

STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE.

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

vs.

At Portland, Ore.

Date January 30, 1914.

Law Reporting Company, Official Stenographers

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January 30th, 1914.

Met pursuant to adjournment at 10:00 A. M.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE:

APPEARANCES:

A. L. MILLS, president, First National Bank, Portland,
Oregon.

HON. OSVALD WEST, Governor of Oregon.

W. E. JONES, president, Northwestern Electric Co.,
Portland, Oregon.

F. S. MEYERS, Postmaster, Portland, Oregon.

W. E. VANTER, president, Jackson County Bank,
Medford, Oregon.

E. V. CARTER, President, United States National
Bank, Ashland, Oregon.

J. J. JOLT, president, Union Meat Company,
Portland, Oregon.

T. J. MAHONEY, Cashier, First National Bank,
Heppner, Oregon.

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- MR. STIVELY, (Live Stock) North Yakima, Wash.
- M. B. BROOKS, of M. B. Brooks & Co., private Bankers,
Goldendale, Wash.
- J. S. LOVELAND, Examiner, Portland Clearing House
Association, Ex-State Bank Examiner of Idaho, and Ex-
national Bank Examiner.
- W. D. WHELPLEIGHT, president, Pacific Export Lumber
Co., Portland, Oregon.
- A. J. DIXON, Booth-Kelly Lumber Company, Eugene, Ore.
- F. F. JOHNSON, President of the Commercial Club,
Boise, Idaho.
- F. H. PARSONS, Cashier, Pacific National Bank,
Boise, Idaho.
- W. L. THOMPSON, president, American National Bank,
Pendleton, Oregon.
- W. J. BURNS, of Balfour, Guthrie & Co., Exporters,
Portland, Oregon.
- M. H. HOUSER, Wheat Exporter, Portland, Ore.
- W. G. SHUHAM, Cashier, First National Bank,
Waitsburg, Wash.
- J. Smith, Manager, Marshall-Wells Hardware Co.,
Portland, Oregon.

J. D. ANKENY, Assistant Cashier, First National Bank,
Walla Walla, Wash.

H. W. MITCHELL, President, Mitchell-Lewis Co.,
(Agricultural Implements) Portland, Ore.

T. H. ADAMS, President, Vancouver National Bank,
Vancouver, Wash.

J. A. MALBOEUF, Representing the Fruit Industry of
Northwest, Portland, Oregon.

E. L. STEWART, Cashier, Kelso State Bank, Kelso, Wash.

E. J. BURKE, of H. J. Judd & Root, Wool Merchants,
Pendleton, Ore. and Boston.

J. W. DAUBNEY, Cashier, United States National Bank,
Centralia, Wash.

WILLIAM McMASTER, Farm & Mortgage Loans, Portland,
Oregon.

CARL SCHALLINGER, of The Hazelwood Company, Dairy
Products, Portland, Ore.

L. A. LEWIS, President, Allen & Lewis, Wholesale
Grocers, Portland, Oregon.

R. L. RUSH, president, Pomeroy State Bank, Pomeroy,
Washington.

A. T. HUGGINS, Manager, Fleischner, May r & Co.,
Wholesale Dry Goods, Portland, Oregon.

E. W. WRIGHT, of Merchants' Exchange, Portland,
Oregon.

W. E. D. DODSON, Trade Commissioner, Portland
Chamber of Commerce, Portland, Ore.

GEORGE W. HYATT, president, Wallowa National Bank,
Enterprise, Oregon.

E. G. HOPSON, United States Engineer, Portland,
Oregon.

FRANKLIN GRIFFITH, president, Portland Railway,
Light & Power Co., Portland, Oregon.

J. H. ALBERT, president, Capital National Bank,
Salem, Oregon.

DR. W. J. KERR, president, Oregon Agricultural
College, Corvallis, Oregon.

S. G. SARGENT, Oregon State Bank Examiner, Portland,
Oregon.

J. H. LEWIS, Oregon State Engineer, Portland,
Oregon.

G. B. HEGARDT, Engineer, Public Dock Commission,
Portland, Oregon.

L. D. WALKER, Estarada St. Bank, Canby , Oregon.

F. L. MEYERS, La Grande National Bank, La Grande, Oregon.

FRED J. HOLMES, La Grande National Bank, La Grande, Oregon.

... requires this Committee and charges it with ... the location within each one of these districts of a federal reserve bank, which involves, first, the selection of one city in the district as the headquarters for such bank. The law also requires the Committee, in making the apportionment of the country, to make a report to the Commission and customary course of business, and it does not require the Committee to observe state lines in the creation of these districts.

The Committee is having these hearings throughout the country for the purpose of obtaining evidence which will be useful to the Committee in making such a determination. What we want, of course, are facts and not statistics, and what we object to entirely, but as a rule we do not intend to do that.

This is an economic problem of very great importance to the country; it is a national problem and not a local one. We are called to assist in the partition of the American people to assist in working this problem with a thorough regard of local considerations, such as pride or prestige.

The Secretary of the Treasury: Gentlemen, the Federal Reserve Act requires this Committee and charges it with the duty of dividing the country into not less than eight nor more than twelve Federal Reserve Districts, and the location within each one of those districts of a federal reserve bank, which involves, first, the selection of one city in the district as the headquarters for such bank. The law also requires the Committee, in making the apportionment of the country, to have due regard to the convenience and customary course of business, and it does not require the Committee to observe state lines in the creation of these districts.

The Committee is having these hearings throughout the country for the purpose of eliciting certain facts which will be useful to the Committee in reaching such a determination. What we want, of course, are facts and not oratory; not that we object to oratory, but as a rule oratory is not founded on fact.

This is an economic problem of very great importance to the country; it is a national problem and not a local one. We are obliged to appeal to the patriotism of the American people to assist us in reaching this conclusion with a thorough disregard of local consideration, such as pride or prestige.

We expect to give an opportunity to every one of the communities visited and those communities which are contiguous and desire to be heard at the places where the hearings are held, to give all the facts that they want to present to the Committee that have a bearing upon this problem.

We will now proceed to examine the witnesses, and I believe the first one is Mr Mills, who represents the First National Bank of Portland.

STATEMENT OF ABBOTT LOW MILLS.

The Secretary of the Treasury: Mr Mills, will you kindly state your full name, occupation and residence.

Mr Mills: Abbott Low Mills, banker, president of the First National Bank of Portland.

The Secretary of the Treasury: Whom do you represent?

Mr Mills: I am president of the Portland Clearing House.

The Secretary of the Treasury: Now, if you have a map of the proposed district, we would like to see that first.

Mr Mills: We have it there in large size, and we have a small map right behind you. The large one has been enlarged from this smaller map.

The Secretary of the Treasury: What do you comprise in this territory?

Mr Mills: Oregon, Washington and Idaho, and a small portion of Montana we think should go in.

The Secretary of the Treasury: What is the combined national banking capital of the proposed district?

Mr Mills: About \$47,000,000, which at 6 per cent would give about \$2,400,000 capital for a reserve city.

The Secretary of the Treasury: What would be the resources of the bank, I mean what reserves would it hold, based upon the national banking law?

Mr Mills: About \$10,000,000.

The Secretary of the Treasury: And you have not made any estimate, I presume, of the eligible state bank in the same territory?

Mr Mills: We have here the state bank examiner who we thought would speak to you later; but his figures are about 10 per cent of the state banks that have indicated their desire to join the system and of the other 90 per cent about 45 per cent are undecided and 45 per cent do not want to join.

The Secretary of the Treasury: How many are eligible?

Mr Mills: I am not prepared to testify as to the capitalization of them.

The Secretary of the Treasury: You may present your case

in your own way.

Mr Mills: We should like to call your attention to the fact that Nature has set aside this northwestern territory as a district by itself. And whether now or at some future time, we believe there should be a Federal Reserve district in that territory that Nature has given us.

If you will notice on the larger map there, the mountain ranges on the south, the Siskiyou Mountains, divide^{us} territorially from California. The gentleman is pointing to the map. On the east we are separated by the Rocky Mountains. It makes a territory by itself of 254,000 square miles, which is as large as the original thirteen states, except the state of Georgia. Oregon itself is as large as New York, Connecticut, Massachusetts and Vermont. The marks on that map, on the right hand map are these. Those small red dots indicate the banks that do business and carry their balances in Portland, in that territory. On the left hand map the red dot indicates the banks that on a ballot which we have taken, which I will mention, have indicated Portland as their preference for a Reserve City for this northwestern territory. The green represents Seattle's showings and the square yellowish mark indicates the banks that wish Spokane.

