the whole of Puget Sound.

Mr. Backus: It is one Customs district.

The Secretary of the Treasury: yes, I understand. As Secretary of the Treasury, I have had that fact impressed upon me a good many times, that it is one Customs district. Not by you, I mean, but in the course of business. Can you give the separate figures for Seattle?

Mr. Latimer: I have not those before me. Mr. Wilson gave you a part of those, as far as Tacoma was concerned, and I am simply giving you the totals for the district.

The Secretary of Agriculture: That is the shipping to all parts of the world, is it?

Mr. Latimer: That is taken from the Government's Customs figures.

The Secretary of the Treasury: If you would not be shocked by a little divorce proceeding, suppose you separate the figures for Seattle, and let us see how they apply to your city alone, as contrasted with San Francisco, instead of taking the whole of Puget Sound. We would like to see how large Seattle is relatively.

Mr. Latimer: I should like to call attention that all this time Portland was a reserve city and we were not, so their figures would be largely increased by that advantage.

I am speaking now of the statistics quoted as between Seattle and Portland.

The Secretary of Agriculture: What is the length of Puget Sound?

Mr. Latimer: About 100 miles, from extremes.

The Secretary of the Treasury: You have Everett, Seattle and what other towns?

Mr. Latimer: Bellingham, Everett, Seattle, Tacoma, Olympia, Sheldon and Port Townsend.

The Secretary of the Treasury: Now if you can give us the figures for Seattle alone, we should like to see them.

Mr. Latimer: We will furnish them.

The Secretary of the Treasury: Have you anything else, Mr. Latimer?

Mr. Latimer: Just one moment. When you reach Portland tomorrow, undoubtedly you will be shown a very elaborate map tending to convince you that Portland controls the entire trade of Northeastern Washington, and as far north as Alberta and as far south as the boundary line of southern Oregon, and so on --

The Secretary of the Treasury: You want to prepare us for the worst.

Mr. Latimer: I want to prepare you for the worst. By this map and the figures which they will furnish you they will attempt to convince you that all that trade is tributary to Portland, by reason of a down grade haul. However, we would like to call your attention, again speaking of the years which Portland had to develop and entrench herself in that trade before we had a chance at it, and the inroads we have made since we began, the tonnage out of Puget Sound in wheat and flour in 1900, which was about the beginning of our attempt to securing that business; Seattle handled 3,566,719 bushels of wheat and 1,037,583 barrels of flour. This reduced to wheat would mean 8,235,847 bushels. I will only give you 1912 now, which is the latest statistics which we have available. During that same period Portland handled 8,995,544 bushels of wheat and 792,416 barrels of flour, which reduced to wheat, would mean 12,521,416 bushels as against our 8,000,000. You will notice we had made inroads pretty fast. For 1912 those figures have changed, and I am only giving you the totals, and for Puget Sound Seattle had increased to 15,234,343 bushels as against Portland's 10,299,308 bushels.

The Secretary of Agriculture: You must have a good many

distribution houses here in the city.

Mr. Latimer: Yes, sir.

The Secretary of Agriculture: Would not there be some way for you to have prepared for us individual maps or composite maps showing the area and extent of distribution from this city?

The Secretary of the Treasury: And commodities.

The Secretary of Agriculture: Yes, showing to what extent this is a distributing centre for certain territory.

Mr. Latimer: I think that can be done.

The Secretary of Agriculture: For instance, in St. Louis, great hardware houses like the Simmons Hardware Company, the Shepley Hardware Company and some of the shoe houses prepared us maps, shaded off from the city, showing the percentage of business in different states, indicating the volume in that way; and then in Chicago they prepared a composite map showing the density of their trade over a given area. If this city could do that and give us also some hint of the territory from which it draws its trade, it would tell us more in a few seconds than any statement of statistics would, and show it very vividly and save a great deal of time.

Mr. Latimer: Mr. Hadley, can you tell me whether the Chamber has anything prepared of that kind at this time?

Mr. Hadley: We have charts showing the distribution of agriculture in certain ways, but not as to the distribution as a whole.

The Secretary of the Treasury: If you will take that up and have such a map sent to us, we would be glad to have it.

The Secretary of Agriculture: You will have anywhere from two to three weeks to do that in.

The Secretary of the Treasury: And send it to Washington.

The Secretary of Agriculture: That will save a great deal of detail statement here.

Mr. Latimer: I think I have covered the exhibits and statistics which I wished to present to you.

The Secretary of the Treasury: I should like to ask you one question before you leave the stand. You have been drawing some comparisons between Seattle and Portland. Now are we to understand that your argument would be directed against a bank at Portland, if you did not have one at Seattle?

Mr. Latimer: No, not necessarily. My prime object in speaking, the others having covered the district question

quite fully, was to show more conclusively the location at Seattle to be the logical one to best serve and most conveniently serve the Northwest.

The Secretary of the Treasury: The district could be substantially served as well, I presume, from Portland as from Seattle, as a practical question, could it not? That is a tough question to put to a Seattle man, but I would like your honest view.

Mr. Latimer: We do not think so, and it would not be as convenient to a very large proportion of the territory, on account of the Milwaukee and the Northern Pacific and the Great Northern and the Canadian Pacific bringing large volumes of business here that could be better served a day or two earlier than they could at Portland. Likewise the Alaskan interests which Mr. Behrends spoke about, which could be served very much better.

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

Mr. Latimer: Here are copies of the statistics I have given.

The Secretary of the Treasury: Let them be filed as exhibits to Mr. Latimer's testimony.

(The papers were filed as exhibits to Mr. Latimer's

testimony.)

The Secretary of the Treasury: Is Mr. Peabody present.

STATEMENT OF CHARLES E. PEABODY.

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

Mr. Peabody: Charles E. Peabody, Chairman of the Board of Directors of the Puget Sound Navigation Company, Seattle, Washington.

The Secretary of the Treasury: You know the problem that we are wrestling with, and you have heard the facts which have been given thus far. Can you give us any new or additional facts which would shed light on the problem.

Mr. Peabody: I do not think that is within my power. I think you have had all the statistics that you are entitled to.

The Secretary of the Treasury: Well, we have had all that we can digest, perhaps.

Mr. Peabody: I shall be very glad indeed, to answer any questions you see fit to put, but unfortunately I was not asked to appear before this Committee until half past five last night, and as I dined with you gentlemen at half past

six I have not had time to prepare any.

The Secretary of the Treasury: You mean by that that you had a strenuous evening?

Mr. Peabody: Not at all. I had a very enjoyable one.

The Secretary of the Treasury: Yours is a domestic steamship company?

Mr. Peabody: Coastwise and domestic.

The Secretary of the Treasury: Do you operate up to Alaska?

Mr. Peabody: I did up to two years ago.

The Secretary of the Treasury: How long does it take to go from Seattle to Juneau?

Mr. Peabody: Three days.

The Secretary of the Treasury: How frequent is the service?

Mr. Peabody: About 45 trips a month during the summer, and 27 during the winter.

The Secretary of the Treasury: Do you operate lines to San Francisco?

Mr. Peabody: No.

The Secretary of the Treasury: Or to Portland?

Mr. Peabody: No, sir.

The Secretary of the Treasury: Outside of the Alaskan lines, where do you operate?

Mr. Peabody: Locally on Puget Sound.

The Secretary of Agriculture: Do you not operate to Alaska now?

Mr. Peabody: No. Up to two years ago. I resigned two years ago, but the line is still operating.

The Secretary of Agriculture: What has been the increase of shipping from Alaska?

Mr. Peabody: Since when?

The Secretary of Agriculture: Since five or six years ago.

Mr. Peabody: The trade has not materially increased in five or six years. Take it for the last 20 years, when I started in there were two small boats which handled the entire business of that country, and today there are 27 vessels in operation between Puget Sound and Alaska ports, not including the British boats out of Vancouver.

The Secretary of Agriculture: But not much increase in the last five or six years?

Mr. Peabody: No, sir, about the same tonnage in the Alaska trade that there was five years ago.

The Secretary of Agriculture: They are waiting for the

doors to be unlocked.

Mr. Peabody: Well, they are waiting for something to happen. It is time.

The Secretary of the Treasury: It begins to look like it was going to happen.

Mr. Peabody: I think so.

The Secretary of the Treasury: That is all, thank you. Is Mr. Lord, of Olympia, here.

STATEMENT OF J. J. LORD.

The Secretary of the Treasury: Mr. Lord, you may state your residence and occupation, and your full name.

Mr. Lord: J. J. Lord, Olympia, president of Capital National Bank of Olympia.

The Secretary of the Treasury: I presume you want to say that Olympia would like to be attached to Seattle, if we have a regional bank here.

Mr. Lord: Yes, we would like to be attached to Seattle, because our commercial relations are with Seattle.

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

Mr. Lord: We have not a Clearing House, but I represent

the city in this particular hearing. I might say for the benefit of the Committee, in discussing the question of the location of the bank in the Northwest, if one is here, that Olympia's business relations with Seattle are seven times as large as with Portland or any other city outside of New York, or possibly Chicago. But our relations with San Francisco are very limited, and likewise with Portland.

The Secretary of the Treasury: What would be your second choice if Seattle were not chosen for the main office of the bank.

Mr. Lord: Where, in the Northwest district?

The Secretary of the Treasury: In a district on the Pacific Coast, or anywhere that you might be attached; for instance, would you prefer to be attached to San Francisco or St. Paul and Minneapolis?

Mr. Lord: We have not any need for St. Paul and Minneapolis.

The Secretary of Agriculture: They included you in their district.

Mr. Lord: I presume so, from what I have learned. But, Mr. Secretary, we in the Northwest are more concerned in obtaining a Northwest district than we are in the location of the bank among the two or three cities which are entitled

to it in the Northwest.

The Secretary of the Treasury: We are rather inclined to think that has been impressed upon us very forcibly thus far; but what we are getting at is, if you did not have a reserve Bank in Seattle, what city would be the second choice, the more normal place to put it, outside of Seattle?

Mr. Lord: Well, either Chicago or San Francisco.

The Secretary of the Treasury: Either Chicago or San Francisco. Which do you prefer?

Mr. Lord: I am assuming that is not a Northwest district. I take it if there is a Northwest district established, Seattle is the logical place for it.

The Secretary of the Treasury: yes, we understand that that is your view, but we are speaking of a second choice. I am beginning to be able to grasp that. (Laughter)

Mr. Lord: I have been impressed with your question and with the thought that Montana and Idaho may seek to be separated from this Northwest district, or in other words, they may want to be attached somewhere else. That appeals to me as the tail wagging the dog. It appeals to me that to divorce them from the Northwest district, because they may have a desire to go somewhere else, is accommodating a

very few people as compared with the greater number of people in the Northwest.

The Secretary of the Treasury: That is not the question. It is the mandatory provision of the law which compels us to regard the convenience and customary course of business in laying out the district.

Mr. Lord: Of a few people or all the people?

The Secretary of the Treasury: The law says we shall, in organizing the country into districts, have due regard to convenience and the customary course of business in these several districts.

Mr. Lord: Now, Mr. Secretary, the idea I want to impress, not flippantly but earnestly, is this, that in this Northwestern district we have here in this state, for instance, a population in 1910 of 1,141,000 people, as compared with Idaho 325,000 and Montana 300,000. Now the thought that is in my mind is, when you take Oregon and Washington and say that we shall not be given a Regional Bank in the Northwest because Montana and Idaho may have a trend of business that at the present time is running eastward, that they would prefer to go eastward, that you are crippling the big Northwest by saying to those people, Follow your natural trend

and go somewhere else.

The Secretary of Agriculture: Just how would that be crippling this section?

The Secretary of the Treasury: It does not follow that that would cripple it.

The Secretary of Agriculture: You have to have a bank to which you would be attached which would have an exact proportion of your capital and reserves.

Mr. Lord: Yes.

The Secretary of Agriculture: And every part of the district would be served.

Mr. Lord: I take it that the centres of population cut some figure in service, and that to serve this district, covering an area, including those two states, of 271,000 square miles, should be served from the centres of population. Now if you divorce those two states from us, you cut down our banking capital to an extent that it is difficult to raise the amount of capital that we require in this Northwest.

The Secretary of the Treasury: That is not the question.

Mr. Lord: I may be mistaken in the idea.

The Secretary of the Treasury: The whole problem is to divide the country so that every part of it will be served,

and at the same time that due regard shall be given to the convenience and customary courses of business in the districts to be created.

Mr. Lord: I understand that.

The Secretary of the Treasury: It may be that we can create a district out here that will give you all the facilities you require, and yet comply with the requirements of the Act. That is what we are here to find out. I do not know, you speak of divorcing Montana and Idaho from Oregon and Washington; they may not admit that they have been married to you yet; and we have to find out about that.

Mr. Lord: That may be true, but they admit that the drift of their trade is east and west, principally east, and when you attach them to some other district, if at all, it takes away from the natural district that would lie in the Northwest.

The Secretary of the Treasury: Geographically you mean?

Mr. Lord: Geographically, just that much capital. Now if you consider Alaska in connection with this territory on the Pacific Coast -- I take it there is to be a district on the Pacific Coast, that goes probably without saying.

The Secretary of the Treasury: Well, we are trying to

find out about that now.

Mr. Lord: If there is to be such a district on the Pacific Coast, and only one, if you include Alaska and Alaska's needs, if you take into consideration the growth of this Northwest as compared with the Southwest, then I am ready to say to you, gentlemen, in my humble opinion, while it may differ from the opinion commonly and ordinarily expressed on that subject, that the Northwest is the logical location for that bank. It will serve a greater number of people in a radius of the same territory, with the same number of square miles, than will the southwest, in my judgment.

The Secretary of Agriculture: That either San Francisco or Los Angeles?

Mr. Lord: I think so. I think that the logical location should be in the Northwest somewhere.

The Secretary of Agriculture: We thank you.

The Secretary of the Treasury: Mr. Dorr.

THE SECRETARY OF THE TREASURY: MR. DORR.

## STATEMENT OF CHARLES W. DORR.

The Secretary of the Treasury: You may state your full name, Mr. Dorr, and what you represent?

Mr. Dorr: Charles W. Dorr. I am asked to represent the fishing interests, Mr. Secretary. May I be permitted to make a short statement?

The Secretary of the Treasury: If you please, and if there are statistics, we should prefer to have them filed with the Secretary as exhibits. We have them in this record here already, as I understand it.

Mr. Dorr: I have some figures in the concrete which I will ask to have filed or hand to the Committee.

I wish to state generally that the fishing industry which is involved in the few remarks that I am to make is a unique, regional and tributary industry to Seattle and to the Puget Sound country, by reason of the fact that the entire salmon pack of the world is contiguous to this Northwest coast, barring only a very small element of the pack which occurs in Russia, on the other side of the Straits.

The volume of business, taking the year 1913 as the basis, which I may add is the largest year that has ever been

recorded, has produced a valuation of the finished product of some \$38,000,000.

The Secretary of the Treasury: 1913, did you say?

Mr. Dorr: 1913, yes; that is the calendar year just closed.

The Secretary of the Treasury: Is that principally of the salmon industry?

Mr. Dorr: That is entirely the salmon industry in the canned form, but does not include the other forms of cured fish, such as mild cured, salt and the like, which also runs into large money. I am dealing just now with the canned salmon only.

This valuation is divided between Alaska and Puget Sound almost equally. Between \$13,000,000 and \$14,000,000 of the finished product came from each district, and the remainder of Washington, which is small, makes the equal division almost perfect, and that division is, as I stated, between \$13,000,000 and \$14,000,000 in each district.

The value of the finished product on the Columbia River, and the balance of Oregon, counting the Columbia River all in the Oregon district, is a little over \$2,000,000, making a total of practically \$40,000,000 in the United States.

The Secretary of the Treasury: Where do you get the bulk of the salmon?

Mr. Dorr: From here north.

The Secretary of the Treasury: From Puget Sound?

Mr. Dorr: From Puget Sound north.

The Secretary of the Treasury: The Columbia River produces a relatively small part?

Mr. Dorr: Very small. The Columbia River and tributary territory produced last year about \$2,000,000 of finished product. That, by the way, is a higher priced product than the average, so the volume of the business is much smaller than the figures would indicate.

British Columbia produced last year a little less than \$9,000,000 of finished product.

The Secretary of the Treasury: What is the point you want to make particularly with these figures?

Mr. Dorr: The point I wish to make is the amount of money which is required to finance and carry on this business.

The Secretary of the Treasury: Where do you get that money, is it gotten here?

Mr. Dorr: We got \$13,500,000 of that money in Puget Sound; we got from the eastern banks \$3,000,000; we got from

the Portland banks \$1,250,000, and we got from the San Francisco banks \$6,250,000, making a grand total of \$24,250,000. These are estimates, of course. I am not able to give you exact figures, but they are as nearly approximate as can be obtained.

The Secretary of Agriculture: You get \$9,000,000 from outside this section?

Mr. Dorr: That is for the service of this entire industry along the Coast, excluding British Columbia, I mean the American part of it.

The Secretary of Agriculture: Why do you go outside of this section?

Mr. Dorr: Because the banks here have not been able to supply a sufficient amount of money for some of these larger corporations or companies.

The Secretary of the Treasury: You get about \$9,000,000 outside of this district. Just read those figures again. From San Francisco how much?

Mr. Dorr: I do not mean to say that we get this money from San Francisco. I mean to say that the companies that operate out of San Francisco draw upon their local banks for say \$6,250,000. The companies that I am referring to

that are financed here require or did receive last year substantially \$16,000,000 of temporary loans.

The Secretary of the Treasury: Exactly, I understand.

Mr. Dorr: Of that \$16,500,000, \$13,500,000 came from Puget Sound banks, largely from Seattle and mostly from Seattle, with some from the other banks nearby. Then there was an approximate amount of \$3,000,000 in addition for the local companies operating out of here, that had to be borrowed from eastern banks, because, to answer your question a little more clearly, the local banks here were not in a position to accommodate these fishing companies to the extent that they required.

The Secretary of Agriculture: It was stated here some time ago that the banks here did not have to re-discount. Is that because they simply do not undertake more than they can handle?

Mr. Dorr: I do not know as to that.

The Secretary of Agriculture: And cannot accommodate the business?

Mr. Dorr: I do not know as to that, and I am unable to answer it. But with this particular money that I am speaking about, I understand the loans were made direct from

eastern banks, without any connection with the local banks at all. The necessity for these accommodations comes from the nature of the business. In the first place, it is an annual business, like the wheat crop.

The Secretary of the Treasury: You have a seasonal demand.

Mr. Dorr: We have a seasonal demand and a seasonal crop.

The Secretary of the Treasury: What period of the year does that cover?

Mr. Dorr: The outfitting in the north, it is necessary that it begin early in the calendar year, and at that time extending, we will say, over a period of three months, perhaps one third the value of the output is required in loans that are extended during the season.

The Secretary of the Treasury: Well, what months of the year does this operation cover?

Mr. Dorr: Commencing in the spring.

The Secretary of the Treasury: What month?

Mr. Dorr: In February and March and April, the early outfitting. I am speaking now of the most remote portions of the country that are covered by these operations; and in the Puget Sound district the early advances are wanted

pretty nearly as soon as those I have mentioned.

The Secretary of the Treasury: What is the character of that paper? It is a special character of paper, is it not?

Mr. Dorr: The bank paper?

The Secretary of the Treasury: Yes, the bank paper that you make, how is it secured, in other words.

Mr. Dorr: The early advances are generally made without any security, Mr. Secretary.

The Secretary of the Treasury: On the credit of the companies?

Mr. Dorr: On the credit of the companies.

The Secretary of the Treasury: Upon such collateral or --

Mr. Dorr: On such collateral as they may be able to supply to satisfy the banks.

The Secretary of the Treasury: Have you any character of paper secured by warehouse receipts for goods in storage, I mean after they are canned?

Mr. Dorr: Yes, I am coming to that next. After the pack is up or partly upon, loans are made on salmon in warehouse and in transit.

The Secretary of the Treasury: That is, drafts against bills of lading, you mean?

Mr. Dorr: Yes, that is part of it, during the shipping period. The proportion of this amount that was used last year might be divided between the outfitting period which I have estimated required five million dollars, that is from this part, and the following disbursements which were largely loaned upon the finished product, either stored in warehouse or in transit, of eight million or eight and a half million dollars. I think that is about a fair proportion of each year's necessities.

The Secretary of the Treasury: Is the business growing every year?

Mr. Dorr: Yes, sir. That is the largest year that has ever been known.

The Secretary of the Treasury: Is there a ready sale for the product?

Mr. Dorr: There seems to be a very ready sale for canned salmon, particularly since the price of meats has been so high, canned salmon has taken the place of meat as a cheaper article of food.

The Secretary of the Treasury: You do not have to carry the stuff long in the warehouses?

Mr. Dorr: Well, they are not requiring very big stocks

to be carried over now, I am glad to say, but there have been periods in the past where they have had to carry it over into the succeeding year, and perhaps a second year; but in the year 1913 --

The Secretary of the Treasury: Is it generally an easily liquidated crop?

Mr. Dorr: Yes, sir.

The Secretary of the Treasury: It is?

Mr. Dorr: Yes, sir; and it is a non-perishable crop.

The Secretary of the Treasury: And the paper is regarded by the banks with favor?

Mr. Dorr: Oh, yes, it is a very favorable ~~XXXX~~ security, that is, after it is in the finished product, in the can. Of course, on salt salmon --

The Secretary of the Treasury: Before you catch him it is not so very stable.

Mr. Dorr: Before you catch him it is not so very stable, and the smoked or salt salmon is not so stable.

I wish also to state right at this point that while British Columbia has hitherto been cut off from us, and we have been cut off from them, with regard to this fishing business, by the prior existing tariff laws, since the duty

has been removed from fish, we may perhaps expect some business to be interchanged from that side that has not been the case before.

Now I want to call your attention for just a moment, if I may, to a little more of this statistical matter, just the important points. The number of companies that are engaged in this business I find to be 83. The number of plants occupied and used in 1913 were 103. Those are entirely tributary to Seattle. The Portland proportion is 24 companies to 31 plants; San Francisco's proportion is 9 companies to 24 plants. The total is 116 companies operating 158 plants. Now 63 per cent of those outfit here and are financed here, or would be financed here if the facilities of the local banks would permit, but this is their headquarters, I am speaking now of the Puget Sound generally and not Seattle exclusively; while 8 per cent buy probably in Portland and 29 per cent probably in San Francisco.

Aside from the canned salmon business we have a fleet of 87 power schooners and 5 steamers engaged in the halibut business, running out of this port.

Before mentioning that, however, I would like to call attention to the fact that there are some forty odd million

dollars invested in permanent improvements in the canned salmon business, it being an in-shore business, and the canneries have to be constructed on land, and with those and the equipment, including the fleet of vessels, it makes something over \$40,000,000 which is actually invested.

The investment in the halibut business is something like \$2,500,000. The number of men employed in the halibut business is 1234, a comparatively small number, while the number employed in the salmon business is some 27,000 or 28,000.

The Secretary of the Treasury: Now as to those divisions, I suggest that you simply file them with the record, because the financial aspects of it are the more important ones from our viewpoint, and you have covered that very well. You see, our time is getting short, and I should like you to file that as an exhibit to your testimony. We thank you.

#### FURTHER STATEMENT OF M. F. BACKUS.

Mr. Backus: May I say one word in explanation of Mr. Dorr's statement, which may give rise to a misapprehension? He referred to the fact that about \$3,000,000 of this money came from the east. That is explained by two statements.

One of the large companies operating here is owned in Chicago, which furnishes most of their own capital. Furthermore, the balance of the money could easily be furnished here if it were not for the restrictions of the National Banking Act compelling us to keep our loans within ten per cent of our capital and surplus. There would be no trouble here in financing all the fish business.

The Secretary of the Treasury: Even with the six million that San Francisco furnishes?

Mr. Backus: The six million that San Francisco furnishes is to the Alaska Packers' Association, which is owned in and operated from San Francisco and has nothing to do with our local companies up here.

STATEMENT OF EX-GOV. MILES C. MOORE.

The Secretary of the Treasury: Governor Moore, will you please state your full name, residence and occupation?

Mr. Moore: Miles C. Moore, President of the Baker-Boyer National Bank at Walla Walla, Washington.

The Secretary of the Treasury: You were former Governor of the Territory of Washington?

Mr. Moore: Yes.

The Secretary of the Treasury: You know our problem. If you can shed any light on it, we would be glad to hear from you.

Mr. Moore: I assume that you are trying to solve this problem with reference to what would contribute to the greatest good to the greatest number of American citizens, and that you are not influenced by any representations that take into consideration the selfish interests of any community. I came over here hoping to assist in some small way in the solution of the problems before you. I come from the grain growing section in Southeastern Washington, grain and fruit. Some of our grain is marketed in Portland and some is marketed in Seattle and Tacoma. Our business relations with Portland have been long continued and very close. From the earliest times we have been bound together by strong social and commercial ties.

Now you asked Mr. Backus what he thought the logical boundaries of this district should be. I would say it should be the old Oregon country, which comprised Oregon, Washington, Idaho and the western part of Montana. That logically would belong to this district.

In a general way, I think the people of any given state

or district ought to be allowed to express their preferences and decide to which district they would prefer to be attached.

The Secretary of Agriculture: How far east would that extend into Montana?

Mr. Moore: To the summit of the Rocky Mountains, just east of Missoula.

The Secretary of Agriculture: Not beyond Helena?

Mr. Moore: No. There are three states which are bound together by common interests, and, we think, by common destiny. You know how many people occupy it, and the ratio of increase in this state, which was 120 per cent in the ten years between 1900 and 1910. We think that in an equitable division of territory that the Pacific Northwest should be created into a Regional Bank district.

The Secretary of the Treasury: What have you to say, Governor, as to the small amount of available capital which, under the Act, that bank would have if we divided it as you have just suggested.

Mr. Moore: Well, I realize there are some difficulties to be encountered there, but I think perhaps by reason of our geographical isolation from other business centres, that we should have it here, and if there could be private

subscriptions to help that out, that might obviate it.

The Secretary of the Treasury: Now as a banker, do you not think it would be better to organize a district here, making it as homogenous as possible, that would give you the requisite banking strength and power to take care of this growing country, instead of organizing a weak bank that would have to be looked after constantly in the parental sort of way by the Federal Reserve Board, perhaps calling into operation at various times the emergency powers conferred upon that Board.

Mr. Moore: Well, I recognize the necessity of having a strong bank, although I think it is true and these bankers will generally agree with me, that the banks of this district I have been describing are not borrowing banks. Our deposits take care of the necessities of our people very largely. Our borrowings are chiefly on buildings and farm loans that come from the east, a considerable portion of it. But our banks do not borrow as a rule. The bank I am connected with, which is the oldest in the state, has never borrowed any money.

The Secretary of the Treasury: Have there not been times when you might have borrowed for the purpose of helping your

customers.

Mr. Moore: Possibly, but under the imperfect mechanism of the old system we did not feel like taking any chances.

The Secretary of the Treasury: Yes, precisely. You did not care to be put in the position of having to re-discount.

Mr. Moore: No, we never did.

The Secretary of the Treasury: A certain amount ofodium attaches to that.

Mr. Moore: I listened with a certain amount of interest to what you said about that last night and hope it has changed. I think bankers are overrating possibly the importance of having a Regional Bank in any city. I do not know to what extent a Regional Bank will compete for business, but there are certain lines of business they must take up, like the grain business and things of that sort, so I believe the advantages which will flow will be to the smaller banks which lack capital, and they can re-discount and loan again and have sort of a revolving fund. The larger and stronger banks will not derive much advantage from it.

My personal feeling is one of security from the fact that we have a better system than we have been operating

under in the years gone by, and if we had to borrow some money, we might even have to go to Chicago or New York to borrow it. So I do not regard it as of very great importance that we should have a Regional Bank, but as long as we have the <sup>banking</sup> capital here to take care of the business, we should have one. And I think that has been shown to you by the testimony, that they are able to take care of it.

I listened with some interest to the explanation about the borrowings of the fishing and canning people, because that was new to me. I supposed it had been financed here. But the explanation is they are owned in the east, and probably get lower rates there than here. We get along very well without borrowing money, except for buildings and constructing railroads. But for current purposes our funds are ample to take care of the needs of the situation. That is my view of the situation.

I would like to say, however, that if there is to be a Regional Bank, it ought to be where the largest volume of business is, at some great trade centre, like Seattle. As far as our community is concerned, we could be acceptably served by Spokane or Portland or Seattle.

The Secretary of the Treasury: How about San Francisco?

Mr. Moore: Our trade relations with San Francisco are not very intimate in recent years. In the early days it was all there. We are practically as near Chicago as we are San Francisco.

The Secretary of Agriculture: How intimate are they with St. Paul and Minneapolis?

Mr. Moore: We have not much trade with those cities.

The Secretary of the Treasury: What would be your second choice, assuming you did not have a bank in one of the three cities you have mentioned, up here in the extreme Northwest, and had to have one somewhere else, what would be your second choice?

Mr. Moore: I would say San Francisco, although I have not any very good reason for saying so. (Laughter)

The Secretary of Agriculture: This section has just begun to grow, has it not?

Mr. Moore: Out here?

The Secretary of Agriculture: Yes.

Mr. Moore: Well, yes. I have watched it for 50 years, and it grew very slowly until the railroads came, but it has grown very rapidly in recent years. I want to concur in what Governor Lister says. I agree with him that Washington

is the greatest state in the union, after watching it for 50 years, and I am only sorry you could not spend much more time in going over this great state, which is washed by the great Pacific Ocean, on the shores of which live half the human race. Secretary Houston spoke about being too close to the ocean. We think that is one of our greatest assets, and the ships go in constant procession out of the Straits of Fuca to all the races of the world, and entering into trade relations with them.

The Secretary of Agriculture: I do not think I said you were too close to it. I was just speaking of its being the centre of the surrounding country.

Mr. Moore: Yes, that is right, the horizon comes down at an equal distance. Our wheat shipments from what we call the Inland Empire in eastern Oregon, Washington and Idaho, amount to something like 60,000,000 to 70,000,000 bushels, and it comes here.

I would like to say something in reference to Montana. It recently began shipping grain this way. And the market for a good deal of our flour is in the Orient now, so I think you might reasonably expect that a great deal of that grain will come here.

The Secretary of Agriculture: You say you ship your farm products to the west?

Mr. Moore: Yes, sir.

The Secretary of Agriculture: Almost wholly?

Mr. Moore: Yes, sir.

The Secretary of Agriculture: Do you have much cattle in your section?

Mr. Moore: Not very many in our immediate section. In northern Washington there are some range cattle.

The Secretary of Agriculture: Where do the cattle go from that district?

Mr. Moore: They are marketed chiefly here and in Portland.

The Secretary of Agriculture: Do you use the river much for marketing your products?

Mr. Moore: No, not yet. The river will be open next year, but it is a rapid shallow stream and it will operate more as a regulator than as a carrier.

The Secretary of the Treasury: We thank you, Governor.

Is Mr. Bloedel present.

## STATEMENT OF J. H. BLOEDEL.

The Secretary of the Treasury: Give your full name and occupation, please.

Mr. Bloedel: J. H. Bloedel, lumberman.

The Secretary of the Treasury: What is your firm?

Mr. Bloedel: The Bloedel-Donovan Lumber Mills.

The Secretary of the Treasury: Located where?

Mr. Bloedel: Bellingham. I would like to add just a few statistics in round numbers, not any designated figures.

The Secretary of the Treasury: We will take them in round numbers.

Mr. Bloedel: I will give them in round numbers so that they will be understandable without digesting all the figures, and I will do that in order to lay a foundation as to the magnitude of the industry, and thereby show the necessity for a proper financing of that industry.

district  
The described by Mr. Backus contains one-half of the remaining timber of the United States; the State of Washington contains 400,000,000,000 of feet of timber; the State of Oregon about 600,000,000,000 of timber. The State of Washington produces in round numbers 4,000,000,000

annually, amounting in value to approximately \$90,000,000, when coupled with the products which come from lumber, such as shingles and sundry wood products. The annual amount distributed in wages for the lumber camps is \$30,000,000, and the number of men employed, in the last year, when the industry was not as prosperous as at other times, was about 47,000. These figures --

The Secretary of Agriculture: In the State of Washington?

Mr. Bloedel: In the State of Washington. These figures are taken from the Industrial Insurance Commission's estimate. The State of Washington produces over one-half, to be accurate four-sevenths of the lumber produced in this regional district which I have just mentioned. The City of Seattle is the central --

The Secretary of the Treasury: Let me ask you there, at the present rate how long will it take to exhaust the supply?

Mr. Bloedel: The timber which lies in this regional district I have just described will last the United States, at its present rate of consumption, providing that all lumber of all other districts be eliminated, you understand, only drawing on this district, a matter of 70 years. If,

however, it be calculated on the basis of its present production, it could not be exhausted for over 200 years. The timber in the State of Washington may last, at its present rate of production, over 100 years, and in Oregon over 300. The industry has not reached its zenith, it is only in its primary stage, in the beginning. The tract of country which is covered by timber ranges from just east of the Cascades to the Pacific Ocean, and from Alaska south into northern California.

The Secretary of the Treasury: Tell us something about the method of financing this lumber crop.

Mr. Bloedel: As I have said, the amount involved annually is about \$90,000,000.

The Secretary of Agriculture: That is in this state?

Mr. Bloedel: That is in this state.

The Secretary of Agriculture: What would it be for the four states?

Mr. Bloedel: For the four states it would amount to about \$150,000,000.

The Secretary of Agriculture: That is the annual operation?

Mr. Bloedel: That is the annual operation, the value of

the manufactured product.

The Secretary of the Treasury: Is that the annual turn-over?

Mr. Bloedel: That would be the annual turn-over, yes, sir. Now the way of financing is brought about through three separate stages, so to say. The first is the building of the plant and the owning of the timber lands. Every plant must have some nucleus of timber lands in order to justify the expenditure for the plant. The next is the logging operation or the producing of the rough timber in the shape of the raw log to be sawed. The first operation requires often a large amount of capital to buy a large tract of timber. It is financed sometimes by what is called the floating of timber bonds. Not much of that is done in this country as yet, but that is done locally by our own banks and the credit of our own individuals. The next stage is financed entirely by our local banks, that is the producing of logs. The timber is cut in the woods and put into the waterways for towing to the mills to be manufactured. That necessitates an expenditure in the neighborhood of \$6.00 to \$8.00 per 1000 feet board measure on the logs, for the labor and material entering into the

production.

The Secretary of the Treasury: How do you finance that stage, where the company has not sufficient funds itself and has to borrow?

Mr. Bloedel: That is usually financed on the open credit of the manufacturer or producer, either on his own credit or on collateral such as the logs or such other personal collateral as he may have.

The Secretary of the Treasury: That is exactly the point I want light about. Where the logs themselves are used as security for the loan, how is that accomplished?

Mr. Bloedel: It is usually accomplished in the ordinary form, the way personal property is handled, in the way of --

The Secretary of the Treasury: Of a chattel mortgage.

Mr. Bloedel: Of a chattel mortgage or assignment of a bill of sale or the credit of the individual backed by the knowledge that he has the logs on hand.

The Secretary of the Treasury: I was going to ask, how do you identify the logs?

Mr. Bloedel: The brand is marked on the end of the log, a brand such as M, B, or any brand which is recorded.

The Secretary of the Treasury: Some sort of a water

storage; I presume.

Mr. Bloedel: Yes, and that identifies the logs as the property of the man branding the logs.

The Secretary of the Treasury: Is that generally regarded as a good class of commercial paper?

Mr. Bloedel: Yes, sir.

The Secretary of the Treasury: Is it difficult to sell?

Mr. Bloedel: No. It is very largely based, however, on the credit of the individual, and not so much on the actual security back of it.

The Secretary of the Treasury: That is the main thing?

Mr. Bloedel: That is the main thing.

The Secretary of the Treasury: At that stage?

Mr. Bloedel: At that stage.

The Secretary of Agriculture: It is the responsibility of the individual?

Mr. Bloedel: It is the responsibility of the individual. At the next stage, however, it is based rather differently, that is the manufacturing stage or production of the actual lumber from the log. That requires greater financing than the previous stages, except the financing of the timber.

The Secretary of Agriculture: What would be the

respective amounts of those respective stages?

Mr. Bloedel: The ownership of the timber represents \$2.00 to \$2.50 per thousand feet.

The Secretary of the Treasury: What percentage would that be, 25 per cent?

Mr. Bloedel: That would be about five per cent of the actual selling value. No, it will represent 20 per cent.

The Secretary of the Treasury: I am not a lumber man, but I thought you were getting it pretty cheap.

Mr. Bloedel: Yes, it represents 20 per cent, approximately. The next is the production of the log, which represents from \$6.00 to \$8.00 per thousand, according to the state of the market. The next stage is the manufacture of the lumber, which represents in cost to the manufacturer about \$5.00 per thousand, depending upon the locality, the cost ranging between \$12.00 and \$15.00, according to the locality and kind of lumber he produces.

Now then, the manufacturing stage requires first, to produce the payrolls semi-monthly, next to sell the lumber and wait for the return of the money. The intermediate stage is carried on by larger concerns, such as seasoning the lumber and manufacturing and piling it in the mill yards

for the purpose of seasoning, which betters the quality and also reduces the shipping weight. Our largest market here is found in the agricultural states, the states west of the Mississippi River.

The Secretary of the Treasury: Which, for instance?

Mr. Bloedel: North and South Dakota are our best customers; San Francisco is next; Montana is getting to be a large customer; Iowa, Minnesota and Kansas are in rank as I have mentioned them; and some of our products are finding a market east. We hope, on the completion of the Panama Canal, that Aladdin's Lamp which you mentioned, that it is going to open on the Atlantic seaboard a very much greater market than we have had heretofore. The City of New York consumes within itself and its environments about two billion feet annually, and we hope that within a few years, within five years at the outside, we can find an additional market for at least 500,000,000 feet of lumber. That has to be financed, because it has to be in transit a matter of 25 days, and the ordinary custom of the trade is to give them about 60 days time for the payment of their account.

Now I want to go back to the manufacturing end and illustrate how it is necessary to finance it. The manufacturer,

after he has manufactured the lumber and met his payrolls, is confronted with the fact that he has to grant an average of 60 days time in the selling of his lumber. The larger ones, of course, arrange for that financing, but the smaller one are obliged to take their bills or invoices, with the bill of lading of a car of lumber or shingles attached, and make a draft dated 60 days ahead upon the customer, and discount it at the local bank. The manufacturing plants are located all the way from the northern boundary of Washington to the boundary of California, and there is no particular section favored. The local bank does the larger part of that, depending on this, however, that the City of Seattle supplies first the machinery and the men, and that their product naturally comes into the City of Seattle for the purpose of being sold, not to be used here but to be shipped.

The Secretary of the Treasury: Do you mean you draw at 60 days sight, bill of lading attached?

Mr. Bloedel: That is the custom of the smaller plants. The larger ones carry open accounts.

The Secretary of the Treasury: You draw on the customer at 60 days, bill of lading attached?

Mr. Bloedel: Yes, sir.

The Secretary of the Treasury: And that is discounted by a local bank?

Mr. Bloedel: That is discounted by a local bank.

The Secretary of the Treasury: And the customer has to make his arrangement at the other end to get that bill of lading.

Mr. Bloedel: He accepts the draft and gets the bill of lading, examines the car and unloads it and in 60 days pays the draft. If he should care to take advantage of cash discounts, two per cent is offered for cash within a few days, after he has examined the car, and that settles the transaction.

The Secretary of the Treasury: What kind of paper do you create where you do not draw against the consignee.

Mr. Bloedel: The ordinary commercial paper, what we call prime commercial paper. That is arranged for by the larger and more substantial manufacturers.

The Secretary of the Treasury: What is that, a note at hand or a 60 day note?

Mr. Bloedel: It is more a note at hand ordinarily, but it must be considered that the business is a seasonal

business, it does not continue in the same volume the year around. The lumber markets we have are in the northern states, where the winter season shuts it off.

The Secretary of the Treasury: Where you sell to a customer on 60 days time and you do not draw on him with a bill of lading attached, how do you finance that operation when you have not got the money and have to borrow?

Mr. Bloedel: We borrow money on our note of hand from our local bank until that account is paid.

The Secretary of the Treasury: Do you pledge the account?

Mr. Bloedel: In some instances, not all of it.

The Secretary of the Treasury: So that the characteristics of the operation are preserved absolutely, I mean it is apparent that it is a commercial transaction based upon actual values.

Mr. Bloedel: yes, sir. Sometimes the assignment of the account is made direct to the bank and sometimes it is not. When the personal credit of the borrower enters into it, it is not so.

The Secretary of the Treasury: Where it is sufficient, but how is it done otherwise.

Mr. Bloedel: The assignment of the account or bill of

lading is made.

The Secretary of the Treasury: Is that popular paper, do the banks take that regularly?

Mr. Bloedel: Yes, sir, they do. The only difficulty we have had in that matter is that when financial depressions come about our banks are not able to take care of the volume of paper which is offered, and our business suffers accordingly.

The Secretary of the Treasury: How do you finance the bulk of the business which you have just described, the \$90,000,000 of business which is done here in a year in the lumber industry.

Mr. Bloedel: The business is financed in the local banks located nearest the place of production, all the way from the Canadian boundary line to northern California, with this thought in mind, that the big cities are the natural centres from which the largest proportion is drawn. Seattle draws all the section west of the Cascades and north of the Columbia River.

The Secretary of the Treasury: Does she take care of it?

Mr. Bloedel: She is able to take care of it in normal

times, but in times of depression she has not been able to take care of it. For instance, this year there has been rather a depression in the lumber business, and the result has been the closing of many mills in November and December, which are now about to open again. The three or four months in the winter season they have no market and have to pile out the lumber, but the banks discouraged any new loans or any advances last fall, so the result was a shut-down and the throwing out of employment of a lot of men. If we had had ample opportunities for re-discount, that could have been avoided.

The Secretary of Agriculture: You spoke of a seasonal demand. What is the largest seasonal demand?

Mr. Bloedel: In the spring months.

The Secretary of the Treasury: Which months?

Mr. Bloedel: April and May are the largest shipping months.

The Secretary of Agriculture: For how many years, say the last four or five years, have the local banks been able to take care of the business entirely, or have you had to go outside every year.

Mr. Bloedel: Our credit has not been well enough estab-

lished to go outside to any great extent, and we have not gone outside to any great extent. I want to impress that fact. The industry is one of smaller manufacturers whose credit does not go beyond their local environment to any extent.

The Secretary of the Treasury: We will take an adjournment until 2:30, and you may resume at 2:30.

Whereupon, at 12:45 o'clock P. M. a recess was taken until 2:30 o'clock P. M.

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AFTER RECESS. 2:30 P.M.

FURTHER STATEMENT OF J. H. BLOEDEL.

The Secretary of the Treasury: You may proceed, Mr. Bloedel.

Mr. Bloedel: I want to add that the timber business has many ramifications. The largest item of our lumber business is our domestic consumption. Our car shipments from here to points east of the Rocky Mountains amount to approximately 135,000 carloads per year. Of that I should say about 34,000 carloads are shingles and the balance is lumber. And in reference to the credits on the car shipping business, it is necessarily largely a business of credits. The domestic business is very largely a credit business. We are shipping into the agricultural districts and selling to the retail lumber man in those districts, and he sells largely to the farmer. The city is not so large a consumer of lumber as the country, and he has to trust them more or less until the crops move. That necessitates his asking for extensions, from time to time, from the people he buys from on the coast, and it makes it often necessary for us to carry our retailers over a season, and in times of bad

crops and crop failures in certain sections we have to carry them over for a year. I refer now to the strong lumber man who can carry these open accounts.