8. Upon which of the above mentioned cities do you chiefly depend upon for coin shipments?

9. Please indicate your first, second and third choice of the above mentioned cities for a Federal reserve bank.

10. Do you intend to subscribe for stock in a Federal reserve bank?

Mr Mills: The letters sent out were 960, and as I say, we sent them to all the banks of Oregon, Washington, Idaho and Montana as far as Billings, omitting Seattle, our own city and Spokane. We, however, sent it to Tacoma, and Tacoma's banks naturally all voted for Seattle, and their totals are included.

The first three questions have necessarily nothing to do with the vote; it was simply for our own information in compiling our returns. But the fourth question, and I would like to call your attention to the questions and answers, the fourth question, "With which city, Portland, Seattle or Spokane, do you have the largest amount of banking business", the replies were, by number, 297 of the banks claimed Portland as the city with which they have the largest amount of banking business.

The Secretary of the Treasury: What was the total number

The Secretary of the Treasury: You can separate them, of
of replies?

Mr Mills: 666. There were 900 blanks sent out and 666, or two-thirds, replied. 297 claimed Portland as the city with which they have the largest amount; 122 claimed that Seattle was the city, and 103 claimed Seattle as the city. In other words, by number of replies, Portland received more favorable responses than Seattle and Spokane together.

This return was also compiled by capitalization and surplus. By capitalization and surplus from these banks, and I leave out the thousands and just read it by millions, Portland received twenty million capital and surplus favorable to it.

The Secretary of the Treasury. That includes state and national banks?

Mr Mills: That includes state and national banks, all the banks in the territory.

The Secretary of the Treasury: Have you separated the state and national banks?

Mr Mills: No, they are all together.

The Secretary of the Treasury: You do not know how many national banks there are?

Mr Mills: No. They are all in here practically, because it is true they all replied.

The Secretary of the Treasury: You can separate them, of course?

Mr Mills: I think I can.

The Secretary of the Treasury: That may be filed later.

Mr Mills: Seattle received \$10,000,000 capitalization and surplus and Spokane seven million. In other words, by capital and surplus, Portland was \$20,000,000 to Seattle and Spokane together \$17,000,000 of capital and surplus.

To the fifth question, in which city do you carry the largest balance, the same proportion prevails. And I might say that every Oregon bank favored Portland, whereas a large proportion of Washington and Idaho favored Portland, but no Oregon bank voted for any city other than Portland.

In reply to the fifth question, 268 banks voted in favor of Portland, and 144 for Seattle and 140 for Spokane. By capitalization, Portland, \$18,000,000, Seattle, \$8,000,000 and Spokane \$5,000,000.

To the seventh question, "Upon which of the above mentioned cities do you chief depend for exchange transfers?" believing that that was a pertinent question for your Committee to know, in order to find out where the exchanges were made, the returns were as follows: Portland 268, Seattle, 95 and

Spokane 135. If capitalization Portland 18,000,000, Seattle 7,000,000 and Spokane 5,000,000, Portland being one and one-half times more than both the other cities put together, so far as the transfer of exchanges and money went.

The eighth question, "Upon which of the above mentioned cities do you chiefly depend for coin shipments", looking for the center from which they draw the coin to transact the business for the interior the returns were as follows: Portland, 242 cities, Seattle 82 cities and Spokane 124 cities. In other words, Portland was nearly 40 cities more than Seattle and Spokane put together. By capitalization Portland was 16,000,000 Seattle 6,000,000 and Spokane 5,000,000.

The ninth question, perhaps the most pertinent, "Your first choice of the above mentioned cities for a Federal reserve bank", all of Oregon voted for Portland, 31 banks in Washington for Portland and 96 for Seattle and 70 for Spokane. In Idaho 55 voted for Portland and 46 for Spokane. In Montana 10 voted for Portland, 10 for Seattle and 39 for Spokane. Naturally Spokane is more nearly accessible from Montana than any of the rest of us.

The total of the vote for the cities, for a Federal Reserve Bank was: Portland, 304, Seattle 106, Spokane 155. By capitalization \$18,000,000 for Portland, \$8,000,000 for Seattle,

\$7,000,000 for Spokane.

We asked in the last question, "Do you intend to subscribe for stock in a Federal Reserve Bank?" The answers were, Yes, 280 banks, No, 191 banks, undecided, 176 banks. By capitalization \$26,000,000 to subscribe for a Federal Reserve Bank, \$6,000,000 no, and \$8,000,000 undecided.

Would you like to have me file this?

The Secretary of the Treasury: How many of the banks deciding to subscribe were national and how many were state banks?

Mr Mills: All the national banks, practically.

The Secretary of the Treasury: Yes, but how many of that number?

Mr Mills: I have not that separated. I will file that later.

The Secretary of the Treasury: Of course the separation of the national banks from the state bank is very important for us to have.

Mr Mills: Unfortunately, it is.

The Secretary of the Treasury: Will you file a copy of this statement and a copy of your list of inquiries and also the replies received?

Mr Mills: Yes, we have them here. We will have to sort them out.

The Secretary of the Treasury: Yes, they can be filed later. You might make the analysis I have suggested and give us the footings for the national banks and show the state bank by the same process, and also indicate how many of the state banks indicated their intention to join, classifying them by states. And you might also tell us if they are eligible under the Act, how many are eligible under the Act.

Mr Mills: Under the state law of Oregon any state bank is eligible who has the requisite capital. I mean there is no state prohibition, I understand in Washington there is some sort of a prohibition.

The Secretary of the Treasury: Is there any prohibition in the charter of any state banks against taking stock in another bank?

Mr Mills: They have to amend it, I understand.

Mr Cookingham: Yes, they can amend their charter.

The Secretary of The Treasury: Mr Cookingham, are you going to testify?

Mr Cookingham: No, I do not think so.

The Secretary of the Treasury: Would you give us a little brief on that point to be filed as an exhibit, or what would

be better, would be to have the opinion of the Attorney General of the state, stating what his view of the power of the state bank to subscribe is, either the Attorney General or the State Bank Examiner, whichever has the determining voice.

Mr Mills: We have the State Bank Examiner here today, if you would like to hear him.

The Secretary of the Treasury: You may proceed.

Mr Mills: I inquired and found from the banks in Portland the following. We asked how many bank correspondents the Portland banks had in the other cities on this territory, in other words how many banks in this territory kept accounts in Portland, and we found that in Oregon 860 banks kept accounts in Portland, but they are duplicated somewhat.

The Secretary of the Treasury: You mean there are 860 accounts and not banks?

Mr Mills: Yes. From Washington, 532, Idaho, 136 and Montana, 31. We gathered from our ten banks in Portland the following statistics: We asked them to advise the Committee of the total amount in money of the remittances forwarded in 1913 by the Portland banks to Oregon, Washington, Idaho and Montana; in other words, the amount of checks that we sent back to those different places. And on the other hand,

we asked for information as to the amount of remittances received in 1913 by the Portland bank, what we sent out and what came in to us. To Oregon we forwarded \$132,000,000 worth of items. From Oregon the Portland banks received 200,000,000, showing that the business was back this way. To Seattle we forwarded \$32,000,000 of items and received from Seattle \$43,000,000 of items. In other words, there were more of our checks went over there for business than came in. From Spokane there were 17,000,000 of remittances forwarded and 25,000,000 received from Spokane. From the balance of the state of Washington \$46,000,000 remittances forwarded and \$81,000,000 received from the state of Washington. In other words, the remittances forwarded to the total of the state of Washington by the Portland bank were \$97,000,000 and there were received from the banks in Washington \$150,000,000.

In Idaho the remittances forwarded were \$3,000,000 and \$15,000,000 received from Idaho. The remittances forwarded to Montana were \$3,000,000 and received from Montana \$5,000,000.

The total of remittances forwarded by Portland banks during 1913 to these four states were \$241,000,000 and received from those states \$432,000,000. May I file this?

The Secretary of the Treasury: Yes, file that as an exhibit.

The papers above referred to were accordingly filed.

Mr Mills: Portland carries no bank balance in any other city in the northwest, I mean the banks of Portland, but all the cities of the northwest carry balances in Portland. We have compiled here from our Portland bank a statement of the average daily balances maintained by the banks of Seattle, Spokane and Tacoma in Portland. I suppose that means the average amount that is here every day in the year, during the years, to the credit of those banks, and which it is necessary for them to maintain in order for them to do business for their customers in Portland.

The average daily balances maintained in Portland by the banks of Seattle, and no bank in Portland has any balance there, was \$620,000. The daily average balance maintained by Spokane in Portland was \$269,000. The average daily balance maintained by Tacoma was \$321,000. In other words, those three Washington cities maintain an average daily balance in Portland for the accommodation of the business of their customers and the necessities of commerce, amounting to \$1,211,000.

The Secretary of the Treasury: That was for the year 1913,

I presume?

Mr Mills: Yes sir, the average daily balance says for the entire year.

The Secretary of the Treasury: Is it increasing or decreasing annually, have you any comparison?