The other branch of the lumber business is the coast-wise and foreign lumber business. California is a large consumer, and this is not a seasonal business for the reason that California consumes lumber more or less the year round. The foreign business is also a considerable factor, and that is not a seasonal business. That moves more or less the year round, in the winter time as well as in the summer time; but our agricultural business is necessarily a seasonal business, as the farmer cannot build in midwinter, but builds from about March 1st to November 1st.

The other branch of the lumber industry which is next in importance to lumber itself is shingles. The average annual value of the shingle product is about \$15,000,000. The shingle business is very largely conducted by small operators, men employing from 40 to 50 men. They are located in some 500 different localities. There are some 520 plants, I believe, that are called independent shingle mills, between the boundary line and Portland. They produce annually an average of perhaps 100 carloads. I say

an average; they do not run the year round, but can produce an average of 100 carloads of shingles a year. Their business is small, and they look to the local bankers to finance them, because the local banker is acquainted with their local conditions. There has arisen, on account of the smallness of their operations and the lack of immediate realization on their product, the necessity for what is called the middleman or jobber or broker who, while himself not a producer, finds a market and finances those little men. Those men are largely located here in Seattle and Tacoma, and do their business on bills of lading and assigned accounts with their local banks. These are the men who, in turn, act as a banker, so to say, for the little mill man when he cannot get the facilities which he needs immediately around him.

The Secretary of Agriculture: To what extent is this district here capable of handling that business?

The Secretary of the Treasury: Financing it?

Mr. Bloedel: I think it is amply able to finance this business when it has a more liquid credit than it has had, when we are not up against the conditions we were last fall, when our banker friends told us that money was tight, and

we were obliged to curtail our operations because credit was not easy.

The Secretary of Agriculture : Is much of this business financed outside of this section?

Mr. Bloedel: Some of it is. My own firm does some financing in the east, on what is called commercial paper. There are not many who do that; it is only the strong ones who are able to do that. Most of it is done here and I venture the assertion that on Puget Sound the largest proportion of the paper held by banks, whether notes of hand, secured or unsecured or drafts with bills of lading attached, is on lumber paper, or paper connected with the lumber industry.

The Secretary of the Treasury: To what extent did you find restriction of credits last fall?

Mr. Bloedel: To a very great extent. I think it prevented the operation of many plants which would otherwise have operated and employed labor and piled up their lumber, if they had been able to get a reasonable credit on that lumber. Not that the security was not good, because lumber is good security for its cost, or a proportion of its cost, at any rate. But it was considered that money

was tight and rates were high and the conditions were such generally that we were discouraged from going into that venture purely for the sake of piling it up.

The Secretary of the Treasury: To what extent did that cut down normal business? Any?

Mr. Bloedel: I think it cut down normal business about 20 per cent. Now I want to touch on the question of paper. There has arisen in the course of the trade what we call logging paper. About one-third to one-half of the mills operating in the state produce their lumber on tidewater, and buy their logs from the logger or the second stage of operations that I explained before. In the case of the tidewater mills, the logger is usually an independent operator. In the case of the interior mills located away from the tidewater, the logger and the mill man are the same thing, as a rule, but at tidewater the mills buy logs very largely in the open market. They give usually what is called a 60 day acceptance, and this paper, being two-name paper, is readily used by our banks and floated. There is a considerable volume of that business at times, and at other times there is not.

Now the foreign business amounts to approximately

\$7,000,000 per year, that is the foreign business in exports; and that is largely done on letters of credit issued on London. Our own packers are able to finance that readily through their local banks or their eastern correspondents or their San Francisco correspondents.

Now then I wanted to touch on just one point, on the development of our local business in the future. I stated before that we were only in our infancy so far as the development of this industry is concerned. We have the natural raw material and it is a great resource. We have been, however, hampered with the market, and that Aladdin's lamp you referred to this morning, the Panama Canal, is going to give us a market on the Atlantic seaboard from points north of Norfolk to Boston and in England and on the Continent. It shortens that distance approximately 6000 miles, and enables us to deliver lumber for less money than lumber is now sold for in New York City. We feel certain that in time we can develop that trade to large proportions.

There is this further point, that on the west coast the large volume of bulky movement of freight is from the Puget Sound district and not from California. Lumber is

the great product of this section, and it is a bulky commodity and moves in shiploads. The ships which will use the Panama Canal from the Atlantic seaboard to the Pacific will find very few cargo loads from California points, because their production is not a bulky production; it is fruits, agricultural products, wines and so on, but it is not in quantities to load a ship. We on Puget Sound have the resources to load vessels in full cargoes and the movement in this direction will be large.

The Secretary of the Treasury: We thank you, Mr. Bloedel. Now we will hear from Mr. Hartman.

STATEMENT OF JOHN P. HARTMAN.

The Secretary of the Treasury: Mr. Hartman, you may give your full name, residence and occupation?

Mr. Hartman: John P. Hartman, Seattle. By profession I am an attorney.

I have for some years given more than half my time largely to agriculture, farming here in this state, and working with the farmer in trying to solve some of the marketing problems. And on their behalf, and in that capacity, and as it applies to banking operations, I come

before you this afternoon.

The larger crops of this Northwest district, take the territory which was suggested by Mr. Backus, our grain, fruits, hay, dairy products and similar kinds which you find where those grow. The grain has been touched on pretty well by Governor Moore, and I do not think I need to say much about that. I know that when I first went to Montana 35 years ago they were growing some grain there and using it mostly in the Territory. They traded then eastward, but as the years have gone, and as I have watched that development, their trade is trending more and more westward, and will, as things develop, come more and more to the west, because their wheat is coming here, much of it, and a great deal of their live stock; not all of it, probably not the proportion, but they are sending more and more to these markets, because the demand for cattle, sheep and hogs in this district exceeds the supply, that is both in Washington and Oregon, and we even have to draw some of it from as far east as Nebraska. Particularly is that true of hogs. But as the alfalfa territory increases, the amount of hogs and cattle is increasing all the time, both in this state, Montana, Idaho and in Oregon.

One of the principal crops and one of the valuable crops we have here is apples, and that is needing the assistance of larger banking operations. The product in

this state is an average of about 12,000,000 boxes, understanding that a box here is two-thirds of a bushel, or about five boxes to the barrel, if you take the barrel unit. The crop of Oregon has gone as much as 6,000,000.

The Secretary of the Treasury: What is its money value?

Mr. Hartman: This year the farmer obtained from \$1.20 to \$1.25 for the early apples, to as high as \$1.65. My own average was not far from \$1.55 per box at the railway station, that is, it was worth that.

The Secretary of the Treasury: What does that make the aggregate value? I did not catch the aggregate number of boxes.

Mr. Hartman: In this state, say, 10,000,000 boxes, to be safe and 5,000,000 in Oregon, and I should say 4,000,000 in Idaho; and in the rest of the western country, and apples are some 1,500,000 to 2,000,000 in Colorado. That comprises very largely the apple district of these high grade western apples.

The Secretary of Agriculture: Where do they go?

Mr. Hartman: The best of the crop goes to England and Germany; what we call our Extra Fancies and many of the Fancies. The Firsts, that is the third grade, largely to

New York. The Fourths, or the seconds, as they are called, at Chicago and west thereof through the Mississippi Valley. The proportion of the Extra Fancies is probably 50 or 60 per cent, so that the Fancies and Extra Fancies are nearly 75 per cent of the growth of those that we ship. We have a large loss in the apples that will not, in value, quite bear the transportation charge to these high class markets, and that is one thing I think has a bearing on this subject.

A careful estimate of the crop two years ago, in 1912, which was a large one, showed that we probably had 7,000,000 boxes in this state alone of those that had a little speck, where they had been stung by an insect or might have rubbed against a limb or where they might have left the apples grow too close together and they rubbed against each other; they are good apples, perfectly wholesome and as good apples as the others, but they do not look as well and will not work into the grades. If those apples could be worked up into some product or dried, it would save a great deal of good food stuff for the people of the country, but they are not able to stand the transportation charge, and we are not organized, and we need that encouragement, so that we can utilize this part of our

product. Our competition in apples, about the only place is Tasmania, and they are produced at the opposite season to what they are here.

The Secretary of the Treasury: Addressing ourselves more particularly to this problem, which is one of finance, to what extent is your argument going to demonstrate the desirability of this district as a Federal Reserve district and the location of the bank at Seattle itself.

Mr. Hartman: The most valuable part of this crop, the best part of it, is with foreign countries. With the coming of the Canal we expect then to send our apples by refrigerator boats through the Canal direct to the old country. And we need ample banking arrangements here, not in San Francisco or Chicago or anywhere else, but our arrangements here, that we may send the crops direct and save what otherwise would be a shave that would be taken off of the crop if sent through New York or San Francisco, for instance, because the local dealer, if he handled it and financed it there, would expect to get some commission for attending to the business. It is a saving to the producer of the country, and it is an advantage to the financial operations in going direct from this coast through the Canal

to the places of consumption, for these refrigerator boats would bring up here the tropical fruits of the south, such as bananas, and could get a load of apples back.

The Secretary of the Treasury: Well, those facilities might, of course, be supplied through a branch of a bank established in the district, for instance, as I have explained before. Now the point that we desire to be informed on is this: What superior reason is there for locating a bank, assuming that we can locate a district, what prevailing reason is there for putting the headquarters of that bank in Seattle as against Portland, for instance, or San Francisco, if that were in the district.

Mr. Hartman: That involves, Mr. Secretary, some comparison, a thing that I always hesitate and dislike to do, because comparisons always are odious and ought not to be indulged in except when absolutely necessary.

The Secretary of the Treasury: Well, they are necessary in this case.

Mr. Hartman: The larger part of this apple crop, and there are other fruits, pears, cherries, berries, and so on, the larger proportion of it, because of the larger district that can be farmed in this character of product, is tribu-

tary to this city or to the Puget Sound, and here are already considerable storage warehouses for refrigeration, and more are being built, particularly by this county, and it is where the apples will be stored and shipped when they ought to be sold and put on the market, and for that reason there is a necessity of having the funds and the bank with which you can deal directly and quickly, close at hand, rather than have to take it up with somebody at some other point.

The Secretary of Agriculture: Just a moment. You realize that your initial dealings will be with the same banks that you are now dealing with.

Mr. Hartman: Yes, theoretically, Mr. Secretary. I have been dealing, though, in Canada, for I have done some business there for a good many years, with the home bank at times, and with the branch bank at other times, and I have seen the difficulties --

The Secretary of Agriculture: I do not think you quite understand. These Federal reserve Banks are not going to deal with you, they are not going to compete with existing banks .

Mr. Hartman: No, but in the end it amounts to that.

I have studied the bill. That is, the local bank will do the financing, and it is going to get some assistance from the Federal reserve Bank; and the Federal reserve Bank, we will say, is at Chicago, if you please, and the branch is here; the fellows charged with the prime responsibility are in Chicago, and they have to be consulted in large transactions. We know that is practical and usual, and is to be expected.

The Secretary of the Treasury: Some parts of the district have got to be served by branch banks; you cannot have a headquarters everywhere, and every city makes that same argument.

Mr. Hartman: I know they would.

The Secretary of the Treasury: But it is not a conclusive one at all.

Mr. Hartman: Not necessarily.

The Secretary of the Treasury: And the Canadian System does not afford the slightest analogy, because here we have the branch banks organized with local boards of directors, and the Canadian banks do the ordinary commercial business which these banks, of course, do not do. Now the question, therefore, which concerns this Committee is what superior

advantage has one city over another for the headquarters of the district, and that, again, is governed by the mandatory provisions of the Act, which compels us to consider convenience and the customary courses of trade and commerce.

Mr. Hartman: Well, there is more trade tributary to this point here, more trade that expects to be served and has a right to be served and is being served here than any other city in this Northwest.

The Secretary of Agriculture: Do you know Idaho, the farming conditions, their extent and other conditions?

Mr. Hartman: I have been in there a great deal with them, yes, sir.

The Secretary of Agriculture: Where does that trade go?

Mr. Hartman: Their cattle mostly go east; their sheep almost entirely, although Mr. Frye probably could give you that better than I, because we get more of our sheep in Montana; their fruit goes in that direction; they ship some of their potatoes west, although they do not grow many. Their fruit is not yet a large factor, but I think their sheep entirely go east.

The Secretary of Agriculture: And Montana?

Mr. Hartman: Montana is shipping more and more west, and

as their population increases their trade this way increases all the time.

The Secretary of the Treasury: Have you any figures on that? You see, these assertions do not give us any light on the question. Have you any figures?

Mr. Hartman: I have no figures, but one of the heavy growers at Eureka told me he was shipping 20 per cent of his flock west and the rest east.

The Secretary of the Treasury: But you and I are both lawyers, and we know that sort of hearsay evidence is not worth much.

Mr. Hartman: I am talking about the man who shipped them himself.

The Secretary of the Treasury: But there is no data. What we require here are some real facts that show the course of trade.

Mr. Hartman: I have not those and I do not know about those, but I know what some of them have told me. The Chamber of Commerce, I think, is prepared to tell how many come in here and where they come from. I know Mr. Hadley has that information at hand and knows where they do come from, and while I have some of that data in my own

office, I did not come here prepared, understanding that that would be necessary. I do know something about the population that deal here. We deal a great deal with the north, British Columbia as well as Alaska, and there are some 900,000 people north of here and some 450,000 to 500,000 east of here tributary to here.

The Secretary of the Treasury: Yes, we have gone over that data, and we do not want to cover the same ground, if you will excuse us, because there are so many other parts of the country to be heard from. Spokane and the Montana delegation have not been heard from yet, and we are giving Seattle an undue amount of time, and must see if we cannot give these other gentlemen a chance.

Mr. Hartman: I have some figures. I do not know whether you care to have them filed or not.

The Secretary of the Treasury: If you will be good enough to file them as exhibits, that may be done.

Mr. Hartman: I would be glad to file this. I have not said much about the dairy business nor hay and some other products.

The Secretary of Agriculture: The only other thing of importance would be for you to gather for us and submit them,

facts as to where this trade goes, how it is related and financed.

Mr. Hartman: The dairy product is over \$15,000,000, financed largely through this city. The condensed milk business is financed here entirely for that which is carried on in this state and Oregon; the headquarters is here. The same people have plants in the east, but the branch on this coast is financed here. The hay crop of our state and the potato crop are entirely financed here, that is not shipped east.

I did want to give one further fact. The tonnage rate, and I will use lumber as a basis, is in the neighborhood of say \$25.00 a ton to New York, and to Chicago \$17.00 or \$18.00. Through the Canal, by way of the water, that same product, whatever it is, whether potatoes or lumber, can go to New York for \$7.00 or \$8.00 a ton, and to New Orleans, Kansas City or St. Louis for \$8.00 or \$9.00 a ton. And that is no doubt what the St. Louis people had in mind when they said the Canal will help them. It will help them. It cuts off the rail haul and gives us a water haul which is a cheap one, and takes the heavy weight products like we have here, our agriculture and particularly lumber, and

enables them to reach those points, and we need the best of banking facilities for that purpose.

I thank you, gentlemen.

(The memorandum submitted by Mr. Hartman is as follows:)

January 29th, 1914.

Hon. William McAdoo, Chairman,  
Seattle, Wash.

Dear Mr. Secretary:

Agreeable to my promise, I will now give you my reasons orally expressed why I regard the City of Seattle the most important point for a regional bank in the Northwest part of the United States. The City of Seattle is the most important trade center North of San Francisco on this Coast, and considering the future Believe it will be equal to San Francisco in every respect, and will lead all other cities in the Northwest. The contest must, as I take it, be waged between Portland and Seattle. While comparisons are odious, I must of necessity make them, to give you the facts upon which a final conclusion must be based.

Trade relation, trade extension, and general commercial expansion and development are the governing principles which I take it will go far towards determining the location of

such a bank. The trade relation, of course, involves more truly agriculture than anything else. Manufacturing comes next. I am keeping these things in mind.

#### ADJACENT POPULATION.

Under this head, I will consider the trade population tributary, according to the best information which I can obtain, to Seattle and Portland, taking in each instance Portland first.

#### PORTLAND TRADE POPULATION.

The population, including the City of Portland and to the South and West, is about 450,000 people; to the East, including Portland, about 200,000 people; and to the North, which is all in the State of Washington, about 100,000 to 125,000 people. This trade does not reach Seattle.

Few deep sea vessels plying in the world's trade, particularly the Orient, enter Portland Harbor. Vessels whose draft exceeds twenty-four feet can not with safety pass the Columbia River bar. This may be improved. The Federal Government has spent millions upon the work, but the barrier has not been removed.

Portland has no Oriental trade, save flour, and has no trade relation with Alaska, and in fact sells scarcely

anything at all North of Centralia and Chehalis in Washington. In the Gray's Harbor country, she has some trade, but less than Seattle. Portland pretty well controls the Walla Walla district, but scarcely crosses the Snake River. Eastern Oregon she divides somewhat with Salt Lake City, and will divide that more now since the Interstate Commerce decision changing the interior rates.

#### SEATTLE TRADE POPULATION.

The trade population of Seattle and to the South and West including Seattle, is fully 500,000 people. The trade population to the East thereof, excluding Seattle, is about 400,000. The trade population to the North, excluding Seattle, but including British Columbia and Alaska, is about 900,000. We are already sending considerable of our manufactured product to Japan, China, and sending considerable of it to the Philippines, in competition with San Francisco, and this trade will increase, for one reason because there are many Seattleites in the Orient, and they are all partisan. We furnish most of the hay that goes to the Orient, and much of the fruit. We have a good business in all the towns East of the Mountains, even in Spokane, save groceries and hardware, and reach into Montana as far as

Butte.

British Columbia is growing very rapidly, and is constantly buying more from our merchants and manufacturers. Our relation with that Province is most cordial, and particularly do we do a large exchange banking business with them.

Alaska trades almost exclusively in this town. The banks in Alaska have their outside principal agents here. The Alaskan in every kind of trade comes first in Seattle, and many of them keep their banking accounts here.

#### COMPARATIVE CROP VALUES.

The grain crop of Oregon, which includes wheat, oats, and barley, is valued annually at about \$25,000,000. The fruit crop is under \$10,000,000. And the hay crop, while figures are not at hand that can be relied upon, seems to be about one-third to one-half of that of the State of Washington. The dairy product is not large in Oregon, or in either state for that matter, but in time will become a most important agricultural feature in the two states, for conditions for producing high class dairy product are ideal.

In Washington, the annual grain crop, including wheat, oats and barley, exceeds \$50,000,000, and for the present

year has run above \$60,000,000. The fruit crop including apples, peaches, and berries averages about \$25,000,000 per year. About half of the high class apples produced in the Intermountain and Pacific Coast country comes from the State of Washington, and the remainder from Oregon, Idaho, and Colorado. Within ten years, apple bearing acreage of the state will be increased about fourfold. The new orchards which will come in bearing will make this addition. The bank exchange business of the fruit and grain is carried on almost exclusively in this city.

The tree fruit bearing districts of Oregon can not be increased very much, because the available ground is largely covered.

In the Yakima Valley of Washington, there is now provided with water for irrigation about 160,000 acres. By what is known as the new high line canal ditch, this will be increased to about 400,000 acres, all of which will be available for apples and hay and general dairy farming, in the proportion of about one for apples and three for dairying and hay. In the Wenatchee country, the ground provided with irrigation is about 70,000 acres. The new Quincy project now under way will provide 400,000 or more

acres with water. The soil in this district is of the very best. The Walla Walla and Spokane districts have a large fruit acreage, which will be increased.

Hay production is not very carefully figured out, but the annual crop is worth more than \$15,000,000, which is largely produced in the Puget Sound basin and Yakima Valley districts. This crop is rapidly increasing.

The dairy possibilities in this state are most inviting, but the industry is in its infancy. The present production is confined almost exclusively to the Puget Sound basin. The annual worth is now about \$10,000,000. We have six large milk condensing establishments sending their products all over the state, British Northwest, and Alaska, in cargo lots to the Orient, and to the states East of us, particularly the Montana districts.

Most of our flour is exported to the Orient from the six flouring mills in this city. We export little or no wheat.

All of these industries and development call for bank exchange arrangements which reach all over the world, particularly the fruit and grain business, coupled with the other matters hereinafter referred to, shows great demand

for a regional bank here, so that the exchange relations throughout the United States and the world may be readily had.

#### COAL.

The State of Oregon produces no coal, while the annual output of this state, which is mostly represented by labor, is valued at about \$15,000,000, and that of British Columbia, which trades with us, at about the same. The coal industry is rapidly developing, as the state increases in population and the trade relations expand. The coal of Alaska under the wise law just passed for railroad building, will become an important factor increasing bank demands.

#### GOLD PRODUCTION.

Alaska and the Yukon Territory, since the discoveries in the summer of 1897, have sent to the Seattle Assay Office about \$300,000,000 of this metal. Practically all the gold comes here, for here the merchant trades. The gold production now, with the beneficent law passed will increase, as will the population of Alaska and the trade extension of that territory. The gold production of Alaska, and that trade relation extension, is one of the strongest factors demanding that the regional bank be at Seattle, rather than

at any other Northwest port.

#### LUMBER TRADE.

From the best statistics obtained, the lumber production of Oregon does not seem to have ever exceeded \$35,000,000 per annum and is more nearly \$20,000,000. The value of the manufactured lumber at the mill in this state during the past ten years has run from \$35,000,000 to \$75,000,000, and the average being about \$50,000,000 per annum. Nearly all their lumber is sent interstate or rail shipments. Puget Sound having fine deep water facilities, open to all ships of the world at all times, and having on its shores the best merchantable timber known in the world, has enabled the state to export about one-half of all the product, the other half going inland by rail. Seattle is the centre of this important industry. Here the mill owner lives. Here is the manufacturer who makes the mill machinery and does all the repairing. From this town the trade radiates and covers the important cities to the North, the West and the Southwest in this business.

#### ORIENTAL TRADE.

In some lines, particularly flour, fish, and lumber, we have developed a large export trade to the Orient. The

opportunity exists for largely increasing that trade, but the best of banking facilities are necessary to accomplish this advance.

#### SHIPPING FACILITIES.

So far as rail shipments are concerned, there is very little difference between the two towns. Seattle has the Chicago, Milwaukee & St. Paul Railroad in addition to the roads serving Portland. When it comes to trade with Alaska and the Orient, shipping facilities are very much in favor of Seattle over any other town in the Northwest.

#### FISH:

Cured fish products, and a comparatively small amount of fresh fish shipped in refrigerator are sent from the Columbia River, at a value of about \$4,000,000 per year. A considerable portion of this value is fish put up on this side. The cured fish product of Washington and Alaska exceeds \$20,000,000 this year. The fishermen live here, and the outfitting is done in this city. Much fresh fish is shipped the year around, principally halibut, through a large concern in this city. It goes largely to the Eastern states, and is found in fine condition as far as the Boston market at all seasons of the year.

POWER COST.

Manufacturing is increasing in the Northwest. The cost of producing power is an important factor. Where there is manufacturing, banks of course are needed. Coal is cheaper on Puget Sound than on the Columbia River by at least \$1.50 per ton. The City of Portland is served alone by private hydro-electric power corporations. At Seattle, the Stone-Webster combination, in plants developed and developing, can produce about 200,000 H.P. The City of Seattle, in its municipal plant at Cedar River, has now developed more than 20,000 H. P., and when the plant is ultimately completed will reach nearly 50,000, while it is preparing to develop other fields, condemnation being directed therefor. This has made the cost of power cheaper here than in any other city on the Coast, save Tacoma, where the conditions are the same. The municipal plant of Tacoma has done much to reduce the rate there, and correspondingly has increased its manufacturing enterprise. The relations between Tacoma and Seattle are close, and the development of the one is the development of the other.

CONCLUDING STATISTICS.

The Population of Oregon is approximately 750,000, of

Washington 1,500,000, and of the Panhandle of Idaho 100,000, of the Western half of Montana 250,000, of British Columbia and Alaska approximately 800,000. The natural and the real trade centre and distributing point of this entire territory is Seattle. Besides, Seattle is from two to three days closer to Japanese and Chinese ports than any of the other available Pacific Coast trade ports. On the further side of the Pacific we are trading with approximately 500,000,000 people. The Atlantic Coast has developed something like ten cities of the size and larger than Seattle, in trading on the further side of the Atlantic with 225,000,000 people. The only ports we have on the Western part of the United States are San Diego, San Pedro, San Francisco, Columbia River, and Puget Sound. Three of these, San Diego, San Francisco, and Puget Sound, are open to the ships of the world under all conditions, at all times, and without any danger whatever of entering under any stress of weather. These figures and facts must be given careful consideration in determining the important question submitted by The Congress to your Commission.

#### CONCLUSION.

What I have said above concerning Portland is not with

the intention of reflecting upon that city. It is a strong, commercial town, with a splendid American citizenship. Its commercial attainment, however, is not equal to that of Seattle, nor do I believe it ever will be. I have many good friends there, and do a considerable business with the city and its people. In what I have said, I have tried to divorce myself from partisanship, and reach conclusions based alone upon uncontrovertible facts.

Mr. Hartman: I would like to make this suggestion. The figures to a certain extent are comparisons. I did not put them up with the object of being odious, but I saw no other way of getting what I had to put before you. I have the kindest feelings for the City of Portland.

#### STATEMENT OF DANIEL KELEHER.

The Secretary of the Treasury: We will hear from you now, Mr. Keleher. Will you give your full name and occupation?

Mr. Keleher: I am a practicing lawyer and interested a good deal in banking here as a stockholder and member of the Executive Committees of banks here. I have been a very close student of this bill from its inception. I make this

statement simply for the purpose, that while I appreciate you only want a statement of the exact facts here, if I should make a statement which borders on the line between an opinion on those facts, and the facts, you will understand me.

The Secretary of the Treasury: Have you statistical information?

Mr. Keleher: No, I have very little.

The Secretary of the Treasury: I was going to say, any statistics, we think, had better be filed as exhibits.

Mr. Keleher: No, I have nothing at all in the way of statistics. I want to say, just as an opening, you gentlemen made a statement this morning that I think was a little modest, or not broad enough. You said you had a duty to perform in selecting these regional districts, but ~~that~~ there was a board over you that was going to change those things. I differ with you a little, and it is on principle --

The Secretary of the Treasury: No, the Board has the right of review, I said.

Mr. Keleher: The right of review, I mean. I make this

statement, and I think it is a fact which will be borne out in history, that what you men do as a Board of Organization here is going to be a lasting thing. It is going to last for 50 years. The districts that you select will be districts that are permanent. Because, if there is anything in banking business which is necessary and essential, it is stability, stability in the way of doing business, with due regard to the convenient and customary course.

As a western man, now, I say this: That we differ from the east a great deal in the way that these banks should be instituted, the division of them. I recognize the contest that went on between the proponents of one big bank, a central bank, and these regional banks. We of the west wanted the regional banks. We wanted to be independent. We wanted the districts established and wanted more than the eastern men wanted. We do not want four or eight, we want the maximum, and we think we ought to have it from the inception of the jurisdiction of this Federal Reserve Board. We ought to have the maximum started at twelve.

Something was said, and a question was asked this morning by you, Mr. Secretary, as to whether the bank proposed in the district we suggest of the four states here

would not be a weak bank. I say no weak bank can be established in this district, never mind what its territorial boundary is. A bank of three or four millions would, in my opinion, be just as strong for the district that has only that amount of business to do, as the New York bank with fifty million, just as strong. If we establish a district with four millions of capital here in these four states and the business can be conducted by the member banks of these states to take care of all the business of the four states, that is a strong bank, just as strong as the bank they will have in the City of New York.

The Secretary of Agriculture: But that is the real question, is it not, whether it will or not?

Mr. Keleher: I do not believe there is much question about it.

The Secretary of Agriculture: For instance, you could establish one in Georgia to which your principal would apply, but Georgia is nominally a borrowing state, and any bank established there would be dependent.

Mr. Keleher: My answer to that is that these four states are not borrowing states.

The Secretary of Agriculture: That is what I am asking.

Mr. Keleher: They are not borrowing states, and I speak from my experience in banking. I give half my time to it now; I am on the discount committee of the largest bank here, of three, and on the executive committee of four banks, and I think I am a little familiar with that, and I would speak along that line. We are not a borrowing community. These four states can conduct the business, with this system established by the New Currency Bill, and care for all the business, present and future, of this growing district, in my opinion. In the past we have borrowed very little, it is very rare that we borrow east; it is very seldom, it is a rare occurrence. It is true that occasionally a big fish company like the one spoken of this morning, with headquarters and owned in Chicago, is financed there, but that is a local affair. That is not borrowing money there.

Now dividing your districts with due regard to the convenient and customary course of trade here, this is a fundamental thing which you men should take into consideration. The lines established today for that line of business are east and west, not north and south. The business is directly east and west. In the olden days when

I came here it was north and south. The reason was, our business had to be done by boats. San Francisco first the headquarters, and second Portland. When the railroads cut across here this changed altogether. Our relations with San Francisco commercially are comparatively small. And while I would venture to say that five out of six bankers today in this district, if put the question "Where, if you do not have a bank in Seattle, would you rather have it, in San Francisco or Chicago", while five out of six of them would say San Francisco, I believe that five out of six of them if they would consider carefully and lay aside local preferences and local pride because they are all coast men, would not say San Francisco but would say Chicago. Because the line of business is not north and south with us any longer, it is east and west. And if they would lay aside that Pacific Coast pride, they would say they would rather do business in Chicago and have the head bank there, if we were to be a branch bank.

Now take your east and west lines, and see what it means. When most of us in this room came to this country we had no east and west line of traffic in this tier of states that we have named here. Today we have five parallel lines

running across. The result is that if you take eastern Montana, for example, if a man living in northeastern Montana were asked if he would do business with a city that had a Regional Bank, if it was in the southeast corner of Montana, 200 miles away, he would say no, I would rather do business in Chicago, 1200 miles away. It is in the course of business.

The Secretary of the Treasury: You understand, of course, Mr. Keleher, that the inauguration of this system does not mean any alteration in the ordinary course of transactions between banks and the ordinary course of commerce.

Mr. Keleher: No.

The Secretary of the Treasury: Those transactions proceed as usual.

Mr. Keleher: Yes.

The Secretary of the Treasury: Here is a bank which is intended to hold a part of the reserves of this district, or whatever district may be established, and that bank will have relations with the member banks of the district.

Mr. Keleher: Yes.

The Secretary of the Treasury: Now the argument you are making has more relation to the ordinary transactions as

they now proceed, and it does not touch the question of what would be a proper homogenous district for this organization, in contemplation of the Act, and as to which city in that district would be the best place to put the headquarters of the bank.

Mr. Keleher: Well, I am trying to meet that and answer that from your viewpoint. That was leading up to a statement I was going to make here, as to how this current of business, I mean business transactions, <sup>shipping</sup> gets back and forth, because that is the foundation of what follows, banking and the pay for the goods; the shipping of the goods back and forth, that is taking place more and more in those lines east and west. And while you gentlemen intimated this morning that you had heard enough of the Panama Canal in the other cities, there is a suggestion I want to make there on that point that I do not believe has occurred to you --

The Secretary of the Treasury: You are mistaken in your assumption that we said we had heard enough. We said, on the other hand, that each city was making the same claim that the Panama Canal was going to be more or less of an Aladdin's lamp for each city. That was rather facetious.

The Secretary of Agriculture: Intended to be facetious.

The Secretary of the Treasury: Yes, it was intended to be facetious.

Mr. Keleher: Now, speaking along that line, as to the establishment of a district with that in mind, something has been said today of what we hoped in the way of shipping goods from this Sound through the Canal to New York. There is another thing you must bear in mind, because it is right on us now; it is not a matter of speculation; the Canal is going to be operated this year and business is going to flow through it. Has it been suggested to you, as to not only the current of business from here to the Atlantic seaboard through the Canal, but through the Canal here and into the interior? In other words, how much new business and how much is that new current east and west to be increased by this fact, that when this Canal is opened, goods will be shipped to the Coast here from the Atlantic seaboard and re-shipped to the interior. Of course, that is going to happen.

The Secretary of the Treasury: Of course, that question has been presented, and that of course depends upon the railroad rates.

Mr. Keleher: Yes.

The Secretary of the Treasury: And as to what combination of railroad and water rates is going to be the cheapest, and how far the scope of that influence is going to extend is a question.

Mr. Keleher: That is a question. It is a question of fact, and maybe it borders on opinion. Railroad men would make it mostly a fact. I am going to make a statement which will be astounding to you, and I believe it to be a statement of fact, as coming from a most experienced railroad man. He made it to me, and I could not comprehend it and I asked him to repeat it, because I told him I was going to repeat it. He is a traffic man and was connected with the Northern Pacific for 20 years, and receiver of it in the nineties and has spent fifty years in railroad traffic in the west. He made the statement to me and said he would base his reputation upon it, that when the Canal is opened they will ship a certain class of bulky goods from New York City to St. Paul and all other Missouri River points through the Port of Seattle. Now that is an astounding statement, and it appaled me, and I argued it out with him from a lay standpoint as against a traffic man's standpoint, but he

says it is going to happen and happen immediately. I says, "I do not care for that, give me west of Dakota, give me west of Nebraska". He says, "Yes, we will go further". I said how is it possible, and he made a statement which does not seem clear to me yet, but he is positive of it. He says that the water rate will be so nominal practically as compared with the railroad rate that it is not a factor, and that they can ship these goods all the way around and back in with a certainty to the Dakotas. If that is so, he says, the time has come now when these eastern and western traffic men are not going to look to the east, they are going to look to the west, to the port of the west. Now you will say they are going to make that same argument in San Francisco, Los Angeles and San Diego. Yes, they will come to them, but the boats that land at San Diego, their cargoes will not go to Montana or the Dakotas, but east from there, and in San Francisco they will go east from there. To reach the region of the Dakotas and Montana they will come to the ports of Puget Sound and ship across here.

I say that the duty devolving upon you is greater, I believe, that you men even anticipate. I think it is a

permanent thing. The great problem in my mind that you are going to have to solve here, to give us what we ask for, is the question which has been suggested, have we sufficient capital to establish a Regional Bank in the district we say we are entitled to and ought to have. And it is a close question. If you take the national banks alone, we have not. But it is not fair, if this Board please, to assume that only the national banks will come in. That question was discussed in the enactment of this bill, and it is to be assumed that the state banks will come in. In considering that -- this is the one territory of all the eight or twelve you will establish and it seems to me that this question is coming most home to you. We have here the large geographical position and the comparatively small capital position, and it seems to me that you should endeavor to accommodate us in this district with the small capital, if statistics bear out the fact that that capital will be sufficient to conduct the business of this district.

The Secretary of the Treasury: Thank you, Mr. Keleher. We will now hear from Montana. Is Mr. Johnson here? If you have any statistics, Mr. Keleher, you may file them.

Mr. Keleher: There is one statement I would like to make

in regard to the British Columbia business. We have up here Vancouver and Victoria, and the volume of business is terrific and competition is keen. I know the volume of business done with the neighboring cities, 150 miles away. They sent us five millions of money last year, and they sent us approximately the same amount this year, and that is only for one small bank here.

The Secretary of the Treasury: Yes, our attention has been called to that intercourse.

STATEMENT OF A. C. JOHNSON.

The Secretary of the Treasury: Mr. Johnson, will you state your full name, residence and occupation.

Mr. Johnson: A. C. Johnson, vice-president, American National Bank, Helena. I represent the Helena Clearing House Association.

The Secretary of the Treasury: You know our problem.

Mr. Johnson: I do.

The Secretary of the Treasury: The question is, if a district is organized here, where Montana ought to be put, and we should like to have your views on that.

Mr. Johnson: I will say that matter was discussed by our

people in a general way at home there at Helena, and as we would meet other packers throughout the state, and then the suggestion was made that the Helena Clearing House Association take a pole of the banks of the state and send a letter to each bank to express their views on this particular matter. That was done, and we got the returns practically from all except six of the National banks, and most of the state banks, about 80 per cent of the state banks, I guess.

The Secretary of Agriculture: What was the nature of that inquiry?

The Secretary of the Treasury: Have you a copy of the letter?

Mr. Johnson: Yes. The nature of the inquiry --

The Secretary of the Treasury: Let us have a copy of the letter sent to the banks, for the files.

(The paper was filed.)

The Secretary of the Treasury: Name of bank, location, capital and surplus; do you have the largest amount of banking business with eastern points or Pacific Coast points? Eastern points. What percentage: East 98; West 2. Upon which of the above mentioned points, east or west, do you chiefly depend for exchange transfers? Upon which do you

chiefly depend for currency shipments? Please indicate your first, second and third choice between Twin Cities and Chicago, Denver or Pacific Coast for a Federal Reserve Bank. That is from the Anaconda National Bank?

Mr. Johnson: Yes.

The Secretary of the Treasury: That is the character of the inquiries?

Mr. Johnson: Yes.

The Secretary of the Treasury: Have you the replies received from all the banks?

Mr. Johnson: I have.

The Secretary of the Treasury: Will you file them as exhibits?

Mr. Johnson: I will.

(The papers were accordingly filed.)

The Secretary of the Treasury: What was the result of this poll ?

Mr. Johnson: In this summary I put down the first and second choice. Of the 53 national banks, 44 banks reported as first choice Twin Cities, with capital and surplus of \$6,663,500. Chicago seven banks with a capital and surplus of \$1,189,500. Spokane, one bank with a capital and

surplus of \$150,000. The Pacific Coast, one bank with a capital and surplus of \$31,000. That is the first choice.

Second choice, of the national banks, Chicago comes first with 37 banks voting, with a capital and surplus of \$6,205,000; Twin Cities, six banks, with capital and surplus of \$870,500; Spokane, three banks, with capital and surplus of \$146,000; Seattle or Twin Cities, one bank, with capital and surplus of \$150,000. No choice for second choice, six banks with a capital and surplus of \$662,500. That makes a total capital and surplus of \$8,034,000.

The Secretary of the Treasury: How many national banks in the state?

Mr. Johnson: 59.

The Secretary of the Treasury: From how many did you receive replies?

Mr. Johnson: 53, six banks not voting, having a capital of \$175,000.

The Secretary of Agriculture: Did you canvass the state banks?

Mr. Johnson: Yes.

The Secretary of Agriculture: Will you give us that.

Mr. Johnson: Shall I read it?

The Secretary of the Treasury: If you please.

Mr. Johnson: There are 202 state and private banks, I believe; I have not got just the number, but the ones reporting were 144 state banks and 14 private banks.

For first choice, Twin Cities, 126 banks with capital and surplus of \$7,089,170.

Chicago, 8 banks, with capital and surplus of \$415,000.

Spokane, 9 banks, capital and surplus of \$367,000.

Spokane or Seattle, one bank, capital and surplus \$25,750.

Seattle, one bank, capital and surplus \$20,000.

Pacific Coast, two banks, capital and surplus \$241,500.

Denver, 4 banks, capital and surplus \$122,500.

Portland, one bank, capital and surplus of \$25,000.

Helena, two banks, capital and surplus of \$59,000.

Helena or Spokane, one bank, capital and surplus of \$40,000.

No choice, three banks, capital and surplus \$301,000.

Making a total of 158 banks with \$8,705,920.

The Secretary of the Treasury: Let those recapitulations or summaries be filed with the stenographer.

Mr. Johnson: Yes. For second choice:

Chicago, 67 banks, with capital and surplus of

\$4,960,750.

Twin Cities, 16 banks, with capital and surplus of \$582,000.

Pacific Coast, 19 banks, capital and surplus of \$545,500.

Denver, 12 banks, with capital and surplus \$357,500.

Now I get four of them bracketted, Spokane 4, Seattle 2, Portland 1, and Butte 1, with a capital of \$439,070.

No choice for second, 36 banks with a capital of \$1,821,100. Total \$8,705,920.

The Secretary of the Treasury: How long have you lived in Montana?

Mr. Johnson: 35 years.

The Secretary of the Treasury: Are you familiar with the whole state?

Mr. Johnson: I think so, fairly well. I have been there for 35 years, in active business.

The Secretary of the Treasury: Where does the State of Montana do most of its business, at what points?

Mr. Johnson: Well, it is eastward.

The Secretary of the Treasury: Eastward?

Mr. Johnson: Yes, sir.

The Secretary of the Treasury: More with the Twin Cities than anywhere else?

Mr. Johnson: Well, I should say it is evenly divided between the Twin Cities and Chicago, and quite a bit of it in New York.

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

Mr. Johnson: Banking business.

The Secretary of the Treasury: I am speaking of commodities?

Mr. Johnson: That is largely eastward. Our wool all goes east; the bulk of our cattle and sheep go east. For the last few years there has been some of it gone westward. Our mine products all go east.

The Secretary of the Treasury: Do you think it would do violence to the customary course of business if you were attached to a district to the west of you?

Mr. Johnson: I absolutely do. It would reverse all our order of business.

The Secretary of the Treasury: Your exchange movements?

Mr. Johnson: Our exchange movements. These same replies will show you that stronger than 90 per cent say that their

business is eastward; in fact it will average more than that.

The Secretary of the Treasury: What is the time between Helena and Minneapolis?

Mr. Johnson: Only about 30 hours.

The Secretary of the Treasury: Have you had opportunity to discuss this question with some of the representative business men in the state, outside of the banking interests.

Mr. Johnson: Yes, sir, my partner in the business is interested in the mercantile business all over the state, former Senator Power, and his business is largely buying and shipping east. Of course, he has shipped some cattle west.

The Secretary of Agriculture: Should you say that the movement west is increasing?

Mr. Johnson: Yes, I could. I think it is increasing some.

The Secretary of Agriculture: Is it increasing relatively to the eastern movement.

Mr. Johnson: Yes. Of course, the west has not been much of anything to us up to a few years ago, but it is commencing now, where they are shipping some cattle over here, and in fact they have gone out of the cattle business

over here to a large extent. Our wool all goes east, and sheep and cattle.

Now we are essentially a borrowing community; that is, we are a new community, and we will be for some time to come. To show you the progress made in the line of agriculture, this may give you a better idea. I will just read here from a little trade journal, which was information gotten from our Montana secretary: "Four years ago along the lines of the Great Northern in Northern Montana there were twelve grain elevators. Today there are reported to be 280 grain elevators along exactly the same stretches of road, and more building just as fast as material arrives on the ground". Now that is one railroad, Mr. Secretary, and there are two other railroads where it will not apply as strong, but they are doing the same thing.

The Secretary of Agriculture: Have you something you would like to file with the reporter, Mr. Johnson?

Mr. Johnson: Well, I have here a book giving the statistics of Montana, gotten out by the Bureau of Agriculture, Labor and Industry. This may be something that you can get certain information from. It has everything in there, almost. The cattle shipped out of the state in 1912 were

188,000 head.

The Secretary of Agriculture: Does it give where that goes?

Mr. Johnson: Which, the cattle?

The Secretary of Agriculture: Yes.

Mr. Johnson: Well, I do not know.

The Secretary of Agriculture: We can discover it, if it is there.

Mr. Johnson: There is the valuation of the state for 1913, and this book will give 1911 and 1912.

The Secretary of Agriculture: Let that be filed as an exhibit to the testimony of Mr. Johnson.

(The book was accordingly filed.)

Mr. Johnson: I got this the day before I left, range cattle 157,000 head --

The Secretary of Agriculture: Just file those, as we cannot remember those details.