Mr Mills: I have no comparison. I simply asked it for 1913.

The Secretary of the Treasury: You will make some comparisons for the last five years and let us see how that has been running, will you?

Mr Mills: Yes. May I file this?

The Secretary of the Treasury: Yes. We should like that comparison for five years.

Mr Mills: We will have that prepared.

(The paper was accordingly filed.)

Mr Mills: Now, the other points we wish to bring out, corroborative of what I have stated of the financial figures we have gathered by the clearing house, we think can be better brought out, perhaps, by the corroborative evidence of some of our witnesses. We had intended to have the Governor here to speak on the geographical situation, but he misunderstood the date and will be here this afternoon or perhaps tonight, and consequently we will ask

some of these other gentlemen to testify.

Mr Cookingham: I thought I would state to the Secretaries what these men expect to testify.

The Secretary of the Treasury: We would rather finish with Mr Mills first and then take them up.

Mr Mills: I am through with my direct testimony.

The Secretary of the Treasury: You are, of course, familiar with the provisions of the Act, that there shall be a minimum capitalization of these banks of not less than four million dollars. How do you expect to overcome that deficiency here?

Mr Mills: I think it is almost an insuperable obstacle to the establishment of a bank in the northwest. I believe the only possible way it could be done would be by the government subscribing.

The Secretary of the Treasury: You mean by that, that individual subscription, for instance, could not be obtained?

Mr Mills: I do not believe you could get them. I think the limitations on what would be received from this stock, the fact that it could not be hypothecated and has no vote and is limited to \$25,000 with a maximum of 8 per cent that a man could receive, with the possibility of a double liability, would prohibit the general subscriptions. There

might be a few, but I do not believe it would be general.

The Secretary of the Treasury: If that be true, are you not arguing for an impossibility?

Mr Mills: No, I am assuming that if the government thinks that this territory is so situated that it should have a reserve bank, then the government will have to help out on this capitalization, because I do not believe from private subscription or the state bank, it can be made up.

The Secretary of the Treasury: What is your theory in laying out this district, as to the total number of districts that the country should be divided into?

Mr Mills: Eight.

The Secretary of the Treasury: Have you outlined the other districts?

Mr Mills: I have not studied the question very much.

The Secretary of the Treasury: Have you any suggestion as to that?

Mr Mills: In a rough way. Of course I do not know the trend of business in the south so well as I would in the northwest, but I should think that Boston, New York, Washington, Chicago, St Louis, New Orleans, San Francisco

and Portland impossible.

The Secretary of Agriculture: In your judgment at this time, on the basis of the minimum, is it desirable to attempt to establish a district in the northwest?

Mr Mills: I do not think so. I think at this time there should be a reserve bank in San Francisco, a branch in Portland and one in Los Angeles.

The Secretary of Agriculture: Leaving the remainder of the districts suggested by the law for future determination?

Mr Mills: Yes.

The Secretary of the Treasury: What are your relations with San Francisco? To what extent do you do business with San Francisco? We would like some information on that point.

Mr Mills: I did not get these statistics from all the banks, but I thought possibly you might ask a question of that nature, and I had our exchange clerks compile for me the total of draft and telegraphic transfers of the First National Bank, which I represent, during the year 1913, and it will answer your question if I read these totals, I think. On New York we drew ~~\$28,000,000~~ last year, an average of about ~~\$2,500,000~~ a month. You probably could

multiply that by four or five, to cover the city; but this is our own individual bank.

The Secretary of Agriculture: How much was that?

Mr Mills: \$28,472,000.

The Secretary of the Treasury: Drafts on New York?

Mr Mills: Yes.

The Secretary of the Treasury: You could give us these statements for the clearing house, of course?

Mr Mills: We can give it for all.

The Secretary of the Treasury: We would prefer it for the national bank alone and then the state bank separately. Please make a note of that.

Mr Mills: New York was \$28,472,000; Chicago was \$6,982,000; San Francisco was \$14,702,000; St Louis, \$2,400,000; Boston \$943,000; St Paul, \$3,691,000; Omaha, \$1,664,000 and Sacramento, \$650,000. In other words, on New York we drew double the amount that we did on San Francisco, and we drew on New York four and one-half times what we did on Chicago, and nearly nine times what we did on St Paul.

The Secretary of the Treasury: What are the specific reasons, Mr Mills, for the great excess there in favor of

New York?

Mr Mills: Our merchants buy most of their goods in New York, and have to make their settlements in New York.

The Secretary of the Treasury: That is on account of the settlement of balances, of course?

Mr Mills: Yes.

The Secretary of the Treasury: Ordinary commercial transactions.

Mr Mills: Yes.

The Secretary of the Treasury: Where do you carry the bulk of your reserves?

Mr Mills: New York.

The Secretary of the Treasury: How much of your reserve, what percentage, is kept there, would you say?

Mr Mills: Oh, we carry about 10 per cent, I should think, in New York.

The Secretary of the Treasury: Ten per cent of your reserves?

Mr Mills: I think so. You mean of the total reserve of 25 per cent, do you not?

The Secretary of the Treasury: Yes.

Mr Mills: We are required to keep 25 per cent.

The Secretary of the Treasury: You mean you keep 10 per cent of the 25 per cent?

Mr Mills: Yes.

The Secretary of the Treasury: I thought you meant 10 per cent of the amount.

Mr Mills: No. We carry about a million dollars in New York.

The Secretary of the Treasury: How much of that is reserve and how much represents exchange balances, a balance for exchange? Do you separate that item at all?

Mr Mills: No, we do not attempt to separate that item.

The Secretary of the Treasury: You carry 40 per cent of your reserve in New York?

Mr Mills: Yes.

The Secretary of the Treasury: 10 per cent of the 25 per cent would be 40 per cent of the total reserve. Where do you carry the remainder, what percentage?

Mr Mills: About half of that in Chicago and then a small amount in St Louis. Those are the only three cities we can carry our reserve in.

The Secretary of the Treasury: I understand that.

Mr Mills: We carry a fair balance in Boston and Philadelphia and quite a large balance in San Francisco.

The Secretary of the Treasury: Now, the San Francisco balance is a perfectly normal balance, it is due, I mean, to the normal necessities of trade, because it does not count as a reserve.

Mr Mills: Yes, it is due to the normal necessities of trade. It largely arises from the fact that to get exchange on New York we keep quite a balance in San Francisco, because San Francisco transfers to New York for us without cost.

The Secretary of the Treasury: Now, on this question of exchange, the law here contemplates and in fact provides that there shall be a parring of exchange between these Federal reserve banks when they are established. To what extent, in your judgment, is that going to materially alter the situation now with respect to exchanges?

Mr Mills: I think it will alter it in this respect, that it will make exchange free naturally where it is a member bank on the reserve bank, as I understand it, and to that extent it will do away with the charges of exchange that we have, but it will not divorce us from the necessity

of our carrying a large account where we do the most business, simply on account of delay. For instance, if there was one reserve bank in San Francisco and we were a member bank and we send a member bank a draft on San Francisco in settlement of balances in New York, it would be collected free naturally through the reserve bank.. At the same time the liability of the endorsees would not end on that draft until they had heard return from San Francisco that it was paid. Frequently it would not be looked upon with so much favor as a draft on the locality in which the bill had been created.

The Secretary of the Treasury: Assume on the other hand you have a system of clearances contemplated by this bill established all over the country, a system of clearances instead of check collection; how far is that going to alter, in your judgment, or modify the existing necessity for maintaining these large exchange balances in the different cities?

Mr Mills: I do not think we will have to carry such large balances in these cities. I think it will result in reducing the number of accounts. For instance, we carry four in New York and we could probably reduce our accounts in

New York perhaps to one. And if the Reserve Banks par the country, it will save collection charges and simplify business to that extent, but it will never make the San Francisco draft as good in New York as the New York draft; in other words, the endorsers will be the people who receive the draft and their liability will not end simply because it is parred through the clearing house, or if this is a universal clearing house.

The Secretary of the Treasury: The system as contemplated by the bill would result, however, would it not, in destroying a large amount of the present artificiality of accounts between these cities?

Mr Mills: Yes, to quite an extent.

The Secretary of the Treasury: And to that extent, of course, would bring about more normal conditions of trade and commerce and exchange.

Mr Mills: Yes. To illustrate that, we carry in Philadelphia a balance that we very rarely draw against except to transfer to New York. That is done because Philadelphia pars the south for us.

The Secretary of the Treasury: Exactly, and to that extent it is a purely artificial condition.

Mr Mills: And Albany is the same, for all New England.

The Secretary of Agriculture: Do you carry any balance at Albany?

Mr Mills: No, Philadelphia and New York par for New England and Philadelphia for the south.