The Secretary of the Treasury: Is Mr. Charles, of Butte, here?

Mr. Charles: Yes.

## STATEMENT OF D. J. CHARLES.

The Secretary of the Treasury: Mr. Charles, will you state your full name and occupation?

Mr. Charles: D. J. Charles, president of the Miners Savings Bank and Trust Company; and up to Tuesday night I was President of the Butte Chamber of Commerce.

The Secretary of the Treasury: Do you represent any organization, have you any credentials, I mean, from the Clearing House or other bodies.

Mr. Charles: I have a letter from the Chamber of Commerce, Mr. Secretary.

The Secretary of the Treasury: Just file it with the reporter.

The Secretary of Agriculture: Is that a resolution?

Mr. Charles: It is a letter of recommendation, that I am the chosen representative of the Butte Chamber of Commerce.

The Secretary of the Treasury: It is your credentials as representing that Chamber?

Mr. Johnson: Yes.

(The paper is as follows:)

G

D. J. Charles

2571

CHAMBER OF COMMERCE

Lewisohn Building,

Butte, Montana,

January 26th, 1914.

TO WHOM IT MAY CONCERN:

The Bearer, Mr. David J. Charles, President of the Butte Chamber of Commerce and President of the Miners Savings Bank & Trust Company, has been selected as the representative of the Butte Bankers to appear before the Regional Bank Organization Committee in connection with the location for a Regional Bank in the Northwest, and this letter shall be taken as his credentials.

Respectfully,

Butte Chamber of Commerce.

Charles Rustin, Secretary.

The Secretary of the Treasury: What is the view of your community there as to the district to which Montana should be attached?

Mr. Charles: We have seven banks in the City of Butte, five state institutions and two national banks. At a conference two or three evenings ago before I started west, five out of the seven voted in favor of being connected

with the Twin Cities as first choice and Chicago as the second choice. There was a division between two of the officers of one bank as being connected with the eastern banks, and one of the banks voted for the west. I would say six out of the seven wished to be included with the Twin Cities for first choice, and the same number of Chicago as second choice.

The Secretary of the Treasury: What was the position of the two national banks?

Mr. Charles: Twin Cities first and Chicago second.

The Secretary of the Treasury: Both national banks favored that?

Mr. Charles: Both national banks favored that. Mr. Job, who is connected with the Silver Bow National Bank, is here and will speak for himself.

The Secretary of the Treasury: What is the view of the Chamber of Commerce of Butte on this subject? You represent them?

Mr. Charles: That matter was left to the bankers, alone and entirely. All the banks are represented in the Butte Chamber of Commerce as members, and that matter was turned

over to the Bankers Bureau for their action.

The Secretary of Agriculture: What is your time to Minneapolis?

Mr. Charles: I would say about 30 or 36 hours. I am not positive as to that.

The Secretary of Agriculture: And to the coast?

Mr. Charles: 24 hours from Butte to Seattle.

The Secretary of Agriculture: Your reasons are in general the same as those given by Mr. Johnson?

Mr. Charles: They are, yes, sir.

The Secretary of Agriculture: You endorse that position?

Mr. Charles: I do. I understand that the Chamber of Commerce at Helena canvassed the entire state, and our Chamber of Commerce took for granted that their canvass was a true one and let it rest at that, so far as the state generally is concerned. However, our position at Butte is almost unanimously in accord with the action taken throughout the state.

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

Mr. Job.

## STATEMENT OF E. JOB.

The Secretary of the Treasury: Please state your name, residence and occupation?

Mr. Job: Eplin Job, assistant cashier of the Silver Bow National Bank.

The Secretary of the Treasury: Do you concur in the views expressed by Mr. Charles?

Mr. Job: Certainly, I do.

The Secretary of the Treasury: You are all in accord with the sentiment about being attached to St. Paul or the Twin Cities as the first choice?

Mr. Job: Yes, sir.

The Secretary of the Treasury: The course of business and exchanges is mostly eastward.

Mr. Job: Mostly eastward.

The Secretary of Agriculture: Do you notice any growth in your business westward?

Mr. Job: A little, but not much. It is growing a little.

The Secretary of Agriculture: At another city we had the suggestion that Montana be attached to a district centering in Denver. Would that do much violence to your trade and

course of business?

Mr. Job: We do not have much business through Denver .

The Secretary of Agriculture: You endorse the sentiments of the previous witness?

Mr. Job: I do endorse them.

The Secretary of the Treasury: Mr. White, of Hamilton, Montana.

STATEMENT OF M. A. WHITE.

The Secretary of the Treasury: Mr. White, will you please give your full name, residence and occupation?

Mr. White: M. A. White, Hamilton, Montana; President of the Ravalli County Bank of Hamilton.

The Secretary of the Treasury: Yours is a state bank?

Mr. White: Yes, sir.

The Secretary of the Treasury: What is its capital?

Mr. White: \$50,000.

The Secretary of the Treasury: Are state banks in Montana permitted to join the federal reserve system?

Mr. White: It is a question, Mr. Secretary, as to whether we are or not.

The Secretary of the Treasury: A question of legal right?

Mr. White: A question of legal right, yes, sir.

The Secretary of the Treasury: Has it been referred to the Attorney General yet?

Mr. White: I think not. We referred it to our attorney, and he reported that we could not hold stock in another corporation.

The Secretary of the Treasury: It is lack of power, you think.

Mr. White: Yes.

The Secretary of the Treasury: Not that it is prohibited, but that it is not expressly conferred.

Mr. White: That is it.

The Secretary of the Treasury: What is your view about the district to which Montana should be attached?

Mr. White: When asked for a vote by the Helena Chamber of Commerce we voted Spokane first and Twin Cities second.

The Secretary of the Treasury: What is the sentiment of that part of the state? I see you are on the extreme western border.

Mr. White: Yes, sir; within 50 miles of Missoula.

The Secretary of Agriculture: Is the volume of your business eastward, the greater part of it?

Mr. White: Yes, sir, our items are principally eastward.

The Secretary of Agriculture: Where do you keep your accounts?

Mr. White: New York, Chicago and Montana proper.

The Secretary of the Treasury: Why do you prefer Spokane first?

Mr. White: From a geographical point of view.

The Secretary of the Treasury: Regardless of the exchange situation or the movement of commodities?

Mr. White: It being nearer to Hamilton than any of the other large cities. It is probably a selfish point of view. If we were to join the organization we could facilitate our business facilities for doing business with Spokane rather than the Twin Cities.

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

Mr. White: 12 hours.

The Secretary of Agriculture: Are your financial relations at present very large with Spokane?

Mr. White: No, we have no correspondents at Spokane and do very little business there.

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

Is Mr. Lusk, of Missoula, here?

STATEMENT OF FRANK S. LUSK.

The Secretary of the Treasury: Will you state your full name, residence and occupation?

Mr. Lusk: Frank S. Lusk, President First National Bank, Missoula, Montana.

The Secretary of the Treasury: Do you represent anything else than your own bank, Mr. Lusk?

Mr. Lusk: I represent the Chamber of Commerce and also have a letter as representing the President of the Montana State Bankers Association, and I come directly from a conference with the President and Secretary and a bankers committee.

The Secretary of the Treasury: Of what?

Mr. Lusk: Of the Montana State Bankers Association.

The Secretary of the Treasury: What is the view of those gentlemen on this question?

Mr. Lusk: They are unanimous, so far as their wish to do business with the east at the Twin Cities first of all is concerned. I do not think there was an exception. They are divided as to the second choice. Some of them are very

strong for Spokane. I myself am strong for Spokane, because we are only 12 hours away, as second choice, and because I believe it is a very good thing to have your Regional Bank as close at home as you can have it.

The Secretary of the Treasury: You concur in the views these other gentlemen have expressed about the movement of trade and commerce, and of exchange?

Mr. Lusk: Absolutely. I am interested in Denver. I have lived there a great/deal of my life and have lots of friends there, but Denver is simply out of the question, so far as Montana is concerned. And as far as Montana is concerned, Seattle and this Pacific Coast is out of the question. We do not deal on the Pacific Coast in any way, shape or manner. I live at Missoula, on the west side of the Rocky Mountain range. It has been suggested here this morning that the main range of the Rocky Mountains should be the dividing line, which would take in Butte, Missoula, Kalispel and Hamilton, that Mr. White has just spoken for, and a number of others. I do not believe that we want Montana divided, if we can help it, not until we can have it divided and made into two states, by annexing part of Idaho some day.

The Secretary of Agriculture: You would take that?

Mr. Lusk: Oh, we would, gladly.

The Secretary of Agriculture: Have you any resolutions you wish to present?

Mr. Lusk: I think they were filed here by the Chamber of Commerce. I was away.

The Secretary of Agriculture: We received one communication in Chicago.

Mr. Lusk: That is the telegram?

The Secretary of Agriculture: Yes.

Mr. Lusk: That is the telegram, and I have a copy of that, and I do not think that has been filed and been made a matter of record.

The Secretary of Agriculture: It has not.

Mr. Lusk: I would like to file it at this time.

The Secretary of Agriculture: That is, it has been referred to indirectly, but not by Montana people.

Mr. Lusk: Yes.

(The telegram is as follows:)

Helena, Mont., Jan. 17th, 1914.

"Replies received to inquiries from national banks in Montana representing total capital and surplus of eight million dollars show that eighty per cent select Twin

Cities and twenty per cent select Chicago as first choice for location of federal reserve bank; no other cities mentioned. For second choice eight per cent select Chicago and thirteen per cent select Twin Cities; all other points seven per cent. Replies from state banks of Montana representing capital and surplus ten million dollars expressing first choice for location of reserve bank, eighty-three per cent select Twin Cities, nine per cent Pacific Coast, five per cent Chicago, three per cent Denver, and for second choice, sixty-four per cent select Chicago, eight per cent select Twin Cities, six per cent select Pacific Coast, four per cent select Denver, eighteen per cent no choice. Helena Clearing House Association.

The Secretary of the Treasury: We will hear now from Mr. Durham, of Spokane.

STATEMENT OF ELSON W. DURHAM.

The Secretary of the Treasury: State your full name, residence and occupation?

Mr. Durham: Elson W. Durham, contributing editor of the Spokesman-Review.

Gentlemen of the Organization Committee, Mr. Brewer and

I have been delegated by the Clearing House Association of Spokane and the Chamber of Commerce to represent them in a plea for the formation of these four northwestern states into a reserve district and for the location of the Reserve Bank at Spokane.

The Secretary of the Treasury: When you say these four states, you mean Oregon, Washington, Montana and Idaho?

Mr. Durham: Yes. We feel that to attach these four states or any part of them to San Francisco would not only do violence to the natural trend of business and the financial connections, but would subject this part of the new system to a severe and unnecessary strain in the critical, formative period of its existence. We believe that, because there is very little identity of idea or identity of thought between the southwest of the Pacific Coast and the Northwest of the Pacific Coast.

We are connected by a single line of railway, and that a branch of the Southern Pacific, between Portland and San Francisco, extending for much the greater part of the distance. If we were connected with San Francisco, railway connections being at Portland, there would be no direct line. The mere fact that there come into the Spokane gateway six

trans-continental systems which diverge from there across the States of Oregon and Washington, is pretty conclusive proof that the overwhelming volume of business, as has been stated here so often, is east and west and not north and south.

I sometimes think, Mr. Secretaries, that it has been a prevailing sin of the American people to worship the fetich of greatness and bigness, and that psychological trait is largely responsible for the building up of the great trusts. We have erroneously assumed that because a thing is big it is necessarily strong. If we reflect a moment we know that a man who has \$20,000, if he is practical and businesslike, may be essentially sounder in a business way than a man that may be exploiting on the basis of millions. So it is not a question of magnitude in the determination of your great problem here, it seems to us, so much as the fundamental question, and we recognize that it is vital, that we should be able to form a reserve district of these four states that will be sufficient financially unto themselves, and will have sufficient variety of resources so that there will be a liquid movement of its products extending seasonally over the entire year.

We doubt if another region of the United States could show a like variety of resources. We will begin here in the early spring with the wool clip. Montana produces one eighth of that of the United States, and the four states a fourth. That would be followed immediately by the spring movement of live stock to market. That immediately --

The Secretary of the Treasury: What is the direction of that movement?

Mr. Durham: The live stock movement is largely to the east, but the growing tendency is to the west.

The Secretary of Agriculture: To what extent?

Mr. Durham: Mr. Brewer, who will follow me, has more definite data, but I may say that one packing house in Spokane this past year bought of Montana live stock \$1,500,000 worth. Considerable of it goes to Portland as well, and some of it comes to Puget Sound.

It has been well said by witnesses here today that we have been importing live stock here very largely, to the extent that we have had to go as far as Nebraska.

The hard wheat of Montana is coming west in increasing volume for milling. We have up on the Spokane River a now developed water power of 200,000 horse power. One of the

largest mills, the largest mill I believe in Spokane, is now grinding exclusively on Montana wheat.

That movement of the wool crop --

The Secretary of the Treasury: Where is that product shipped, I mean the product of your flour mills?

Mr. Durham: Partly for home consumption, but largely to the Orient.

The Secretary of the Treasury: Largely to the Orient?

Mr. Durham: Yes. You know, the Orient has become an increasing consumer of American wheat and flour.

The Secretary of Agriculture: You have heard the statement of these gentlemen from Montana saying that practically the unanimous sentiment of the bankers and business men there is that they ought to be connected eastward?

Mr. Durham: That is true, on their first choice. It is true that their products, as with the basic products of the whole northwest, have a trend to the east, either direct by rail or else by sea around to the seaboard, or else to England. If that were logically carried out, I suppose we should be connected with Chicago or New York, because undoubtedly the volume of movement of our raw products is to the east, and we in turn get their commodities, their

manufactured products, from the east.

The Secretary of the Treasury: I do not think it follows that you would be connected with Chicago or New York, because the bill expressly provides that there shall not be less than eight districts, and you could not possibly divide this country into less than eight districts, and that could not be done by including you with Chicago.

Mr. Durham: I am afraid you will have to do violence to the natural trend of business somewhere.

The Secretary of the Treasury: We will have to do the least violence under the Act.

Mr. Durham: Yes, that is true.

The Secretary of Agriculture: They say it would be doing great violence if you sent Montana westward.

Mr. Durham: It would not do as great violence as if you were to attach Idaho and Washington and Oregon to California .

The Secretary of the Treasury: That is not the point. It is how much violence it does to Montana. That is what we are thinking of now.

Mr. Durham: I have not been able to figure out, and have not found a banker who can figure out how it would do

violence to the interests or welfare of the people or business community. I think there is a banking interest concerned there that probably would figure to a considerable extent.

The Secretary of Agriculture: Suppose you were in Montana instead of in Spokane, where would you want to go?

Mr. Durham: I would want the most accessible point, it seems to me, beyond all question.

The Secretary of the Treasury: Suppose Montana were here demanding that Spokane should be annexed to them, you would rather feel, on the American Home Rule principle, that you ought to be allowed a voice in that yourself, would you not?

Mr. Durham: Well, if we had expressed a first choice for some other point and a second choice for still another point, I would not feel that any very great violence had been done us if we were given our second choice. I had hoped that you would ask of our Montana brethren here where their choice would be in case they were attached to a Pacific Northwest district and they had no option then as to where their choice would be.

The Secretary of Agriculture: Their second choices were given in the summary.

Mr. Durham: That was second choice and first choice, but it was not put to them upon the basis of where they would go if they were compelled to --

The Secretary of the Treasury: You mean as between Spokane and --

Mr. Durham: Portland, Seattle and San Francisco.

The Secretary of Agriculture: You heard the second choice of the gentlemen representing this community. Their second choice was for San Francisco, as a rule?

Mr. Durham: Yes.

The Secretary of Agriculture: What does that leave for Spokane?

Mr. Durham: What would Spokane's second choice be?

The Secretary of Agriculture: No, what territory does that leave for Spokane? Montana expresses her first and second choice for the Twin Cities and Chicago, and this section expresses as their second choice San Francisco.

Mr. Durham: Very naturally, if Seattle should express a preference for San Francisco, and Portland should go the same way, there would be no district left, and the tail would have to go with the hide.

The Secretary of the Treasury: This is a cattle country,

so that goes. (Laughter)

Mr. Durham: This is a cattle country. But it seems to me that this matter of the reserve bank is quite apart, so far as its service to the people and the communities and the interests of the people are concerned, from the trend of trade. It will have to be somewhere on the Pacific Coast, adjusted on that basis, because undoubtedly our movement is towards the east and we buy very largely in the east.

The Secretary of the Treasury: The question, as I said before, is what will do the least violence, and what will conserve the most convenience of these respective districts. That is really our problem, what will do the least violence.

Mr. Durham: Unfortunately, you will not leave that to my determination. I should say leave it to Spokane, and there will be no violence.

The Secretary of the Treasury: We would be very happy to leave it to you, but we cannot escape it.

Mr. Durham: I should be very happy to assume it.

The Secretary of Agriculture: To what extent is Spokane regarded as the financial centre of this section?

Mr. Durham: Mr. Secretary, we have a peculiar situation

here in the Pacific Northwest, and there is no recognized conceded financial centre in the Pacific Northwest, no place that holds the relation that San Francisco, for example, holds to Californian or Boston to New England, or Chicago with the interior. By reason of that fact, and the further fact that while none of us ~~was~~ <sup>is</sup> recognized as the financial metropolis, Spokane is recognized as the financial and commercial metropolis of the interior, between the Cascade Mountains and St. Paul, and by reason of the fact of its clear accessibility, its quick accessibility to an overwhelming majority of the member banks, if a district were constituted of these four Northwestern states, that fact, and the further fact of our very close adjacency to the basic agricultural and live stock and mining and a large part of the lumber production should necessarily be the controlling points of the decision.

The Secretary of the Treasury: On that question, it is not a question of the physical accessibility wholly that has to be considered here, but the question is accessibility with reference to the great volume of transactions which must be had between the member banks and the reserve bank itself. And you can see that that is a thing apart from

the mere railroad transportation or physical accessibility at the place where the reserve bank is to be located.

Mr. Durham: That is very true, and Mr. Brewer will speak more particularly with reference to the banking aspect, and he will follow me.

I was going to say we would have a seasonal proposition here, of activities beginning with the wool crop and the live stock movement --

The Secretary of the Treasury: You are speaking now of Montana?

Mr. Durham: Of the whole northwest, and that followed immediately by the movement of summer fruits and that in turn by the salmon run in the Columbia River and Puget Sound, and that would be followed by our hay harvest, which would come along about the same time; and after that, the general grain harvest. And the grain harvest here is different from that in the eastern states. For some reason our grain does not shatter after it ripens, and it can be allowed to stand in the field for weeks at a time. By reason of climatic differences, we will start our grain harvest in the Walla Walla Country in the latter part of June, and often we will not complete that grain harvest

until the latter part of September or well into October; it is a long process. The procedure of marketing is also extended, going into the winter and often over into the spring.

The Secretary of Agriculture: We will concede that you have a great diversity of interests, there is no debate about that.

The Secretary of the Treasury: Where do you keep your reserves now?

Mr. Durham: Mr. Brewer will speak upon the technical banking end of that, more particularly.

The Secretary of Agriculture: There is no debate about the diversity of your interests and about the enormous growth of your community.

The Secretary of the Treasury: Those facts have all been very thoroughly developed by other gentlemen, Mr. Durham.

Mr. Durham: Yes. I shall not go any further. I think that has been sufficiently covered. It seems to me that the addition of California and perhaps Nevada and Arizona to this district would not add any strength to a Reserve Bank. It would be as though you cooked another portion

for a very hungry man, and California has something of an appetite. Their basing industries are substantially those of ours. They have fruits, and they have oils, which we have not. They have no coal mining, which we have. So, upon the whole, their resources are the same. When we should be wanting reserves for the movement of our crops, they would be wanting reserves and they would be wanting them to a fuller extent than we should be wanting them. That, coupled with the fact that there is no identity of interests, there is no association of popular thought between districts so remote as those, with the further fact that California and the southwest, by its overload of capital and population, would dominate the system, as it necessarily would --

The Secretary of the Treasury: How could it, under the system of electing the directors from each part of the district.

Mr. Durham: By the bare fact that they will have more of the banks and more of the capital, and not only that, even if by any prospect --

The Secretary of the Treasury: The capital does not cut any figure here on this vote.

Mr. Durham: Well, they have a greater number of banks.

The Secretary of the Treasury: Because the banks are divided into three classes, under the Act.

Mr. Durham: But they have a greater number.

The Secretary of the Treasury: Would they have, as against Oregon and Washington, if California were thrown into that district? I do not know what the number of banks is as between the three states.

Mr. Durham: I think so. I have not seen the figures recently, but if you add Nevada and Arizona to California, I know they out-top us in population and are very much heavier in banking capital and I think in the number of banks.

The Secretary of the Treasury: You would be bound to get under this system a fairly representative Board of Directors of the entire district.

Mr. Durham: But it is not clear -- while Mr. Spangler is looking after that data --

The Secretary of the Treasury: We have it here in the Comptroller's report, and it is very much the same.

Mr. Durham: I should like to submit to you here the comparative area map. In these four Northwestern states

there are 496,000 square miles. If you blanket substantially that area over the west, we find the following states have 407,000 square miles --

The Secretary of the Treasury: Yes, we are familiar with that. That may be filed with the stenographer. Now, have you anything else to add.

(The map was accordingly filed.)

Mr. Durham: Coming down more particularly to Spokane's case, if I may present it in a very few minutes, I wish to say that the conditions here topographically and productively are unique upon the Pacific Northwest, in this, that while along the Atlantic seaboard and the Gulf seaboard and the California seaboard the agricultural production crowds down to the shore line, our coastal region is largely broken and mountainous --

The Secretary of the Treasury: On this hearing I think we have been pretty well posted on that, and I think if you will be good enough to file any maps you have simply as exhibits, so that the Committee can give them consideration at the proper time, it will not be necessary to go over that ground again.

Mr. Durham: The maps will require a moment's explanation,

and it will simplify it.

The Secretary of the Treasury: We are quite familiar with these physical characteristics anyway.

Mr. Durham: But this goes, if you will pardon me, into the region where the basic production of these four Northwestern states lies.

The Secretary of the Treasury: I think we are pretty well informed on that. I think the data we have had given to us, in addition to what we have had before, because we have been looking up this subject, as you can naturally imagine, and into the natural resources, will make it unnecessary to cover that ground. We do not want to cut you off if you have anything new to offer.

Mr. Durham: I do not want to be persistent, but I assure you this is new matter.

The Secretary of the Treasury: We will see what you have to offer.

Mr. Durham: To show you the value of farm crops as shown by the United States Census of 1910, \$146,000,000 lies east of the Cascade Mountains in these four Northwestern states, and \$44,000,000 west of the Cascades.

The Secretary of the Treasury: Now, that data, you see,

is all on the map, is it not?

Mr. Durham: It is on the map.

The Secretary of the Treasury: Yes, and I say if you will file these maps we will study them.

Mr. Durham: But it will require a little explanation as to the scheme of the map.

The Secretary of the Treasury: I think that is pretty clear upon the face of it. Let it be filed as an exhibit.

(The map was accordingly filed.)

Mr. Durham: I want to file here also a number of census charts, as illustrating the point that the productive area, so far as agricultural wealth is concerned, is along the interior here.

The Secretary of the Treasury: Yes, just file them as exhibits.

(The charts were accordingly filed.)

Mr. Durham: I do not want to trespass, but if I may present one more map as to the railroad situation?

The Secretary of the Treasury: Yes.

Mr. Durham: While we are waiting for that, I may say here is a corroborative map of the Columbia River basin, prepared by the Chamber of Commerce of Portland, which shows

incidentally, while not intended to, Spokane's superiority as a railroad centre, and the great network of branch lines which cover the agricultural region and the fruit region around Spokane. You can see as well how we compare with Portland and our neighbors in that respect.

The Secretary of the Treasury: Do you want to file that as an exhibit?

Mr. Durham: Yes.

The Secretary of the Treasury: That may be filed also.

(The map was accordingly filed.)

Mr. Durham: Here is one additional map, and then I am through. This is a map showing Spokane's railroad facilities, with lines drawn here of the hours of travel, one irregular circle showing six hours, another twelve, another eighteen and another twenty-four. In the twelve hour region would fall all the larger cities in the proposed district.

The Secretary of the Treasury: The key, I see, is on that map.

Mr. Durham: Yes. This gives the number of railroads and trans-continental lines.

(The map was accordingly filed.)

Mr. Durham: I should like to add something here in

connection with the fruit industry, as that has been touched upon. I want to say I have authentic data which I obtained from the Secretary and one of the directors of the North Pacific Fruit Distributors; that is a cooperative organization of fruit growers covering the four Northwestern states. Something like 134 local organizations are federated into that association.

There are now planted in these four Northwestern states 550,000 acres in apples. 425,000 of that acreage lies east of the Cascade Mountains. 70,000 acres of that, or 12-1/2 per cent, is now in bearing, and all of it will be in bearing in the next four or five or six years.

There was just one other map I wanted to call your attention to, so it will be understood a little later (laughter.) If you had not picked this up yourself, Mr. Secretary, I would have overlooked it. These are maps indicating the irrigation area of the four Northwestern states, and there is just a little data that is not shown there that I want to submit. All of that irrigated area, amounting to between four and five million acres, according to the census reports, lies east of the Cascade Mountains, It covers between 14,000 and 15,000 independent irrigation

undertakings. There will have been invested in those when completed \$152,000,000. There had been invested a year ago, according to the report of the Agricultural Department, \$90,000,000, of which the government itself had expended \$30,000,000.

The Secretary of the Treasury: Have you finished, Mr. Durham?

Mr. Durham: As to that Montana situation, as to one question asked by Mr. Secretary Houston, as to the developing trend of that business, I may say that since the decision of the Interstate Commerce Commission in the Spokane rate case, and more recently by voluntary reductions by the railroads, Spokane jobbers have been given territory which carries them to Billings, Montana, where they meet the St. Paul jobbers, and there is a growing and very large trade between Spokane and western Montana as far as the Billings line.

I just simply want to say in conclusion that our attitude is one of friendly cooperation with our sister cities on the Coast. We have identity of interest. We, above all else, feel the need of a district here that will serve these Northwestern states and their basic interests,

and in that spirit we have presented our claims here, believing that they will have that fair consideration which the shortness of the time here today will not permit us to have.

The Secretary of the Treasury: We shall certainly give it very thorough and serious consideration, Mr. Durham.

Mr. Brewer, we will hear you now.

STATEMENT OF THOS. H. BREWER.

The Secretary of Agriculture: Will you please state your full name, residence and occupation.

Mr. Brewer: Thomas H. Brewer, President of the Fidelity National Bank, Spokane.

The Secretary of Agriculture: You are familiar with the problem confronting us. Will you tell us what is in your mind.

Mr. Brewer: I want to say a word first, Mr. Secretary, about the balancing of this district. It has been stated by the Coast people that there is not much borrowing in this district. That is true of the Coast and it is true largely of Montana, but it is not true of eastern Washington, Idaho and eastern Oregon. In that district the report of

August 9th by the Comptroller shows that the banks in the district mentioned had re-discounts and bills payable of \$5,269,000, while west of the Cascades there was just a little less than \$1,000,000 of re-discounts. The Spokane banks had \$400,000 of the government crop moving fund at that time and eastern re-discounts of \$550,000. So that we contend that this is a well-balanced district. There will be deposits on one side and borrowing on the other side, so that a bank situated here would be profitable.

The Secretary of Agriculture: Where do you re-discount now?

Mr. Brewer: Largely in the east.

The Secretary of Agriculture: Why not in the west?

Mr. Brewer: The rates are less in the east.

The Secretary of Agriculture: Would you re-discount in the west, do you think, under other conditions?

Mr. Brewer: If the rates were equal, we would very much prefer to re-discount in the west.

The Secretary of Agriculture: Are they likely to be equal?

Mr. Brewer: Under the Regional Bank Act they may be, perhaps.

The Secretary of Agriculture: Do you think that will

change the whole system of interest rates?

Mr. Brewer: We feel that it will reduce the interest rates on re-discounts in the banks.

The Secretary of Agriculture: And below what the economic conditions might justify?

Mr. Brewer: No.

The Secretary of Agriculture: Would they not be different economically, anyway?

Mr. Brewer: I do not just catch the point.

The Secretary of Agriculture: Over the different parts of the country?

Mr. Brewer: Yes, the rates of interest are governed by the law of supply and demand, and in the west the rates have always been higher than in the east.

The Secretary of Agriculture: Do you think, then, you would re-discount in the west or in the east?

Mr. Brewer: We would probably be compelled to re-discount in the west if a Regional Bank were established here.

The Secretary of Agriculture: Would that necessarily follow?

Mr. Brewer: Not entirely. Probably the banks in the west would still continue to rediscount somewhat in the eastern

banks.

The Secretary of Agriculture: Now you were going to tell us more definitely about Spokane's claims.

Mr. Brewer: We claim that to put Spokane in the San Francisco district would have the same effect as putting Minneapolis as a branch of Boston, for instance, or Seattle with Denver. You probably remember how long it took to come from Denver to Seattle. It would take us just the same time to go from Spokane to San Francisco. In times of panic, when you wanted money hurriedly, if you had to go to San Francisco, you would have to get along without it.

The Secretary of Agriculture: Suppose you had a branch in Seattle or Spokane?

Mr. Brewer: If the branch had the same powers as the Regional Bank, well and good.

The Secretary of Agriculture: So far as the law goes, it has.

Mr. Brewer: We do not believe that in practical operation a branch bank would have the authority or the money that the Regional Bank will have, and that things will have to be referred to headquarters.

The Secretary of Agriculture: That is a matter of

regulation resting with the Federal Reserve Board, with a view to the necessities and demands of the situation. They are not going to do an unreasonable thing. We cannot assume that.

The Secretary of the Treasury: Here is Seattle asking for the Reserve Bank and Spokane is asking for it. Now each could not have it in any case; one or the other has got to have a branch, we will say. Would you think that the interests of this district would be better served by having that headquarters in Spokane and a branch in Seattle, or the reverse?

Mr. Brewer: Very much the first way (laughter.)

The Secretary of the Treasury: That is based upon a mere question of the local desire or pride, is it not, to be called the headquarters for this bank.

Mr. Brewer: Quite largely. Spokane has --

The Secretary of the Treasury: Now is not that just the spirit in which we cannot consider this important economic problem?

Mr. Brewer: I might say that Spokane entered into this matter because we felt that Montana was necessary to a Northwest district, absolutely essential to make the required

capital and business, and we felt that Montana might come to Spokane where it would hesitate to come to the Coast,-- seven hours, for instance, from Kalispel and from Missoula to Spokane.

The Secretary of the Treasury: Now you have heard what the Montana people have had to say about that. In view of their testimony would you think it fair to force them into a district to the west?

Mr. Brewer: I do not know whether you have ever taken polls or not; but as to second choice, I can go into Montana and in a week I can get a poll there which will show at least half the banks of Montana favor Spokane as second choice.

The Secretary of the Treasury: We are speaking of first choice now; that is the important question, of course.

Mr. Brewer: No doubt they prefer to go east, but we contend that the Federal Reserve Bank is a reserve bank for keeping reserves. We contend it is not necessary for the Montana people to do even a majority of their business with a reserve bank. They can carry their accounts and send their business east as they have always done, but keep their reserves in the Reserve Bank, and in times of panic

of re-discount or crop moving, they have a bank very close to them.

The Secretary of the Treasury: For re-discount and exchanges and clearances, because the bill goes further than a mere re-discount operation; the question of bank clearances has to be considered.

The Secretary of Agriculture: What are the facts in reference to Spokane, as to interest on balances?

Mr. Brewer: The interest paid on bank balances is two percent, the same as the other Northwestern banks.

The Secretary of Agriculture: Is your practice the same as to check collections?

Mr. Brewer: Yes.

The Secretary of the Treasury: Free check collections?

Mr. Brewer: Where there is a justifying and compensating balance, as it is called; otherwise not.

The Secretary of the Treasury: That generally means free, does it not?

Mr. Brewer: In half the cases or perhaps a little more.

The Secretary of the Treasury: Where do you keep your reserves?

Mr. Brewer: The Spokane banks keep their reserves very

largely in New York and Chicago.

The Secretary of the Treasury: What is the division between the two?

Mr. Brewer: New York has a little more balances of the Spokane banks than all of the other balances, outside of Chicago or St. Louis.

The Secretary of the Treasury: Why is that?

Mr. Brewer: Well, it is probably artificial, as was stated this morning by Mr. Backus. It is because the law compels us to keep our money in central reserve cities.

The Secretary of the Treasury: It permits you to count balances in central reserve cities as part of your resources. It does not compel it. Do you keep it there for exchange purposes largely, or merely to get the interest rate?

Mr. Brewer: Both. There is a demand at all times for New York exchange, and they pay interest also on the deposits.

The Secretary of Agriculture: What would be your second choice, Mr. Brewer?

Mr. Brewer: If there is no bank established in the Northwest, I presume, as a matter of Pacific States pride, we would prefer going to San Francisco.

The Secretary of Agriculture: What cities in the Northwest other than Spokane should you care to express a preference for any one of those?

Mr. Brewer: Seattle and Portland are both an equal distance from Spokane. As a matter of state pride, I presume we would prefer Seattle, just as a state sentiment.

Now I would like to state our balances in San Francisco as compared to the other points. The balances in San Francisco of all the Spokane banks are \$126,000. In New York, 41,567,000. Chicago is about half New York and St. Paul-Minneapolis about three-fifths of Chicago, and so on down the line. Our remittances show about the same tendency.

The Secretary of the Treasury: Assuming these banks are organized and you are attached to the San Francisco district, your exchange, or San Francisco exchange, we will say, would pass at par. That would result in the natural transfer of those New York balances to San Francisco, would it not?

Mr. Brewer: Somewhat.

The Secretary of the Treasury: I am speaking of your exchange balances. Would it not suit you just as well?

Mr. Brewer: The balances carried in the Reserve Bank

would depend on whether or not it pays interest.

The Secretary of the Treasury: Of course, the reserve banks do not pay interest; but I am talking about the compensating advantage, probably, in getting exchange, and the parring of exchange between these banks, making it unnecessary to carry balances in the cities which now have the preference.

Mr. Brewer: If the Reserve Bank does not pay interest, it is my opinion that the reserves will be kept at the minimum in the Reserve Bank, and the excess reserves will be kept in banks which do pay interest, and when you want to replenish your reserve in the Reserve Bank, you would send a draft on one of your other correspondents, and vice-versa.

The Secretary of the Treasury: Well, there is something in that, of course.

Mr. Brewer: Now I have prepared some figures showing the amount of business that a bank in the Northwest would have, if you would be interested in that.

The Secretary of the Treasury: Yes, proceed.

Mr. Brewer: The deposits of national banks in the Northwest, the four states, are \$236,000,000; state banks \$233,000,000. The reserve requirements of the national

banks would be approximately \$32,000,000, and figuring that one-half of the state banks would come in, and I think that is a fair assumption, I think there will be far more than half, but figuring one-half of them come in, the reserve requirements would be \$14,600,000, or a total legal reserve in the banks of the Northwest \$46,600,000. One-half of it kept in cash in the vaults and one-half in the Reserve Bank, which I think is a fair statement, would leave the deposits then of --

The Secretary of the Treasury: But your statement made a moment ago would seem to contradict that, that if the Reserve Banks did not pay interest you would keep with them the minimum deposit required by the Act.

Mr. Brewer: That is true, but for instance, in --

The Secretary of the Treasury: That would reduce the resources of the Reserve Bank materially.

Mr. Brewer: My statement is that half would be kept in cash in the vault and perhaps half in the Reserve Bank for currency shipments and exchange purposes. In talking with other bankers I think that is a fair assumption. That is the assumption of the law at present, that in reserve cities half the reserve must be in cash in the vault and half may

be with banks in central reserve cities, so I think that practice will be largely followed. That would make a deposit, then, in the Federal Reserve Bank of the Northwest of \$23,000,000, of which the Reserve Bank would be required to keep 35 per cent, or a little over \$8,000,000, leaving deposits or loanable funds of \$15,000,000. To that would be added the capital of \$4,000,000, or a little over \$19,000,000 of loanable funds in the Reserve Bank in the four states. To that would be added whatever government deposits the Secretary of the Treasury made with the Reserve Bank of the Northwest. You would also add the borrowing power from the other banks, and you would also add to it the note issuing power, so that a bank in the Northwestern states would have ample deposits to do all the business that is required; in fact most of the time they would have money to loan to the eastern reserve banks.

The Secretary of Agriculture: Will you file that with the reporter, Mr. Brewer?

Mr. Brewer: Yes, sir. Now I also prepared figures as to the available capital of a Northwestern banks as shown by Mr. Latimer's figures --

The Secretary of the Treasury: You are covering the same

four states?

Mr. Brewer: Yes. Six per cent of the national banking capital, \$6,252,000, and again assuming that half the state banks will join --

The Secretary of the Treasury: How many state banks in this territory are eligible to membership, have you figured that out?

Mr. Brewer: Yes, sir.

The Secretary of the Treasury: That is, eligible under the Act?

Mr. Brewer: There are 364 in the four states that are eligible, and 362 that are not eligible. But of that 362, 126 are banks of more than \$20,000 capital, one-third of them, and it would be very easy for them to make the required \$25,000.

The Secretary of the Treasury: Of course, the question arises here to what extent these banks have power under their state charters to subscribe to this system.

Mr. Brewer: As Governor Lister said --

The Secretary of the Treasury: He spoke for Washington, but I am thinking of Idaho, Oregon and Montana.

Mr. Brewer: That will be remedied at the next session of

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the Legislature in every state in the union, I think, I am sure it will be in the Northwest.

The Secretary of the Treasury: Of course, this Committee has to act pretty quickly, and if we are to go on the assumption you are presenting to us we have to know that they are reasonable. As to the state banks, it seems to me it is a rather violent assumption to take it that half of them would come in right away, especially if there are legal impediments in the way of their subscribing to the system.

Mr. Brewer: What do you mean by right of way?

The Secretary of the Treasury: We have got to organize these banks very shortly. We hope to accomplish this within a few months, anyway. It is not to be expected that if there are difficulties in the laws of these different states, that those laws can be altered within the time that we will render a decision upon this question.

Mr. Brewer: By the time you are ready to organize the banks, before the final payment is due under the law, every national bank and state bank of the four Northwestern states will be eligible to join, in my opinion.

The Secretary of the Treasury: But the law requires us to organize these banks with a minimum of \$4,000,000 capital

and we will know within 60 days what the absolute capital is to be for distribution among these districts.

Mr. Brewer: Would you be willing to give us of the Northwest say 60 days to canvass the state banks and see if we cannot raise enough?

The Secretary of the Treasury: The question is whether they have the legal right.

Mr. Brewer: Suppose they nationalize. A great many are going to do that now. I know of three banks in our particular district that are going to do that,

The Secretary of the Treasury: Of course, there is no objection to those applications. They ought to send them in as rapidly as they can, and they have the right now to make the applications and present them to the Organization Committee; and as a matter of fact the Committee is sending to all the state banks in the country the form of resolution and the formal action necessary to be taken by them to acquire membership in the Federal Reserve system; so they will have an opportunity to express their opinion within the time required.

Mr. Brewer: That is very true, but a great many of them take the stand that it is not necessary to hurry, that the

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national banks have to hurry and the state banks do not.

The Secretary of the Treasury: Exactly, and that is the reason the Committee cannot assume they will come in within the time we have to consider this proposition.

The Secretary of Agriculture: Have they considered the further fact, that unless they do take steps to come in they will have no voice in the selection of the first directors?

The Secretary of the Treasury: And officers.

Mr. Brewer: I do not think that has been considered very much by the state banks, but I think it is an entirely safe assumption that three-fourths of the state banks which are eligible will join this system within two years.

The Secretary of the Treasury: You would not have us postpone action so long, would you?

Mr. Brewer: I think that assumption can be made as safely as a man who is building a building will say he will get tenants for it, or as the man who built the Hudson Tunnel would say, people would desert the ferryboats and go to the tunnel. I think the assumption is just as safe in one case as in the other.

The Secretary of the Treasury: Well, in the one case there was no law compelling action within a given time, and

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here there is a law compelling us not to proceed upon assumptions but upon a definite basis, so we are a little bit handicapped.

Mr. Brewer: Yes, but the law permits you to throw the subscription open to the public, and as has been stated, the public would grab at the chance to subscribe to the Federal Bank, and I think it is up to the Secretaries, because the capital can be easily subscribed in the Northwest.

The Secretary of the Treasury: Well, the interpretation of the Act may not be as you put it exactly. However, you may proceed with your statement.

Mr. Brewer: I wanted to state in behalf of Spokane that, as has been stated, Spokane is the geographical centre of the territory. Within 12 hours of Spokane are all the large banks of the district. In times of panic, as for instance we had in 1907, if a bank should discover that there were clouds in the horizon, and they wanted funds in the afternoon, they could wire the Federal Reserve Bank in Spokane and the next morning, in three-quarters of the district, they could have the money to do business. It seems to me that is a strong point in favor of the location

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of the bank there. East of the Cascade Mountains are three-fifths of the banks of the territory, and two-fifths are west of the Cascades. Spokane is the farm mortgage centre of the Northwest. There are now held by Spokane mortgage companies \$27,000,000 of Mortgages, and the annual business handled in Spokane is something over \$7,000,000. If a Regional Bank were established at Spokane, for instance, the directors of that bank, as has been pointed out, would be men who are familiar with the needs of the district. They are familiar with the lumber; and there is lumber industry in all of the four states. They are familiar with the grain, because there are grain interests in all the four states. They are familiar with horticulture, because fruit is raised in all four states.

The Secretary of the Treasury: Would not that be true if you had the bank at Seattle?

Mr. Brewer: That part of it would apply perhaps as well, except that the Seattle people know very much less about the interior than the interior people know about the coast (laughter)

The Secretary of Agriculture: But your directors would be drawn from the entire district.

Mr. Brewer: That is true. I was talking th the cashier of a Seattle bank yesterday who has been cashier of a bank here for twenty odd years, and he said he had been in Spokane once in that time. He knows nothing about the interior.

The Secretary of Agriculture: And yet you want to take it eastward, and they do not go there.

Mr. Brewer: They should be acquainted with the state.

The Secretary of the Treasury: He betrays an extraordinary lack of appreciation of Spokane, doesn't he?

Mr. Brewer: Yes, indeed. Spokane, as you of course know, has grown, in common with the rest of the Northwest. The deposits ten years ago were \$5,000,000 and now they are \$31,000,000. The city has grown from 37,000 in 1900 to 104,000 in 1910. The interior district has grown in this same proportion. And we feel that with Montana in the Northwest district more banks could be served quickly and economically from Spokane than any other part of the district; that it will cost a small bank a good deal of money to go to the Federal Reserve Bank with its re-discount, if it is located away off in one corner of the district, while if it is located conveniently, where they can take a night train and in the morning be at the Federal Reserve Bank

the expense both of time and of money is very little.

The Secretary of the Treasury: Have you anything else to suggest?

Mr. Brewer: I have a few maps I would like to file, showing the situation (laughter).

The Secretary of the Treasury: Just file them.

Mr. Brewer: I would like to say in defense of our maps, that it was impossible to get the Secretaries to stop at Spokane. We do not know that they know a thing in the world about Spokane except what we tell them, and so we show them maps of the district and then they will see at a glance quicker than they could by a whole half day of testimony.

The Secretary of Agriculture: I am very fond of maps.