The Secretary of the Treasury: What are your allowances of interest on reserve balances?

Mr Mills: We pay 2 per cent to the interior banks.

The Secretary of the Treasury: Do you collect checks free?

Mr Mills: Yes.

The Secretary of the Treasury: Free collection of checks absolutely?

Mr Mills: We do not believe in any restrictions on business if possible, free trade, we par the world here.

The Secretary of the Treasury: Do you mean that as applied to the tariff as well as finance?

Mr Mills: Politics are forbidden.

The Secretary of the Treasury: Well, treating that as an economic problem.

Mr Mills: As an economic problem, I believe in it. As a theory, I do not.

The Secretary of the Treasury: I notice, according to your statement filed with the Controller on the 21st of October

last, that you seem to hold in reserve here for other national banks \$5,144,000. Whereas, Seattle had for the national banks \$3,589,000.

Mr Mills: I think that bears out the statement I have made about where the balances are kept. T

The Secretary of the Treasury: Yes, but on the other hand you had \$3,900,000 from state banks and private banks and Seattle had \$4,915,000. You seem to be running rather neck and neck.

Mr Mills: They may believe in state rights more than we do.

The Secretary of the Treasury: The deposit simply for the purpose of comparison, in order that it may be easily referred to in the record, the individual deposit of Portland National Bank seems to be \$23,367,000, whereas in Seattle they are \$30,257,000.

Mr Mills: We have but four national banks in Portland. Our largest bank is the private bank of Ladd & Tilton, of which bank Mr Cookingham is the manager, and it is not in that report.

The Secretary of the Treasury: You have the totals for the state, national and private banks of Portland. Did you

read the total deposits here?

Mr Mills: No, I did not.

The Secretary of Agriculture: You have not those statistics?

Mr Mills: No. I can get them for you.

The Secretary of the Treasury: You can give us those figures, and at the same time you might give like figures for Seattle, for comparison; the total deposits in both state and national banks and trust companies, and separate them, giving the total; and the same information from Seattle and Spokane might be included also in the same way.

I understood you to say, Mr Mills, that you believed it would be better for the development of this territory and for the greater convenience of business and for the customary exchange in business if a reserve bank were established in San Francisco.

Mr Mills: Hardly that, sir.

The Secretary of the Treasury: And a larger amount of territory included in the district.

Mr Mills: Not for the convenience of business, but for the possibilities of capitalization, I believe it is only possible for one bank to be located in San Francisco, at

present, but when this district is set apart, it should be here, I believe.

The Secretary of the Treasury: Is not that of itself one of the most essential elements in convenience of business, to have adequate capital?

Mr Mills: It seems to me each reserve bank is as strong as its neighbor, just as the fingers on your hand; they are all united, and the reserve board must deal with them together, and no reserve bank would fail unless they all failed.

The Secretary of the Treasury: It is not a question of policy but to have the resources to take care of the necessities of the respective districts. Is it or not your judgment that as far as practicable the Committee ought to lay out the country into districts that will be, in normal times, self-contained? as

Mr Mills: Yes, I do.

The Secretary of Agriculture: I understand you to say that at present you would suggest that arrangement, and wait for development before laying out additional districts?

Mr Mills: That is my personal belief, that San Francisco should be the Federal reserve bank of the district comprising the coast.

The Secretary of Agriculture: You have probably nearly doubled your banking resources in this section in fifteen years, have you not?

Mr Mills: I should think so. I have not the data. I should think we must have.

The Secretary of Agriculture: And probably in another fifteen years you would have enough capital.

Mr Mills: I should think so. We hope sooner than that.

The Secretary of the Treasury: What are the normal courses of business, speaking not so much of banking exchange but of movement of commodities as between Oregon and this district? What is the area of distribution of commodities from Portland?

Mr Mills: I should like to advise you of that by our other witnesses. We have other witnesses who will show you that all the large implement houses have centered here and distribute agricultural implements from Portland. We will show you that the live stock territory of Oregon, Washington, of Wyoming, Idaho and part of Montana drains to Portland. We will show you by our merchants the territory they cover. In other words, that practically this whole territory drains just as the river drains from the mountains, and commerce and trade follows those rivers down to Portland.

The Secretary of Agriculture: Mr Mills, it was presented to us in Seattle that the failure to establish a Federal reserve bank in the northwest would do injustice to the northwest. On that point, to what extent, for the present, under the arrangement you suggest, could the requisite service be rendered through a branch bank?

Mr Mills: I cannot see why a branch should not have the strength of the parent tree. It perhaps would be a little more inconvenient, but it would seem to me that the necessities of the district could be cared for through the branch. A branch can be as strong as the parent.

The Secretary of Agriculture: The suggestion was made that the particular community would, in that case, be dependent upon the parent bank, which might not know the needs of the community quite so well. What would you say on that point?

Mr Mills: Through the organization of the branch bank, the branch bank, if I know the law aright, has seven directors.

The Secretary of Agriculture: Yes.

Mr Mills: And four of those are appointed by the Reserve bank, are they not?

The Secretary of Agriculture: Yes.

Mr Mills: And naturally those people would have knowledge of the community in which they do business. The home bank, the reserve bank, would lean on the knowledge obtained from the directors of the branch bank; and I cannot see why it would be any more difficult than in the branch banks of our large British competitors that we have here, the Canadian Bank of Commerce and other English banks. The branch bank has the strength of the home bank and receives its knowledge from the officers of the branch bank.

The Secretary of Agriculture: And as to the directors in the parent bank, they are drawn from the entire district, are they not?

Mr Mills: I understand that three of them are elected by the bankers of the entire district, Class A, and Class B are business men from the entire district.

The Secretary of the Treasury: They are elected also.

Mr Mills: Yes, by the banks, but they are business men.

The Secretary of the Treasury: Yes.

Mr Mills: And Class C are appointed by the Federal Reserve Board. And the management of then bank, the chairman

of those last three; in other words, the business element has three representatives and the bankers have three, six out of the nine.

The Secretary of the Treasury: And the government has three.

Mr Mills: The government has three.

The Secretary of Agriculture: Do you apprehend that a board so constituted would be any more partial to the community in which the bank happens to be located than any other part of the district?

Mr Mills: I would trust the Federal Reserve Board would remove them, if they were.

The Secretary of the Treasury: The Board, of course, has that power.

Mr Mills: Yes.

The Secretary of the Treasury: Is it not a fact, too, Mr. Mills, that the very character of the organization of the branch bank necessitates the selection of a larger number of directors familiar with local conditions than with the parent bank, naturally the sphere of operations of the branch bank is more limited than that of the Federal Reserve Bank, and a greater familiarity would necessarily result on the part of the local directors from the territory attached to it.

Mr. Mills: yes.

The Secretary of Agriculture: There is another point which of course we must bear in mind, that the initial transactions would be with the individual banks as heretofore.

Mr. Mills: Absolutely. The individual bankers would deal with the individual members of the community.

The Secretary of Agriculture: Precisely.

Mr. Mills: And it would simply act as an intermediary between the reserve bank or the branch bank.

The Secretary of Agriculture: As a matter of fact you would follow the usual course through the branch.

Mr. Mills: It is just a mother bank, whether you call it

a branch or a central bank.

The Secretary of the Treasury: I should like to address to your Clearing House the question we are presenting to the Clearing Houses of other cities. The Federal Reserve 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."

We should like to have a brief containing suggestions as to what would be a proper definition of commercial paper, in contemplation of the provisions of the Act.

Mr. Mills: Do you want me to answer that?

The Secretary of the Treasury: No, I say we should like to have a brief from your Clearing House, and have it consider it, and also suggest at the same time any standard-

ized form of notes, drafts or bills of exchange which are to be circulated between the Federal Reserve Banks and the member bank.

Now there will, of course, be some distinctively local paper in each one of these different communities; for instance, in one place you have lumber paper and in another you have cattle paper. Wherever you have some specific character of paper that is more or less local to this region, we should like to have some data about it, and suggestions as to a standardized form which may be directed. You will have two or three weeks within which you may submit the information. We should like to have it, for instance, say by the 1st of March, if you can get it to us.

Mr. Mills: We shall have it for you.

The Secretary of Agriculture: That is left to administrative determination rather than legislative,

Mr. Mills: I read it and wondered how you would administer that feature.

The Secretary of the Treasury: It is a very important question, and one on which we should like to have as much light as possible.

Mr. Mills: May I have a copy of what you suggest?

The Secretary of the Treasury: Yes, that will be supplied to you. Now in Section 16 of the Act there is a provision 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."

That is also a very important provision, one which, if worked out in a practical and satisfactory way, may be of very great benefit to the commercial interests of the country as well as to the banking interests of the country, and we should like your Clearing House to consider that and submit any suggestions that you may care to in the form of a brief, as to how that can best be effectuated.