The Secretary of the Treasury: We like maps, really, I prefer to have the, because they really illustrate points and bring them out more forcibly, frequently, than anything else.

(The maps were accordingly filed.)

Mr. Brewer: I would like to make one further suggestion, that you remember, in attaching the Northwest, particularly Spokane, to San Francisco or to the east, that it is very much easier to go from Minneapolis to Boston, it takes 11

hours less time to go from Minneapolis to Boston than to go from Spokane to San Francisco, and further than that, you have your choice of six or eight different railroads, while here we go over one road which goes over mountains which are frequently blocked in winter.

The Secretary of the Treasury: Notwithstanding, you are willing to take San Francisco as your third choice?

Mr. Brewer: We feel that in that case we will not get anything like the use of the Reserve Bank that we would if it were located somewhere else. And we felt that the purpose of this Act was to put the banks where they were close of access. It was frequently stated on the floors of Congress that they would be located so that no bank would be more than 24 hours from the Regional Bank, and in the case of San Francisco it would be 48 hours.

The Secretary of the Treasury: We do not recall, at least I do not recall, that statement, but however that may be, it would not be binding on the Committee, of course.

Mr. Brewer: There are a good many statements made in Congress, of course.

The Secretary of the Treasury: Have you anything else to offer?

Mr. Brewer: No.

The Secretary of Agriculture: I might say to you, Mr. Brewer and Mr. Durham, that if there is anything else you desire to submit, in view of what has been said here, we will be delighted to have you file anything in the way of a brief.

STATEMENT OF G. C. CORBALEY.

Mr. Corbaley: There is just one point I wish to make, and this is not as to any section, but as to the claim for a Northwestern bank. As you know, the question of the Northwestern bank is a pretty serious business to the business interests of this country. Oregon, Washington and the northern part of Idaho, so far as we know, are very determined that they want a Northwestern bank. Mr. Brewer brought up the matter of interesting state banks in this system. That has been talked in all the banking centres, and I think that the state banks and the general disposition of the state banks is to go into a Regional Bank, and of course, naturally, a Northwestern Bank, which is the angle from which we have talked.

Now the point is this. Apparently, that is inferentially

from the questions you have asked, you gentlemen are up against a problem to begin with, that there is insufficient capital in the Northwestern district to finance a bank, and that is that Montana objects to going with the Northwest the three states which want to go in with her; that is inferentially, and that as an assertion of your feeling, the three states are to be put where they do not want to go. That, we believe, by reason of our balances and resources, is going to do violence to our finance. We may be wrong about it. That is a matter which can only be worked out with the development of the Act. But our banking interests feel as a rule that it is very much to ~~the~~ the business interest of the Northwest that there be a Northwestern district, and the state banks, 75 per cent of them, in the larger centres are disposed to go into the system, either by nationalization or by the state authority.

If your disposition is to establish a Northwestern bank, providing there is \$4,000,000 capital, or practically so, if that could be indicated to the Northwestern states I think there is no question whatever about the immediate subscribing of a great many of these banks. Whereas, while the matter is up in the air, they are disposed to let it

## G. C. Corbaley

drift. The capital is here. There is no use of going to these men and putting up to them the situation, if a Northwestern bank cannot be created. But if it is practical to create a Northwestern bank with \$4,000,000 capital, that capital can be secured from the state banks and by the national banks. There is no question in the minds of the banking interests of the Northwest but what the district can finance itself and the stock be taken.

The Secretary of the Treasury: These state banks have their opportunity now to say whether they will come in or not, because the Committee has sent to them, as I said before, and probably they are receiving them now, the formal action they must take in order to get into the system.

Mr. Corbaley: Their disposition is very different toward a bank that they will believe in rather than toward a branch bank giving service over one line of rails between here and San Francisco, where no business is being done, and over a branch line that runs through mountains, and that is stopped by snow in the winter.

The Secretary of the Treasury: All the national banks are joining without knowing where they are to be put.

Mr. Corbaley: And the state banks have a leeway and

naturally they will take it.

The Secretary of the Treasury: Yes, and I suppose, until the laws of the different states have been settled affirmatively as to their right to subscribe, they will take that attitude.

Mr. Corbaley: The disposition is to act much more rapidly than that, I think.

The Secretary of the Treasury: Naturally, they cannot subscribe until they get the legal right.

Mr. Corbaley: Well, that was the only point in connection with it. The state banks are disposed to go in, but if they are to be tied in with San Francisco, they will not have the disposition to go in that they would if the bank were located in the Northwest.

#### STATEMENT OF A. K. KELLER.

The Secretary of Agriculture: You may state your full name, Mr. Keller, and your occupation.

Mr. Keller: A. K. Keller, Weiser, Cashier of the First National Bank.

The Secretary of Agriculture: What are your wishes in this matter? What do you represent?

A. K. Keller

Mr. Keller: I can only say that I am representing our own institution, and I have not any credentials here from any other.

The Secretary of Agriculture: Is it a state or national bank?

Mr. Keller: The First National Bank.

The Secretary of Agriculture: How many banks have you?

Mr. Keller: Three banks in the town, two national and one state.

The Secretary of Agriculture: What is your view on this subject?

Mr. Keller: Well, we take this position, that the country west of the Rocky Mountains is large enough for two Regional Banks. We concede that one of them must, of necessity, go to San Francisco, and we would like to see the other one in this Northwest territory.

The Secretary of Agriculture: You are an advocate of a Northwest Regional Bank?

Mr. Keller: Yes.

The Secretary of Agriculture: Where would you like to see it located?

## A. K. Keller

Mr. Keller: We think if there are to be two, one on the coast is sufficient. We live in this great intermountain district between the Rockies and the Cascades, a country which has its own peculiar conditions, and we believe we would be better served by a bank located within the intermountain district.

The Secretary of the Treasury: Where, for instance?

Mr. Keller Well, Spokane, for instance. Now I might say this, that southern Idaho originally was a sage brush country that has been brought under cultivation by the irrigation system. Originally it was a large stock, sheep and cattle country. The sheep and the wool are shipped east. The cattle and hogs go west and northwest. We are now growing into more of a farming country. We raise a great deal of fruit and in the last year that has been financed at Spokane to a great extent and shipped through a Spokane agency. Some of this, however, has gone through Portland.

We have little or no business connections with San Francisco. The wholesaling that is done in our section is perhaps divided up into a great many different sections. Spokane, Portland, Salt Lake City, Omaha and Chicago sell in our territory.

## A. K. Keller

The Secretary of the Treasury: What would be your second choice?

Mr. Keller: Well, almost any city in the Northwest.

The Secretary of the Treasury: I understood that any city in the Northwest would be your first choice.

Mr. Keller: Spokane is our first choice.

The Secretary of the Treasury: What would be your second choice, outside of the Northwest, I mean; would it be Denver or Salt Lake City or San Francisco?

Mr. Keller: Well, we have no business in common with Denver. I am at a little of a loss to know. Possibly, on account of its being west of the Rocky Mountains we should say San Francisco, although we have a great deal more business and are better acquainted with Chicago or some other point east than we would be with San Francisco.

The Secretary of Agriculture: How would you get to San Francisco?

Mr. Keller: We would have to go either by way of Ogden and then west, or to Portland and then south. We are about 14 to 16 hours from Portland, and I am not posted as to the time, but I think it is nearly 48 hours from our town to San Francisco.

A. K. Keller

The Secretary of the Treasury: How long does it take to go to Spokane?

Mr. Keller: We are about the same mileage from Weiser to Spokane as from Weiser to Portland.

The Secretary of the Treasury: But you do not get the connections, do you?

Mr. Keller: Not under present conditions, quite as good connections. We are a little closer, by a few hours, to Portland, on account of the present railroad conditions. We are looking forward, however, to having a much shorter distance to Spokane.

The Secretary of the Treasury: Where do you keep your reserves now?

Mr. Keller: New York, Chicago and Spokane, and we have to carry a Portland account.

The Secretary of the Treasury: A Portland account?

Mr. Keller: Yes.

The Secretary of the Treasury: Where do you carry the bulk of your reserves?

Mr. Keller: I should say Chicago.

The Secretary of the Treasury: What percentage of them are there?

A. K. Keller

Mr. Keller: Possibly 30 per cent.

The Secretary of the Treasury: How much in New York?

Mr. Keller: Possibly -- well, we will say 35 per cent in Chicago and 25 per cent in New York.

The Secretary of the Treasury: That is 60 per cent.

Where is the rest?

Mr. Keller: The rest would be divided between the western accounts.

The Secretary of the Treasury: 20 per cent in Spokane and 20 per cent in Portland?

Mr. Keller: Possibly that would be a fair break.

The Secretary of the Treasury: Possibly?

Mr. Keller: Yes. I have not figured that out, but I am giving you an estimate that that would be a fair division.

The Secretary of Agriculture: Do you know the attitude of the other banks in your city?

Mr. Keller: No, I could not speak as to that. Of course, the state bank is not considering it at this time, on account of the State Banking Law, which does not permit them to invest more than five per cent of their capital in stock of other corporations, and until the law is changed I do not think that they are considering it.

The Secretary of Agriculture: Is there anybody here that can speak for Idaho as a whole?

Mr. Keller: Mr. Thomson of Lewiston is the president of the State Bankers' Association, and I think he has gotten into communication with a number of the banks. I think southern Idaho is somewhat divided, however, as to their location. I could mention possibly a few other locations which favor Spokane, but it is just from personal conversations with the local bankers, and I am not prepared to speak for them.

The Secretary of Agriculture: Perhaps if we could hear from Mr. Thomson, he could throw some light on the question.

Mr. Keller: Yes, I think he could give you that information.

The Secretary of Agriculture: Mr. Thomson.

#### STATEMENT OF WM. THOMSON.

The Secretary of Agriculture: You may state your full name, residence and occupation.

Mr. Thomson: William Thomson, President of the Lewiston National Bank, and I am president of the Idaho Bankers' Association.

The Secretary of Agriculture: You are just on the northwestern line of Idaho?

Mr. Thomson: Yes, on the line between Washington and Idaho, on the Snake River.

The Secretary of the Treasury: How many banks are there in your city?

Mr. Thomson: We have four banks in Lewiston.

The Secretary of the Treasury: State or national?

Mr. Thomson: Three national and one state.

The Secretary of the Treasury: What is your view of this problem that we are discussing, and your wish? Do you represent, may I ask, any association or body?

Mr. Thomson: I am president of the Idaho Bankers' Association. As an association we did not take this matter up, but personally I sent out telegrams to about 50 banks in the state, both national and state, asking what their desire was as to the formation of a Northwestern district, without regard to where the reserve centre would be. Practically all the banks in Idaho wish to be in this proposed Northwestern district, providing sufficient capital could be had so that we could have a district. There were three of them that stated that they desired to be tied on to additional

states, embracing seven states, with San Francisco as the centre.

The Secretary of Agriculture: Did you say you sent out a letter to these banks?

Mr. Thomson: I sent a telegram.

The Secretary of Agriculture: Could you file a copy of that telegram?

Mr. Thomson: I can, and also their replies. I have them with me.

The Secretary of Agriculture: We would be very glad if you would do that. Have you it with you, so we could see the telegram?

Mr. Thomson: In the telegram I just asked the question whether they were in favor of a Northwestern region embracing the four Northwestern states, and I have the replies.

The Secretary of the Treasury: You did not give them the opportunity to express themselves on any other question?

Mr. Thomson: No, I did not ask them the question. Here are some of the replies.

The Secretary of the Treasury: Let us see the telegram that you sent.

Mr. Thomson: I have not got it with me. This is all it was: "Are you in favor of the Northwestern district embracing the four Northwestern states?" A few of them expressed in the telegram their preference for a location. For instance, I have the Caldwell Commercial Bank, and they favor the seven states,

The Secretary of Agriculture: With San Francisco as the headquarters?

Mr. Thomson: With San Francisco as the headquarters, and if the four North states are to be separated, they favor Portland. Now in the southern part of the state the trend of business is mostly toward Portland, and the banks in the southern part of the state, I know, from having communicated with them, favor Portland. In the northern part of the state the banks are practically unanimously in favor of Spokane. In Lewiston 60 per cent of our business is done with Spokane, 24 per cent is with Portland, 4 per cent with Seattle, 2 per cent with San Francisco, and only 10 per cent with eastern points.

The Secretary of Agriculture: How far are you from Spokane?

Mr. Thomson: Seven hours.

The Secretary of Agriculture: Do you know what the view of the bankers and business men in southern Idaho is with reference to the eastern points?

Mr. Thomson: The attitude of practically all of southern Idaho is in favor of the Northwest, if a bank of sufficient capital can be had, but they are divided as to the place. Southern Idaho will mostly support Portland. In the territory where I am, on account of ease of access, we prefer Spokane, and the bulk of our business is with Spokane.

The Secretary of Agriculture: Suppose it were found to be impossible to locate one of these Reserve Banks in the northwest, what would be the choice of Idaho?

Mr. Thomson: San Francisco.

The Secretary of Agriculture: Rather than an eastern point?

Mr. Thomson: Rather than an eastern point, providing we could have an accessible branch in the northwest.

The Secretary of Agriculture: In case a Regional Bank were not established in the Northwest, where would you want a branch? Your first choice would be Spokane?

Mr. Thomson: My first choice would be Spokane, and my second choice Portland. And the banks in the region

where I am, their second choice, we have about five counties that do business through Lewiston, and we are sort of a clearing house for them, and they would favor Portland, because it is easier of access.

The Secretary of Agriculture: Where does Idaho do the great volume of its business?

Mr. Thomson: The business in Idaho -- we have \$23,500,000 which comes in from the mines, and that is from the Coeur d'Alenes. The grain is a little over \$21,000,000. That is all practically shipped to the coast.

The Secretary of Agriculture: To this coast?

Mr. Thomson: Yes, and most of it goes to Portland.

The Secretary of the Treasury: How about the products of the mines?

Mr. Thomson: Mr. Tinkle is from the mining country and he will follow me. We have about three and a half million dollars of potatoes that are shipped to various places, and \$17,000,000 in live stock. A good deal of the live stock is shipped to Portland, some to Seattle, some to Spokane, and some of it to the east, to Omaha.

The Secretary of the Treasury: What percentage should you say comes west?

Mr. Thomson: Of the live stock?

The Secretary of the Treasury: Yes.

Mr. Thomson: Well, in the district where I am, and on account of the railroad facilities, practically all of it goes west. In southern Idaho a good deal of it goes to Omaha.

The Secretary of the Treasury: And Denver?

Mr. Thomson: Some of it to Denver, yes. We have \$17,000,000 coming from Live stock, and \$11,000,000 from lumber, and \$2,500,000 from chickens.

The Secretary of Agriculture: Will you file with us any matter in addition? Have you anything in addition to those telegrams?

Mr. Thomson: No.

The Secretary of Agriculture: Will you kindly let us have the telegrams that you received.

Mr. Thomson: Yes.

(The telegrams above referred to were then filed by Mr. Thomson.)

(The following is a copy of telegram sent by Mr. Wm. Thomson to the bankers of Idaho.)

"Do you favor formation of a Northwest Regional district embracing four Northwestern States.

Wm. Thomson."

(To which the following are some of the replies.)

"Favor Seven States West Rocky Mountains centered in Frisco if four Northwest States to be separated favor Portland center. Caldwell Com'l Bank."

"At Clearing House meeting held today Boise Banks passed resolution favoring Reserve Bank for Northwest States, to be located at Portland and are sending representatives to meet with Board the Thirtieth. I. H. Parsons."

"We are in favor of the establishment of a Northwest Regional Reserve District embracing Four Northwestern States. Wallace National Bank."

"Yes. Bank Camas Prairie, Grangeville, Idaho."

"Yes, if possible to get it. First National Bank, Wallace, Idaho."

"We are in favor of the establishment of the Northwest Regional Reserve District embracing four Northwest States. Farmer State Bank, Perce, Idaho."

"We are in favor of the establishment of a Regional Reserve District embracing the four Northwest States. Idaho State Bank, Ilo, Idaho."

"We are in favor of Northwest Regional Reserve district. First National Bank, Cottonwood, Idaho."

"Yes, have endorsed Spokane for location. First National Bank of Nampa, Idaho."

"Have already endorsed the creation of such a district with Spokane as seat of the Regional Bank; if this cannot be accomplished would recommend Idaho, Washington and Oregon joining San Francisco with a branch bank to serve three Northern States. First Trust & Savings Bank, Moscow, Idaho."

"Answer yes to your telegram yesterday. First National Bank, Fayette National Bank, Fruitland State Bank, Fayette, Idaho."

"Answering your telegram we are decidedly in favor of a Northwest Regional Reserve District embracing four Northwestern States. First National Bank of Moscow, Idaho."

"In answer to your telegram this Bank would say yes in large letters. First National Bank, Weiser, Idaho."

"We are in favor of a Northwest Regional Reserve district. Union State Bank, Nezperce, Idaho."

"Are waiting further development before deciding definitely. If sufficient capital can be obtained to make such banks one comparative strength usefulness and dignity, we are. If this cannot be accomplished we had better include California, Nevada, Utah; if four Northwest States we favor Portland for location. First National Bank, Grangeville, Idaho."

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STATEMENT OF F. W. TINKEL.

The Secretary of Agriculture: Mr. Tinkel; we will hear from you now. You may give your full name, residence and occupation.

Mr. Tinkel: F. W. Tinkel, President of the First National Bank, Coeur d'Alene, Idaho.

The Secretary of Agriculture: Do you represent any association?

Mr. Tinkel: I come with a resolution from the Coeur d'Alene Clearing House Association.

The Secretary of Agriculture: How many banks have you there?

Mr. Tinkel: We have four banks in Coeur d'Alene.

The Secretary of Agriculture: State or national?

Mr. Tinkel: Two state and two national.

The Secretary of Agriculture: Do all the banks belong to the Clearing House Association?

Mr. Tinkel: Yes, sir. Would you care to look at the resolution?

The Secretary of Agriculture: Just read it to us, if you will.

Mr. Tinkel: (Reading):

RESOLUTION.

WHEREAS under a recent law enacted by the Congress of the United States, provision was made for not more than twelve regional banks to be distributed throughout the various states, the purpose being to select such locations as to accommodate the greatest number of people;

AND, WHEREAS, the City of Spokane, in the State of Washington, is so located as to be easily accessible from all points in the Pacific Northwest;

THEREFORE, Be it Resolved that the Coeur d'Alene Clearing House Association unqualifiedly endorses the City of Spokane as the logical location for the Regional Bank for the Pacific Northwest;

AND, BE IT FURTHER RESOLVED that said Clearing House Association respectfully requests an unbiased investigation and consideration of the authorities as to the claims and merits of Spokane as the logical location for a Regional Bank.

Dated at Coeur d'Alene, Idaho, this 27th day of January, 1914.

Coeur d'Alene Clearing House Association,

By Ross Black, President.

Ira H. Shally, Secretary."

The Secretary of Agriculture: How far are you from Spokane?

Mr. Tinkel: 33 miles.

The Secretary of Agriculture: What is the volume of business at your city?

Mr. Tinkel: In the banking business, you mean, with Spokane?

The Secretary of Agriculture: The mining business.

Mr. Tinkel: Well, Mr. Thomson stated I was in a mining country, but he is really mistaken, because our city and county are not in a mining country, like the country known as the mining country, which is really located at Shoshone

county, although I have the expression from all the banks of Shoshone County as to their preference for the location of a Regional Bank.

The Secretary of Agriculture: Where is that business financed?

Mr. Tinkel: Their statements made to me show that by far their largest balances are in Spokane banks.

The Secretary of Agriculture: Your first choice is for a Northwestern district with Spokane as the centre?

Mr. Tinkel: All the banks in those two counties, 18 in number, decidedly want a Northwestern bank embracing the four states, with Spokane as the banking point.

The Secretary of Agriculture: What would be your second choice?

Mr. Tinkel: The Second choice would be Seattle.

The Secretary of Agriculture: And your third?

Mr. Tinkel: I presume that would be San Francisco.

The Secretary of Agriculture: You endorse what has been said about the section in general, but endorse Spokane as the location?

Mr. Tinkel: Yes, sir.

The Secretary of Agriculture: Is there anything else

you wish to present?

Mr. Tinkel: I presume you would not probably care to have these figures read, in regard to the amount of bank balances carried by these 18 banks with the cities under consideration.

The Secretary of Agriculture: Yes, you may do that.

Mr. Tinkel: I will state these figures were furnished to me by the banks themselves. I will just read the totals. It shows average bank balances carried in banks in Spokane to be \$640,000. Drafts drawn per month by these banks on Spokane \$2,148,335. At Portland the average balances carried by these 18 banks are \$71,000.

The Secretary of Agriculture: As against \$640,000 in Spokane?

Mr. Tinkel: \$640,000. Drafts drawn per month on Portland \$113,335. Average balances carried in Seattle \$19,000.

The Secretary of Agriculture: Your connections are principally with Spokane?

Mr. Tinkel: Yes. Drafts drawn on Seattle \$35,500. Minneapolis or St. Paul \$22,000 balances and drafts drawn per month \$25,000. Average balances in San Francisco \$30,500 and drafts drawn per month \$39,500.

The Secretary of Agriculture: Please file that, Mr. Tinkel.

(The paper was accordingly filed.)

STATEMENT OF T. J. HUMBIRD.

The Secretary of Agriculture: Mr. Humbird, please state your full name, residence and occupation?

Mr. Humbird: T. J. Humbird, President of Humbird Lumber Company, Sand Point, Idaho.

The Secretary of Agriculture: How far are you from Spokane?

Mr. Humbird: 69 miles.

The Secretary of Agriculture: What business or industry do you represent?

Mr. Humbird: Lumber interests. We are manufacturers of lumber.

The Secretary of Agriculture: You are economically a part of Spokane, are you not?

Mr. Humbird. I would say so.

The Secretary of Agriculture: Can you give us any additional facts bearing on this problem, Mr. Humbird?

Mr. Humbird: Along what particular line, would you say?

The Secretary of Agriculture: Well, what do you desire to

suggest to the Committee?

Mr. Humbird: As representing the lumber industry of Idaho, which covers the northern part of the state, the southern part not being timbered, our preference would naturally be for Spokane, largely because of its convenience and then because our operations are financed very largely by Spokane banks.

The Secretary of Agriculture: Where does your lumber go?

Mr. Humbird: Our lumber practically all goes east, a portion of it going into almost all of the eastern states. I will say further that the character of our lumber being pine largely, it is the same as that of Oregon and Washington, lying east of the Cascade Mountains and Western Montana, as we call it, the Inland Empire. The character of the timber grown in the territory is similar in character, being pine as against the fir of the coast west of the Cascades.

The Secretary of Agriculture: Could you tell us about what the volume of that business is in that part of Idaho?

Mr. Humbird: Outside of Idaho?

The Secretary of Agriculture: No, in Idaho, especially in the northern part.

Mr. Humbird: I could not answer to the amount produced in Idaho. I would say in what is called the Inland Empire, where the same kind is produced, about a billion and a half feet.

The Secretary of Agriculture: In dollars, can you give us the equivalent?

Mr. Humbird: Presumably it would amount to from \$12 to \$15 per thousand feet. That would be nearly two billion dollars.

The Secretary of Agriculture: That is pretty high, is it not?

Mr. Humbird: It is a billion and a half feet at \$12 to \$15 a thousand feet.

The Secretary of Agriculture: The Board will not undertake to work that out at the present time.

The Secretary of the Treasury: About \$12,000,000, is it not?

The Secretary of Agriculture: Do you require much credit to handle this?

Mr. Humbird: All we can get. As a matter of fact, our timber in this particular district, the majority of it, is placed in the piles and remains in the piles an average, I

would say, of about a year, necessitating, of course, our borrowing money to carry it over for that period. The majority of our product is not kiln dried. We carry very much larger stocks than is necessary on the coast. I presume that the stocks the same concerns will carry will average three or four times as much, making a very much longer period for the turn-over than would be necessary on the Coast.

The Secretary of Agriculture: And what do you depend on for carrying this business, what centres?

Mr. Humbird: That is for financing?

The Secretary of Agriculture: Yes.

Mr. Humbird: Spokane, very largely.

The Secretary of Agriculture: Do you have to go outside of this section?

Mr. Humbird: Some of us who have eastern stockholders, ask them to aid us with their banks in the east, and more particularly in the Middle West, I would say, rather than in the east, Minnesota, Michigan and Wisconsin particularly.

The Secretary of Agriculture: What is the period of your greatest demand, does it extend over the year?

Mr. Humbird: Yes. Our operators, however, are confined to about eight to nine months of the year. During the

winter season we are not manufacturing, although we are shipping, and during that period when we are not manufacturing we are employing our men and capital in the woods in getting in the next season's cut, so we employ about the same number of men the year around.

The Secretary of Agriculture: Do you do much business west of the mountains?

Mr. Humbird: Practically none.

The Secretary of Agriculture: What would be your second choice of a centre?

Mr. Humbird: Speaking individually now?

The Secretary of Agriculture: Yes.

Mr. Humbird: Portland and Seattle are equally distant, so far as northern Idaho is concerned, in my particular district. I do not know as it would make any difference.

The Secretary of Agriculture: Would your second choice be a northwestern city or a city to the east?

Mr. Humbird: A Northwestern city. I feel that they know our conditions very much better than the eastern cities, and are in closer touch with our needs.

The Secretary of Agriculture: Is there anything else you desire to submit?

Mr. Humbird: Nothing that I think of.

The Secretary of Agriculture: What would be your third choice, if it came to that?

Mr. Humbird: San Francisco.

The Secretary of Agriculture: We thank you very much.

The Secretary of the Treasury: That completes the list of witnesses who have been submitted to us, but before the Committee adjourns, I desire to give anybody who wishes to be heard an opportunity. Anybody who can shed any new light on the subject. I see Mr. Titlow of Tacoma, is here. We did not hear from him. You were not here this morning, I believe, Mr. Titlow.

#### STATEMENT OF A. R. TITLOW.

The Secretary of the Treasury: State your full name, occupation and address, Mr. Titlow?

Mr. Titlow: A. R. Titlow; I am an Agriculturist first, and second a hotel keeper, and third, I practice law when I am not engaged in the other occupations.

The Secretary of Agriculture: You are not a farmer?

Mr. Titlow: No, sir, an agriculturist. I presume, Professor, that you understand the distinction.

The Secretary of Agriculture: Yes.

Mr. Titlow: I do not know whether I can add anything particularly new or not. There are one or two other things which I think have been possibly overlooked. One is the manufacturing industry of the northwest, and particularly the State of Washington. Lumber was spoken of, and I think that is about the only manufactured article which has been mentioned.

Now the fact is that the State of Washington alone manufactures between \$250,000,000 and \$300,000,000 worth of goods every year, that is, I should say down to the present time. Of that, of course, the \$90,000,000 that Mr. Backus has spoken of is included in that amount. Our water shipments from Puget Sound alone, so far as we can ascertain from the government statistics, which were published the 30th of last June, amounted to \$114,000,000 to \$120,000,000.

The Secretary of the Treasury: Is not all that statistical data before us?

The Secretary of Agriculture: We have that already here.

The Secretary of the Treasury: Everything that we have of that kind here we do not care to have repeated, because it is

lost motion. Anything that is not included in this statistical data we have had all day, we would be glad to hear.

Mr. Titlow: I was not here and I did not know about that.

The Secretary of the Treasury: I do not think anything has been omitted.

Mr. Titlow: Just correct me on anything, and I will not feel offended at all.

The Secretary of the Treasury: Yes.

Mr. Titlow: The rail commerce has not been shown. It is impossible for us to tell, unless the Public Service Commission or the Railroad Commissions of the different states could give us that information. Whether or not they can, I do not know. But it is safe to say this, at least three times of the water shipments are rail shipments, which of course makes a very handsome sum.

Now in addition to that, the business of the United States has not been touched upon in this supposed or proposed district. And in that would be included, of course, the post office department, the Internal Revenue collections, and also the customs that are collected from the port of Puget Sound and also the port of Portland. We

have, of course, a number of sub-ports in Puget Sound, but when we speak of the port of Puget Sound that includes everything on Puget Sound. The Internal Revenue collections are as follows: This is the latest data we have at hand from the Government reports: Oregon \$893,921.74; Alaska and Washington, which constitutes this district; \$1,385,472.73; Idaho, Utah and Montana, \$405,937.61.

Now then on the postal matters we have not a complete report and cannot get a complete report of that, but we can give you some of the larger cities:

Billings, Montana,	\$65,579.
Butte, Montana,	\$161,768.
Great Falls, Montana,	\$ 85,375.
Helena, Montana,	\$ 94,272.
Missoula, Montana,	\$ 55,443.
Portland, Oregon,	\$1,183,544.
Salem, Oregon,	\$ 72,479.
Bellingham, Washington,	\$ 74,926.
Everett,	\$ 78,728.
North Yakima,	\$ 61,299.
Seattle, Wash.	\$1,344,248.
Spokane, Wash.	\$503,694.

Tacoma, Wash.	\$283,599.
Walla, Walla,	\$ 53,014.

The Secretary of the Treasury: Just file those figures. It is impossible to carry those in our heads. Just let it become an exhibit.

(The paper was accordingly filed.)

Mr. Titlow: Very well. I want to say this, however, and do want to call attention to the magnitude of the federal business in this Northwestern country, including the business of the United States as well as other business outside of the Federal business. Now then I think, <sup>if you</sup> please, as far as statistics are concerned, I heartily agree with Mr. Keleher, that there should be a full number of districts established originally, for the reason, as suggested by him, that it is going to <sup>be</sup> very hard indeed to uproot or unsettle them and very disadvantageous to those who have established business and commercial relations after the districts have once been established.

As to the Northwest, we believe there should be two banks on the Coast. It is conceded by all of us that one of those should be at San Francisco, serving not only California but the adjacent territory. And as to the

Northwest, we are an Empire in ourselves. The various industries we have here and the rapid increase that we have in business and in population seems to me demands that we should have at least two districts on the Pacific Coast. In that connection it has been asserted that Montana would be done an injustice. That possibly may be true in a sense but what is the injustice done to the balance of those four Northwestern states as compared to the injustice done to Montana? It is conceded by Montana that as far as that state is concerned, the trade now is trending westward and increasing at a rapid rate?

The Secretary of the Treasury: I did not so understand the testimony. They said it was increasing very slowly.

Mr. Titlow: Well, it has been on the increase, because we used to get no trade at all from Montana, so it necessarily must be an increase, if there is any business at all.

The Secretary of the Treasury: But they say it is increasing slowly and not very rapidly. You said rapidly. The testimony is that it is increasing slowly. That is the only difference.

Mr. Titlow: Very well, that may be true, and that is true possibly in actual verbiage, but this is also true, that the

Reserve Bank established here, it must be conceded, is for the purpose of a money centre and to a certain extent around that money centre will necessarily gather trade, and that will increase the trade.

The Secretary of the Treasury: All this is purely argumentative, Mr. Titlow, and if you have any additional facts or figures now which would illuminate this subject, we would be glad to hear them, but the suggestions you are making to us now in the way of an argument are the things this Committee has to consider when it takes up the whole question and considers the facts and figures, and I do not think it sheds any light on the question. Other gentlemen want to be heard, so we have to cut off anything that does not relate directly to the problem at hand.

Mr. Titlow: Very well. I think I have suggested the new features. One is the manufacturing feature and the other is the commerce of railroads, which has not been touched upon, except in connection with the lumber industry.

The Secretary of the Treasury: Anything of that sort we are glad to hear.

Mr. Titlow: I was getting to the question of the establishment of a district. I thought that was what you wanted

to hear about from all of us.

The Secretary of the Treasury: Yes, but it is not bringing out anything new. That ground has been very thoroughly covered all day.

Mr. Titlow: Very well. On the question of establishing a Regional Bank, at Spokane, Seattle or Portland, I want to say this: Of course, the money itself, the banking business and all the other business, or the bulk of the business I think has been shown here this afternoon, comes from Puget Sound. Now from Tacoma and all Sound ports it will be tributary, of course, to Seattle. If it were to come to a second choice, and it has been suggested here that we might possibly be put in a district going across the Continent east, I want <sup>to</sup> say to you gentlemen, when I came here 26 or 27 years ago, the entire business of this Northwest, which was very small at that time, was done almost exclusively up and down the Coast. In fact, we were completely under the control and protection, you might say, as well as con-

trol of Oregon and California. That was in the Territorial days, and afterwards in Statehood, and it lasted for some considerable time. Of course, business since that time has been changed and is going east. But after putting us in a district which would take us east, I have this to say; that our second choice would surely be, if the Northwestern Bank is to be established and not at Seattle, it would be Portland. That would be upon the ground of distances and the question of accessibility. Now the second choice would be then, I think, San Francisco.

The Secretary of Agriculture: The third choice, you mean.

Mr. Titlow: Yes. First Seattle, and of course, second, Portland, and then San Francisco. The reason for that would be this. We are in the district and if we should be put in a Chicago district, to illustrate, the country that they serve is largely an agricultural country. You take eastern Washington and eastern Oregon and a large part of Montana, in the Valleys particularly, and also in Idaho, it is also agricultural. The time of the year that there would be a demand to be drawn upon the reserves, the Dakotas, Minnesota, Iowa, and all that section of the country would have a demand also upon those reserves. In California it would be

different. We buy from California fruits, oils, and climate. Now we sell to California lumber, flour, wheat and various other grains, feed and coal. The citrus fruit we buy from California comes in the winter and spring of the year at the time that we are not making our crop, so that the demand upon the reserves at that time could be supplied and that adjustment made and the money paid back in time, so that when we came to move the cereals and the agricultural products, it would not interfere with the moving of the citrus crop from California.

Now another fact has just been called to my attention, which I do not think has been touched upon, and that is this. Since the Assay Office was established in this city, \$238,000,000 have been disbursed from this Assay Office here which of course adds to the government business.

The Secretary of the Treasury: Is that all you have to say.

Mr. Titlow: If there is anything further you care to ask me, I will try to answer it.

The Secretary of the Treasury: Thank you that will be all. Now we will hear from anybody who can shed any new light on this problem<sup>3</sup>. Is there anyone here who desires to be heard?

Mr. Backus: We would like to put on one more witness, Mr. Frye, who is a large buyer of cattle from Montana, and who is very familiar with that business, and I think he will only occupy a very few minutes.

STATEMENT OF CHARLES H. FRYE.

The Secretary of the Treasury: Mr. Frye, what is your business?

Mr. Frye: In the meat and produce business.

The Secretary of the Treasury: You mean raising live stock?

Mr. Frye: No, sir, packing house.

The Secretary of the Treasury: Packing house?

Mr. Frye: Yes, sir.

The Secretary of the Treasury: At what place?

Mr. Frye: Seattle.

The Secretary of the Treasury: You have some facts which you want to present?

Mr. Frye: Yes, sir. We are getting 40 per cent of our cattle in Montana, 15 per cent in Washington, 11 per cent in California, 10 in Oregon, 5 in Idaho, 3 in Wyoming, and one in South Dakota.

The Secretary of Agriculture: In numbers what would that 40 per cent from Montana be?

Mr. Frye: About 22,500.

The Secretary of Agriculture: And in value?

Mr. Frye: They are worth about \$95 apiece, or \$90 apiece probably about \$2,000,000.

The Secretary of the Treasury: What percentage of the total live stock business of cattle produced in Montana does that represent? What is the total cattle production?

Mr. Frye: About 25 per cent.

The Secretary of the Treasury: About one-fourth of it?

Mr. Frye: Yes, sir.

The Secretary of the Treasury: There are only about 88,000 cattle?

Mr. Frye: There were about 100,000, -- 84,000 or 79,000, something like that, shipped east last year.

The Secretary of the Treasury: 89,000, and you got 22,000.

Mr. Frye: Those that went east, and outside of what we got, Tacoma and Portland probably got 17,000 or 18,000 besides us.

The Secretary of the Treasury: Where do you finance most

of that business?

Mr. Frye: Here in Seattle. We get about 25 per cent of our money east.

The Secretary of the Treasury: What is the name of your concern?

Mr. Frye: Frye & Company.

Mr. Backus: What was your total business last year, Mr. Frye?

Mr. Frye: \$10,051,705.

The Secretary of the Treasury: Is yours an independent packing house?

Mr. Frye: Yes, sir.

The Secretary of the Treasury: Have you had any difficulty in financing your requirements here at any time?

Mr. Frye: No.

Mr. Backus: There are the figures, if you want them (handing paper).

The Secretary of the Treasury: Do you finance all of it in Seattle?

Mr. Frye: All except about 25 per cent.

The Secretary of the Treasury: About \$2,500,000.

Mr. Frye: Yes.

The Secretary of the Treasury: Where do you finance that?

Mr. Frye: Well, it is \$250,000. We have been getting that in the east.

The Secretary of the Treasury: \$250,000?

Mr. Frye: Yes.

Mr. Backus: \$10,000,000 is the total business for the year.

The Secretary of the Treasury: That is the turn over?

Mr. Frye: That is the turn-over.

The Secretary of the Treasury: You turn over your million dollars of capital, for instance, ten times a year?

Mr. Frye: Yes, sir.

The Secretary of the Treasury: And you get \$250,000 in the east and \$750,000 here?

Mr. Frye: About \$700,000 here and about \$500,000 in Portland.

The Secretary of the Treasury: Is there anything else you desire to say?

Mr. Backus: There are just one or two points I should like to add. I am informed that the Spokane Clearing House voted to select Seattle as second choice. I do not think that has been brought out.

The Secretary of the Treasury: I understood that to be true.

Mr. Brewer: I made the statement.

Mr. Backus: I call attention to this fact. It has been argued by the Montana gentlemen that violence would be done to the natural course of trade if a bank were located in Seattle and they were attached to this district. It is pretty evident and must be to you gentlemen that some violence must be done to somebody's trade. The total trade of Montana is a very small part of that of this entire district. The banking capital, the deposits, and the resources and liabilities of all of the banks would be small as compared with those of Washington and Oregon, and far greater violence would be done to the trade of Washington and Oregon if they were compelled to send it south to San Francisco, over a single track line of railroad, than would be done to Montana. That is, violence would be done to a far greater number of people and injustice done to a larger number of business concerns and banks by forcing us throughout Washington and Oregon to transact our business to the south, where we have very little in common, over a single track road, operating slowly through the mountain districts, than

would be done to Montana, where there are four or five trans-continental lines, and where they admit that the business is east and west and the connections excellent.

The Secretary of the Treasury: How are you going to overcome the fact that the district as you laid it out, will not provide the minimum amount of capital required by the Act? The only alternative that has been suggested here is that the remainder be raised by private subscriptions.

Mr. Backus: If the state banks come in, as we believe they will --

The Secretary of the Treasury: But we cannot assume that. There is nothing to indicate it. The only thing this Committee can act upon is the actual application of the state banks to come into the system. We cannot assume that they may come in, because when we divide the country into districts, the object of the Act in limiting the action of the banks to 60 days was to enable the Committee to know what available capital there would be.

Mr. Backus: That is the chief difficulty you gentlemen have to meet. But our desire is to impress upon you if possible the great necessity of having a Northwest district created. Of course, you are the ones to carve it out. We

cannot do it. But I do feel that very great injustice would be done to all this territory up here if only one bank on the coast is located, and that at San Francisco. Because our communication with San Francisco is bad. The mails are very slow, and we have very little in common.

The Secretary of the Treasury: You are not taking into consideration the effectiveness of a branch in your city. That is a thing, however, that we went over this morning.

Mr. Backus: Yes, we traversed that this morning very well.

The Secretary of the Treasury: Is there anything further?

Mr. Backus: No.

The Secretary of the Treasury: I desire to say before an adjournment is taken --

Mr. Brown: May I say a word?

The Secretary of the Treasury: Yes.

#### STATEMENT OF GREY C. BROWN.

The Secretary of the Treasury: You may state your name and residence and occupation.

Mr. Brown: Grey C. Brown, President of the Columbia Valley Bank, at Wenatchee, Washington. The North Central part of the state has not been heard from. Also I am a state banker,

and I wanted to talk along that line.

The Secretary of the Treasury: What have you to suggest on this subject?

Mr. Brown: The State bankers have not realized that there was any great hurry in the matter of deciding to come in. The law specifies that national banks are to signify their intention within 60 days, but it does not seem to contemplate that state banks are to signify their intention in that length of time.

The Secretary of the Treasury: They are permitted to,  
Mr. Brown: They are permitted to.

The Secretary of Agriculture: You see, it has a bearing in two ways on the matter of the banking strength of a proposed district, and secondly, on the selection of the directors. Unless the state banks come in when these banks are organized, they will have no voice in the selection of the first directors.

The Secretary of the Treasury: The national government has no right to compel the state banks to come in within a given time. It has a right to fix the limits within which a national bank may or may not accept the provisions of the Act, and the purpose of the limitation was to compel the

national banks to determine within a reasonable time whether or not they would subscribe, in order that this Committee might know what was the minimum amount of capital that would be available for distribution among the districts of the country when they are outlined.

Mr. Brown: Well, I am satisfied that a large proportion of the state banks, if they realized that time was necessary, would certainly signify their intention to come in.

The Secretary of the Treasury: Well, you gentlemen have 30 days within which to make up your minds. The banks are being sent to you and all you have to do is to take the action.

Mr. Brown: Another thing I wanted to bring out was that our district is principally fruit. From the Wenatchee district we shipped approximately 5,000 cars of fruit this past year. And we have absolutely nothing in common with California; not only in Wenatchee, but I believe in eastern Washington, we have very little business with California.

The Secretary of the Treasury: Which direction does your business go?

Mr. Brown: Largely east.

The Secretary of Agriculture: To what points?

Mr. Brown: Well, all points, but probably more to Chicago and New York than any other point; that is our commercial business; our banking business goes largely to Spokane and Seattle.

The Secretary of Agriculture: What would be your first choice for the location of a Reserve Bank?

Mr. Brown: Spokane or Seattle?

The Secretary of Agriculture: Either?

Mr. Brown: Either.

The Secretary of Agriculture: No preference?

Mr. Brown: No preference.

The Secretary of Agriculture: And for second choice the other city?

Mr. Brown: Yes, and then Portland.

The Secretary of the Treasury: And what other?

Mr. Brown: Chicago. We have ten times the business with Chicago that we have with San Francisco, beyond the shadow of a doubt, and I believe all eastern Washington has ten times the business with Chicago than it does with San Francisco, and it will do a great deal more injustice to us to tie us up with San Francisco than it will to Montana to tie them up with us, in my opinion.

The Secretary of the Treasury: Have you anything else to suggest?

Mr. Brown: No, sir.

The Secretary of the Treasury: That is all, thank you. Does anyone else desire to be heard?

Before adjournment, I desire to say in behalf of the Committee that it must not be assumed, I want to repeat, that the line of questioning employed by the Committee indicates any view of opinion that the Committee may have on this subject, because it has no opinion. We have to take of course, a line of questioning that will develop the facts that we are trying to get for the purpose of enabling us ultimately to reach a decision on these important questions. We very much appreciate the interest and the earnestness and patience with which you gentlemen have all presented your cases, and we want to congratulate you on the showing of the great progress that this great section of the country has made, from the facts and interesting data which you have submitted here, and we desire to assure you that the case will be thoroughly considered and that the Committee

will do its level best to reach a decision which will be as just as we know how to make it, in the interest of the whole country, including the Northwest as a very important and a very wonderful part of our great nation.

The Committee will now stand adjourned.

Whereupon, at 5:45 o'clock P. M. the hearing was adjourned.

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