Mr. Mills: May I have that also?

The Secretary of the Treasury: Yes.

Mr. Cookingham: So much time has been taken, that I think it would be advisable if we should let you know just

what these witnesses expected to cover, and you may say that you do not care to hear them all. The next witness was Mr. Coman, President of the Northwestern Electric Company, who would give the rail service into Portland, as compared with the service into the other Coast towns. Would you care to hear that?

The Secretary of the Treasury: We would prefer to have some data of that kind, which may be submitted and filed as a part of the record, and omit altogether testimony as to that data. We cannot carry all of that in our heads anyway.

STATEMENT OF J. J. COLT.

The Secretary of the Treasury: Mr. Colt, give your full name and residence and occupation?

Mr. Colt: North Portland, Oregon; President of the Union Meat Company.

The Secretary of the Treasury: What is the Union Meat Company exactly, I mean is it an independent company, or--

Mr. Colt: It is allied with the Swift interests of Chicago, in the general packing business.

The Secretary of the Treasury: Give us some leading facts on that question.

The Secretary of Agriculture: You have a packing establishment here?

Mr. Colt: We have a packing establishment here, carrying on all the branches of the business that the larger packing houses do. The location of the present modern plant that was constructed here in 1909 -- since that time the business has been growing steadily with the development of the live stock business throughout the Northwestern country. At the time the plant was located, there was also located the Portland Union Stockyards, at this point, which is the only open competitive live stock market west of Denver.

The value of the live stock handled through the Portland Union Stockyards in 1913 was approximately \$15,000,000.

The Secretary of the Treasury: I understood you to say the only competitive live stock market west of Denver.

Mr. Colt: yes, sir.

The Secretary of the Treasury: Does not Seattle do a good deal of business of that character?

Mr. Colt: They have no open live stock market there.

The Secretary of the Treasury: No open live stockmarket?

Mr. Colt: No, sir, where live stock changes hands. There are packing houses in Seattle and Tacoma, but this is the

only stock yard similar to the ones they have in the Middle West and the east, the only one west of Denver.

As an evidence of the strong position of this as a live stock centre, and the rapid expansion of business it is sure to enjoy, ⁱⁿ the subjoined tables the increase for the various years is shown to be in fair proportion to that of 1913. It has shown a steady growth since 1909.

In the tabulated statements following, of the states where live stock shipped here originates, and particularly in that table containing the shipping points by carload lots, it is shown that the Portland Union Stockyards Company draws its supplies from all of Oregon, Idaho, Washington, Montana, California, Utah and Nevada, as well as some business from Wyoming, Colorado and other states further east.

Since the enactment of the new tariff law, inquiries are being received here from Alberta from growers who regard Portland as their natural outlet. The Portland Union Stockyards Company is the only one of a similar nature west of St. Paul and Denver.

Without attempting to distribute the location of the stock herds of the Pacific Northwest, the figures on the

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commercial movement to this port are submitted as evidence of the fact that Portland yards are the real commercial and financial centre of the industry for practically the entire coast. I will not attempt to read all these figures.

The Secretary of the Treasury: Read the summaries, and give some comparisons.

Mr. Colt: yes. In 1913 the total receipts of cattle at the Portland Union Stockyards were 80,399 head; in 1912, 76,521; in 1911, 88,139 --

The Secretary of the Treasury: Suppose you make your comparisons in five year periods.

Mr. Colt: On a five year period the total is 355,348.

The Secretary of the Treasury: No, I mean take five years back, say in 1908, and then give us 1913.

Mr. Colt: The yards were opened in September, 1909.

The Secretary of the Treasury: Well, begin there.

Mr. Colt: There were a few months of that year only, but for the full year of 1910 there were 89,733 cattle received. The cattle receipts all over the United States have been shrinking some. This last year, however, showed a gain over the previous year.

The Secretary of Agriculture: Where did the cattle go before the yards were opened?

Mr. Colt: There was a slaughter house here and some of that came by direct purchase and it was scattered throughout the entire Northwest, by killers who bought direct at country points.

The Secretary of Agriculture: Do you know about the number that came here before you opened the yards?

Mr. Colt: It is hard to centralize it. The stockyards at the present time is the buying point. There are about 30 buyers who look to this market at the present time for all or a portion of their requirements. Previous to that there was very little business transacted here by buyers outside of the city. There has been a concentration of the receipts here, and I do not know what the figures would show previous to that time, although the number of cattle and live stock handled through this market was comparatively small.

The receipts of calves for 1913 were 4,666, and in 1910, 8,297.

The total receipts of hogs in 1913 was 188,286, and in 1910, 83,323, an increase of 105,000.

In that connection I would like also to say that the receipts of hogs in 1913 all originated in the territory immediately tributary to Portland, I mean west of the Rocky Mountains, from Idaho, eastern Washington, eastern Oregon, and a very few from northern California and central Oregon.

In 1910-11 and a portion of 1912, the requirements of live hogs for Portland and the Pacific Northwest were drawn from as far east as Kearney, Nebraska; in fact, previous to 1909 there were as many as 90 per cent of the hogs killed here in Portland drawn from Nebraska points. Since August of 1912 there have been no live hogs shipped from east of the Rocky mountains to this market.

The Secretary of the treasury: Where do you get most of them now?

Mr. Colt: The large receipts come from Oregon, the biggest percentage comes from Oregon. We also draw from Washington, Idaho, western Idaho particularly is getting to be quite a hog producing section.

Sheep receipts for 1913 totaled 295,730, and in 1910 were 167,418.

Horses and mules, 1550 in 1913, and 1741 in 1910.

The Secretary of Agriculture: there seems to be a large increase in sheep there.

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California largely, or from what part of California do those come?

Mr. Colt: That is represented principally from northern California. However, in the early spring of the year there are some cattle which come here from as far south as Bakersfield.

The Secretary of the Treasury: Very well.

Mr. Colt: Utah 3,764; Nevada 120; miscellaneous 565, a total of 80,000.

The receipts of hogs by states are as follows: Oregon 94,319; Idaho 70,960; Washington 19,371; Montana 958; California 2,278, a total of 188,000.

Of sheep, Oregon supplied in 1913, 217,634; Idaho 35,916; Washington 35,037; Montana 7,089, and California 34 head. We get very few sheep from California points.

The Secretary of the Treasury: You may just file that with the reporter, please.

(The paper was accordingly filed.)

Mr. Colt: Another branch of the industry here which has developed in the last two years is a company known as the Portland Cattle Loan Company, of the same nature as those in the Middle West. It was organized and started business in August of 1912. Since that time to January 1st, 1914,

this company has loaned to the stock men throughout the Northwest approximately \$10,000,000, about \$8,000,000 of which has been paid, and something over \$2,000,000 being in force at the present time. Loans have been made in the states of Oregon, Washington, Northern California, Idaho, Utah and Western Montana. Bankers and live stock people throughout this district have assured the Loan management that no other one thing has been a greater aid to the stock industry than the facilities offered by it, and that the company has been a great stimulus to the live stock production throughout the territory mentioned.

Records show that the company has made loans on approximately 170,000 head of cattle, and something like 700,000 head of sheep. This has enabled stockmen who had cattle and no feed to purchase feed for the purpose of finishing off the live stock for market, and those who had feed but no live stock to purchase live stock and feed it for market. Thus the company has been the means of a profit to live stock people and to the farmers who were forced to market their hay or live stock for want of sufficient funds to carry on their operations and prepare their product for the market in the most advantageous way. All these loans are made

under chattel mortgage.

The Secretary of the Treasury: By whom is that loan company controlled?

Mr. Colt: The majority of the stock is owned by the same people who own the Union Meat Company. The local bankers here, Mr. Mills, Mr. Ladd and Mr. Ainsworth are also directors and stockholders of the company. It was formed here for the purpose of facilitating the handling of live stock throughout the Northwest.

The Secretary of the Treasury: What is its capital?

Mr. Colt: \$100,000.

Mr. Mills: And the surplus is \$70,000.

Mr. Colt: The surplus is \$70,000.

The Secretary of the Treasury: Where does this company draw its funds from, where do you get your money now to make these loans?

Mr. Colt: The paper is sold, some directly to the bank here, and in Chicago and New York and the Middle West and California.

The Secretary of the Treasury: Where is the bulk of it financed?

Mr. Colt: In the Middle West.

The Secretary of the Treasury: What percentage in Portland, would you say, by the Portland banks?

Mr. Colt: I should say about 10 per cent. Am I correct in that?

Mr. Mills: Yes. May I interrupt?

The Secretary of the Treasury: Yes.

Mr. Mills: The Portland banks hold themselves in reserve at any time when they are unable to sell the paper in the east, each giving them \$200,000. They will carry \$600,000 until they are able to sell it.

The Secretary of the Treasury: About what total do you sell in a year? Take last year, how much were your loans?

Mr. Colt: I think about \$5,000,000 during the year.

The Secretary of the Treasury: And you would say half a million dollars was handled in Portland?

Mr. Colt: Yes.

The Secretary of Agriculture: How long is the paper handled, as a rule?

Mr. Colt: It runs from 30 days to six months, and sometimes nine months, but the bulk is six months paper.

The Secretary of Agriculture: The bulk is six months paper?

Mr. Colt: I think so, six months, and under.

The Secretary of the Treasury: And all this cattle paper is secured by chattel mortgage?

Mr. Colt: yes.

The Secretary of the Treasury: Based upon specific brands, I suppose.

Mr. Colt: yes.

The Secretary of the Treasury: How do you get the identification of the cattle?

Mr. Colt: By brands.

Mr. Mills: There has never been a loss.

The Secretary of the Treasury: What percentage do you advance against the assumed value of the cattle?

Mr. Colt: Where the moral risk is sufficient, we will loan the purchase price of the cattle, providing the borrower owns his own home and is willing to include in the mortgage his hay, feed or grain, and perhaps some other collateral in the nature of security.

The Secretary of Agriculture: What do you rely upon principally, the character of the borrower?

Mr. Colt: We rely more on the character of the cattle than the borrower.

The Secretary of the Treasury: You rely more on the character of the cattle than on the character of the borrower?

Mr. Colt: yes. We never have had a loss.

The Secretary of Agriculture: Is this paper easily marketed?

Mr. Colt: Yes. At times, in money stringencies it is difficult to move it, but generally it moves very well.

The Secretary of Agriculture: Where do you sell most of that paper?

Mr. Colt: Through the Middle West.

The Secretary of the Treasury: What cities?

Mr. Colt: Chicago, St. Louis, St. Paul and Minneapolis.

The Secretary of the Treasury: How about Kansas City?

Mr. Colt: I am not sure whether any of the Kansas City banks buy it or not. I do not believe they do, not direct.

Mr. Mills: No.

The Secretary of Agriculture: Are you going to tell us something about the distribution area of the finished product?

Mr. Colt: The distribution area of the packing house products is rapidly growing. We are at the present time

making regular shipments to European ports, particularly Germany and some to England and some to Turkey, in the way of tallow, some to Cuba and Central American points, the Hawaiian Islands, the Philippine Islands, Japan, China and Alaska.

The Secretary of the Treasury: What percentage of the business is foreign and what domestic?

Mr. Colt: At the present time about 8 per cent of our business, I should think, is foreign, during 1913.

The Secretary of the Treasury: Is that growing rapidly?

Mr. Colt: yes, sir, it is growing right along.

The Secretary of the Treasury: What is your annual turn-over?

Mr. Colt: The annual turn-over of the Union Meat Company last year was about \$7,500,000.

The Secretary of the Treasury: Where do you finance most of that?

Mr. Colt: The bulk of it is financed in Portland and Oregon, country banks in Oregon and the Portland banks, and some in California.

The Secretary of the Treasury: Your domestic distribution is where?

Mr. Jolt: The domestic distribution comprises all of Oregon, all of Washington, western Idaho and northern California, and Vancouver, British Columbia. We ship to Vancouver, British Columbia. We cannot get much further south than San Francisco, although we sell a good deal of product in San Francisco.

The Secretary of the Treasury: Why can you not, on account of the freight rates?

Mr. Jolt: On account of the freight rates; the production of live stock in southern California, prohibits it.

The Secretary of the Treasury: There is a large production in Los Angeles now, is there not?

Mr. Jolt: Yes, there is a large packing house established here. I might also give you some figures on the produce business.

The Secretary of the Treasury: Let me ask before you start on that, do you have difficulty in financing your requirements out here, as a rule?

Mr. Jolt: At times we do, yes, sir.

The Secretary of the Treasury: What happened to you this last fall, for instance?

Mr. Jolt: Well, we had to reduce our stock pretty strong,

in order to take care of ourselves at the time when the money stringency was on.

The Secretary of the Treasury: At what time was it most acute?

Mr. Colt: I think we felt it worse probably during the late fall.

The Secretary of the Treasury: November, for instance?

Mr. Colt: yes, sir.

The Secretary of the Treasury: What was the reason for that?

Mr. Colt: There seemed to be a stringency of money, that is all.

The Secretary of the Treasury: The banks would not loosen up and finance you, or your paper was not good?

Mr. Colt: The paper was all right, but the money was hard to get.

The Secretary of the Treasury: They would not loosen up?

Mr. Colt: They would take pretty good care of us as a rule.

The Secretary of the Treasury: To what extent were your operations reduced by the inability to get credit?

Mr. Colt: I do not think the operations were reduced, but fortunately for us the fall of the year is the time we

are liquidating our stock to the greatest extent, and it came at a fortunate time, because our stock ready for the market went into natural channels, and it enabled us to turn much of our stock into cash.

The Secretary of the Treasury: Do you have any difficulty in converting the paper you receive for shipment into cash, or what is your custom, what credit do you extend to customers?

Mr. Colt: In the packing house lines our terms on fresh meat are weekly terms, and packing house products 30 days.

The Secretary of the Treasury: What is the discount for cash?

Mr. Colt: No discount, net.

The Secretary of the Treasury: Do you have any difficulty in selling that 30 day paper?

Mr. Colt: We do not take any paper; it is just open accounts.

The Secretary of the Treasury: It is just open accounts?

Mr. Colt: Yes, sir.

The Secretary of the Treasury: When you borrow against those shipments, you assign the open accounts as collateral?

Mr. Colt: We borrow on our straight notes.

The Secretary of the Treasury: You are more fortunate than some other people in that respect, then.

Mr. Colt: Yes.

The Secretary of the Treasury: What would be the practice in the banks, Mr. Mills, in cases where you did not consider that the maker of the note was sufficiently responsible, and you had to take collateral, would you take the assignment of the account against the notes?

Mr. Mills: No, we would require that such account should be put into a note which had a certain due date, and take the note as collateral.

The Secretary of the Treasury: You would take the notes as the account assigned?

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Mr. Mills: No, we/did such a thing unless a man was about to go bankrupt.

The Secretary of the Treasury: How would you do it? I did not quite catch it.

Mr. Mills: We would expect that the borrower would put such of those amounts as he thought were good into the shape of notes due in 30, 60 or 90 days, and we would take those as collateral.

The Secretary of the Treasury: In effect it is the same

thing.

Mr. Mills: In effect it is the same thing, yes; it is the customer's note, but it is not an assignment of the actual account.

The Secretary of the Treasury: Of course, the note is better than the open account.

Mr. Mills: It is better to take.

The Secretary of the Treasury: It relieves question as to the account.

The Secretary of Agriculture: Have you some other data, Mr. Colt?

Mr. Colt: In connection with the produce, which is also a branch of our business, these figures, I may say, are as nearly accurate as we can get them, and are compiled from the statistics of some of the state officials. Fresh meat and products sold by this company and other organizations of this state outside of Portland in the year 1913, that is the distribution outside the City of Portland, aggregated approximately \$9,000,000. The products received in Portland and then shipped out, according to the estimate of this company, would run approximately \$3,000,000.

The Secretary of the Treasury: Are you speaking of the

by-products of your business?

Mr. Jolt: No, of the produce business. The first item is packing house products, beef, and poultry is second. The poultry products received in Portland and shipped out during the year amounted to \$3,000,000; that is butter, eggs, poultry and cheese.

The Secretary of Agriculture: Mr. Burns, we will hear from you.

STATEMENT OF W. J. BURNS.

The Secretary of Agriculture: Will you give your full name and occupation.

Mr. Burns: W. J. Burns, in the shipping business, exporting and importing.

The Secretary of Agriculture: You know the problem that we are confronted with, and we are very much interested in knowing the volume and movement of trade, and we would be glad to have the information you can give us.

Mr. Burns: As I understand, you want information as to the volume and trend of the wheat business in the Northwest?

The Secretary of Agriculture: yes.

Mr. Burns: I have prepared a map here designating the

different districts comprising what is called the Oregon country, Oregon, Washington, Idaho and a small part of Montana.

The Secretary of Agriculture: West of the mountains?

Mr. Burns: East of the mountains, and the Willamette Valley, yes, sir. One portion is designated by a green stamp as territory which is exclusively tributary to Portland. Then we come to a territory marked blue, which is equally tributary to the Sound, but which will, in the event of the Columbia River ever being opened to navigation, tributary to the Columbia River. Then we come to a further district marked in red, which is tributary to both places, but is beyond the zone of the river.

The total production of grain in this country is, roughly speaking, about 2,000,000 tons of wheat, about 300,000 tons of oats, and 300,000 tons of barley. I have given it in tons, and have also prepared a map in bushels, as it might appeal to you more, as you are accustomed to bushels.

On the question of the movement of this wheat market, I would say that of the wheat there is exported on an average each year about 1,300,000 tons, and the movement to market of that is divided about equally, of late years,

between the Sound and Portland. That is very largely depending on where the markets are to be found for the wheat. At one time it will go in large volume to the East Orient, and at another time it may go to Europe, and it may go to California. When it comes to supplying the California and Oregon markets, Portland is generally looked upon as a more advantageous point to operate from; whereas, when it goes to the Orient, there are greater facilities for shipping there, so the movement in that case is apt to go by the Sound.

I have prepared a statement here showing the movement of the wheat to the different points for the last crop year, and for the first part of the present year, which will bear out what I have said. If you care, I shall leave this with you.

The Secretary of Agriculture: yes, we would be very glad to have that.

Mr. Burns: In regard to the export of barley, a certain amount of that goes abroad, and I have prepared a statement with regard to that also, showing the movement of barley on an export basis. Most of the barley is consumed at home, only a small portion being export barley.

The Secretary of Agriculture: What has been the growth

of this business in the last few years?

Mr. Burns: Well, it has not grown very much in the last few years. It did take an upward turn four or five years ago, but has remained stationary since then.

The Secretary of Agriculture: Of grain?

Mr. Burns: Yes, the tendency of the country is to get into other lines, and apart altogether from the physical movement of the grain, I would just say that the business was originated here and was centered here in the beginning, and then spread out to the Sound, but it is very largely, you might say, controlled from here, and this is where, for instance, they make up the standards of quality and so on, to govern the whole business. It is supposed to be the headquarters, and as being more directly in touch with the whole district.

The Secretary of Agriculture: What percentage of it in value would you say comes here?

Mr. Burns: Well, the values would be very evenly divided, much as the quantity and value would coincide.

The Secretary of Agriculture: Between here and the Sound?

Mr. Burns: Yes, sir. The financing is done more largely here than in the Sound. A good many of the houses finance their operations here but direct the shipments to the Sound.

As a collateral to that business there has grown up here a large business also in loaning throughout this territory to farmers. There are several large agencies here representing foreign capital who have made a business of making loans to farmers on long time mortgages.

The Secretary of Agriculture: On their farms?

Mr. Burns: On their farms, yes. It is a business which is supplied mostly with foreign capital, and I should judge there are \$15,000,000 or \$20,000,000 altogether represented here in these different agencies.

The Secretary of the Treasury: What foreign country supplies most of that capital?

Mr. Burns: Most of it comes from England and Scotland. There is also a company which operates from the Netherlands, which has its office in Spokane. That is the only other large company in the business.

The Secretary of Agriculture: What percentage of the value of the farms do they lend on?

Mr. Burns: Not over half.

The Secretary of Agriculture: And for what time?

Mr. Burns: Well, as much as five years.

The Secretary of the Treasury: What rate of interest?

Mr. Burns: Seven to eight per cent.

The Secretary of the Treasury: Is that lawful, under the law?

Mr. Burns: Quite lawful, for they are glad to get it.

The Secretary of the Treasury: I mean to say, what is the legal rate?

Mr. Burns: I think 10 per cent is the legal rate.

Mr. Mills: By contract.

The Secretary of the Treasury: But what is the legal rate?

Mr. Mills: Six per cent, but ten by contract.

The Secretary of Agriculture: Where is no amortization principle here for longer terms, and an annual payment on the mortgage?

Mr. Burns: No. Some are made on annual payments, but I do not think any loan is made for a longer term than five years.

The Secretary of Agriculture: Is that done more largely here than any of the Northwestern cities, so far as you know?

Mr. Burns: Yes, I should say so.

The Secretary of Agriculture: That map shows clearly the area from which these different communities draw?

Mr. Burns: Yes, I think so.

The Secretary of Agriculture: To what extent is this community able financially to take care of this business, or to what extent do you have to depend on the outside?

Mr. Burns: There is some dependence put on the outside, but not very great, I should say. It is less now than it used to be. There are several large banks here which supply capital, but at times assistance is obtained from the outside, from San Francisco and sometimes from Europe. In the time of the stringency here we had to get assistance from Europe. We actually brought out money here --

The Secretary of Agriculture: Is the greater part of this lending on mortgages by foreign capital?

Mr. Burns: yes, there is not very much domestic.

The Secretary of Agriculture: But as to the handling of the crops themselves, that is handled here locally largely?

Mr. Burns: To a great extent, I should say now.

The Secretary of the Treasury: Do you have any difficulty in disposing of your commercial bills?

Mr. Burns: Bills on whom?

The Secretary of the Treasury: I mean bills against

shipments?

Mr. Burns: On London?

The Secretary of the Treasury: yes, or foreign bills.

Mr. Burns: No, we can sell them here.

The Secretary of the Treasury: Do you sell them here or in New York?

Mr. Burns: We sell them here or in San Francisco.

The Secretary of the Treasury: To what extent in San Francisco, and to what extent here, would you say?

Mr. Burns: Well, we sell about half of them in San Francisco.

The Secretary of the Treasury: And half of them here?

Mr. Burns: Yes.

The Secretary of the Treasury: Do you get equally good terms here and in San Francisco?

Mr. Burns: Yes. We do not sell them in New York, because New York does not care to deal with documentary bills; they prefer clean bills.

The Secretary of the Treasury: What is the time of your extreme demand here, what part of the year?

Mr. Burns: In the fall, October, November and December.

The Secretary of the Treasury: And every year do you find

difficulty in getting your capital requirements or financial requirements?

Mr. Burns: Well, we have to make some arrangements, but we manage to do it; but it takes all we can do to do it.

The Secretary of the Treasury: You had more difficulty this fall than usual?

Mr. Burns: Well, I would not say so. No, I would not say we had more difficulty this fall.

The Secretary of Agriculture: Have you any further facts you desire to present, Mr. Burns?

Mr. Burns: I think that is all.

The Secretary of Agriculture: We thank you very much. Let those maps be filed.

(The maps were accordingly filed.)

STATEMENT OF A. J. DIXON.

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

Mr. Dixon: A. J. Dixon. I am manager of the Booth-Kelly Lumber Company, and am speaking in behalf of the timber and lumber manufacturing interest, but not for any particular organization.

I would like to introduce this map, which shows within the heavy red lines the timbered area which is more or less directly connected or tributary to Portland. The legend which perhaps I will have to look at for a moment, is attached. The green stickers placed there in a portion of Idaho, all of Oregon and part of southwestern Washington, represent the timbered area that is entirely tributary to Portland, in this way, that the lumber not only largely goes through Portland to reach its ultimate destination, but the trade relations of the manufacturers are with Portland, and the financing is done through banks that are all doing business exclusively in Portland. The red stickers are placed in territories where there are competitive conditions; that is, the rates for the shipment of the products are the same to Seattle as they are to Portland, and of course the shipment of merchandise out.

The Secretary of the Treasury: In the territory of the green stickers the rates are more favorable to Portland?

Mr. Dixon: Yes. The blue is a small portion of southwestern Washington where the financing is done through Portland, and the shipment of the product is to the sea and the trade relations are partly with Portland, but open to

other territory.

The Secretary of the Treasury: That is common to Seattle as well as Portland, is it, the territory indicated by the blue.

Mr. Dixon: No, not so much so, in that the harbors are closer to the Portland Harbor and railroad connection is better via Portland than via Seattle, but since it has a seaport of its own, it is open to the world.

The Secretary of the Treasury: Which ^{possesses} the largest amount of available timber, Washington or Oregon?

Mr. Dixon: Oregon has much the larger stand of timber. As to availability, I do not think I could answer that, because I have no data on that. Washington is largely developed at this time, as to transportation facilities. Oregon has the greatest stand of permanent timber.

The lumberman's interest in the matter of financing is just that they would like to have it considered, I think, from the standpoint of the size of the lumber industry first, as ranking from fourth to second in the United States in the value of the product and the number of men employed.

As to our particular location here, we would like to have you understand the volume of resource compared with

the total volume in the United States. 36 per cent of all the timber in the United States is standing in Oregon, Washington, Idaho and western Montana. If Montana is eliminated, it makes very little difference, because only 5 per cent of this 36 per cent is in western Montana.

From the statement which I have made relative to the map, 76 per cent of this timber is tributary to Portland, that is in the non-competitive territory I have mentioned, in Oregon, western Idaho and southwestern Washington. 48 per cent of this total is in Oregon proper. In other words, practically 18 per cent of all the timber in the United States is standing in the State of Oregon. The county in which I live, 125 miles south of here, is the heaviest timbered county in this state, and probably the heaviest timbered county in the United States. The ultimate conditions as to manufacture in this territory must be very different from what they are at the present time. In Oregon, for instance, we are manufacturing not to exceed five per cent of the timber that is manufactured in the United States, while holding 18 per cent of it. In Washington at this time they are manufacturing not to exceed ten per cent of all the timber that is manufactured in the United States,

while holding very much less than we have in Oregon, but still more proportionately than the present condition of their manufacturing industry indicates. The prediction is freely made by students of the lumber industry than within five years from this time, instead of the two states of Oregon and Washington manufacturing approximately 15 per cent of the lumber manufactured, they will manufacture at least 35 per cent. This prediction is based on the decreasing timber stand in the south, and on the opening of new markets to the northwest.

As to the value of the product of this territory, I notice from the newspapers that you had that pretty thoroughly stated to you by the people up north; something like \$150,000,000, considering the auxiliary industries, that is, by-products, boxes, sash and doors, interior trim, furniture, and so forth.

The relations of the lumber manufacturers in the district I have referred to, especially the non-competitive district, are very direct with Portland. Lumber is largely shipped through Portland to the east and by cargo to Pacific Coast points, especially in California, and to foreign ports.

The Secretary of Agriculture: To the east, what do you

mean?

Mr. Dixon: Via the so-called Harriman or Hill lines to Chicago, and points between the coast and Chicago; some east of Chicago, but comparatively a small percentage. The trade relations follow the lumber very largely, and for the same reason. The haul is all down hill, and the trade goes with the traffic itself. Our financing all over the state of Oregon is done, as you have heard, almost altogether with Portland.

The special needs of the lumber men for more elastic and stronger financial arrangements are brought out by some new developments at this time, and by the natural condition of their trade. A large portion of their sales in this section to all over the United States are made to the farmers and farming communities, and long credits are necessary and are given by the retailers and wholesalers to assist in the distribution of the lumber, and of necessity are given them by the manufacturer.

The added reason at this time, by reason of the opening of the Canal we expect to reach increased markets and expect to have the world for our markets, and we will need increased financing as we increase these markets and as the

distance to market increases.

The most important reason in connection with the lumber industry as differing from other trades or industries, is the tremendous cost of opening up a lumber business and the cost of carrying the natural resources, to perpetuate it. It is no unusual thing for the lumber man to spend from half a million to a million and a half dollars building a railroad, providing a way to get to his natural resources or raw product. And for that investment and the added investment in his manufacturing plant, he must of course, have a long time stand of timber which will last him a number of years. So that he has especial needs, different and greater than for the ordinary manufacturing enterprise, where the raw product is bought from day to day. He must secure his and hold it for many many years. The large percentage of the expenditure of the manufacturer after he begins operating is for labor, payable weekly or certainly at least once a month, and he needs, not especially at any particular season, but all the year around heavy financing. At the present time a considerable portion of the financing for the lumber interests in the Northwest is done in San Francisco and in the Middle West, Chicago and further east

than that, Chicago and Detroit. Comparatively little of it, I should say, is done in the Northwest, especially the long time financing.

The Secretary of the Treasury: You do not rely on the local markets for that?

Mr. Dixon: The larger concerns cannot. I am not so familiar with the smaller ones. It is because the local banks at times cannot take care of it.

The Secretary of the Treasury: To what extent are you financed from Portland?

Mr. Dixon: My own particular company is financed partly in Portland at times, and partly in San Francisco and partly east, and that is true of others, I think.

The Secretary of the Treasury: The financing I am referring to does not relate to your permanent plant, but ordinary business transactions and sales.

Mr. Dixon: Ordinarily in our own local town and Portland and San Francisco.

The Secretary of Agriculture: To what extent in San Francisco?

Mr. Dixon: 50 per cent of our current loans, of the amount we currently borrow.

The Secretary of the Treasury: In San Francisco?

Mr. Dixon: Yes, sir.

The Secretary of the Treasury: As a manufacturer, what are the terms upon which you sell lumber to the wholesaler or retailer?

Mr. Dixon: 60 days are the maximum terms.

The Secretary of the Treasury: Do you take notes for it, or sell on open account?

Mr. Dixon: On open account.

The Secretary of the Treasury: What is the discount for cash?

Mr. Dixon: Two per cent, 10 or 15 days; the terms vary.

The Secretary of the Treasury: Do most of them avail themselves of the discount?

Mr. Dixon: It depends on the year. Last year they did not. Ordinarily I think better than 60 per cent of our accounts are discounted.

The Secretary of the Treasury: When you discount these accounts, how do you do it, do you assign the accounts or first put them in the form of notes? Mr. Dixon, and then

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pledge those notes as collateral to your own notes?

Mr. Dixon: By discount I understand you mean discount on the invoice.

The Secretary of the Treasury: I was speaking of that as between the purchaser and yourself, but I mean when he does not take advantage of the discount and takes advantage of the 60 days time, and you want to realize ^{and} a discount those accounts, what do you do?

Mr. Dixon: We take his note and endorse it and take it to the bank, or borrow on a straight note of our own.

Mr. Dixon: Yes, in the Oregon and Washington field.

The Secretary of the Treasury: Is that all that are possible to discount such bills as you have described, in Portland?

Mr. Dixon: I think there is no limit for the discounting of these bills in Portland. We can discount all we can bring here. The limitation sometimes in borrowing on straight notes in the amount the banks are allowed to lend to some one individual.

The Secretary of the Treasury: Did you experience difficulty last fall in financing your own requirements?

Mr. Dixon: Our own requirements did not, for the reason of our own sales of timber. But many others did.

The Secretary of the Treasury: Where you cannot borrow on a straight note of your own you put the account of the purchaser in the form of a note?

Mr Dixon: Yes.

The Secretary of the Treasury: And you either borrow on that or hypothecate it?

Mr Dixon: Yes. A good many sell with a draft and bill of lading attached, to the bank.

The Secretary of Agriculture: You gave the amount of business here as about \$150,000,000?

Mr Dixon: Yes, in the Oregon and Washington field.

The Secretary of the Treasury: To what extent are you able to discount such bills as you have described, in Portland?

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The Secretary of Agriculture: You gave the amount of business here as about \$150,000,000?

Mr Dixon: Yes, in the Oregon and Washington field.

To
The Secretary of the Treasury: /What extent, may I ask, did the Portland banks avail themselves of the government deposits last year?

Mr Mills: There were \$850,000 allotted to us, and we took the whole amount. In our own case our bank had \$350,000 and returned it in two months.

The Secretary of the Treasury: Did that help the situation?

Mr Mills: Yes, sentimentally very much.

The Secretary of Agriculture: Will you file your maps and data with us, Mr Dixon?

Mr Dixon: Yes.

(The maps were accordingly filed.)

STATEMENT OF J. SMITH.

The Secretary of the Treasury: Give us your full name, address and occupation, Mr Smith.

Mr Smith: Jay Smith, Portland, manager of Marshall Wells Hardware Company.

The Secretary of the Treasury: Give us some idea of the extent and distribution of the wholesale hardware business I understand you are to speak of that.

Mr Smith: Yes.

The Secretary of Agriculture: Are those duplicate maps

which you have there?

Mr Smith: No. I have assumed that in considering this question for the northwest that the territories of Seattle and Portland are going to be of the most interest.

(Producing maps)

Now, in considering this northwestern territory, from a jobbing standpoint, I have tried to divide that territory in two ways: one between Portland and Seattle, showing the territories to which the rates of Portland and Seattle are more favorable than from any other jobbing point; in another way including the territories of Everett and Bellingham and Tacoma. And on that basis with the two comparisons I have figures showing the population, the total agricultural products and the timber.

The Secretary of the Treasury: We have got that. You need not recount that, but what is the sphere of your trade influence, your distributing influence from Portland, so far as hardware is concerned?

Mr Smith: Well, putting it individually, speaking of our own concern, we distribute all the way from Bakersfield to Nome, Alaska, but we do not call that all our natural territory.

The Secretary of the Treasury: I mean what would you consider your natural sphere of trade influence here, where you are supreme?

Mr Smith: ^{Oregon} All the state of ^{and} about a quarter of Washington.

The Secretary of the Treasury: You do not go beyond Oregon and that part of Washington?

Mr Smith: Yes, we do, but I regard that as the territory in which we have an advantage. We cover the entire state of Washington. We keep four or five men in Seattle.

The Secretary of the Treasury: But you have an advantage in the whole of Oregon and part of Washington?

Mr Smith: Yes.

The Secretary of the Treasury: How about Idaho and Montana?

Mr Smith: We run into Idaho as far as Boise. In the Spokane territory we do not go at all, as we have a house at Spokane.

The Secretary of the Treasury: How about Northern California?

Mr Smith: We have about 10 per cent of our traveling force who are in California and Alaska. 50 per cent are in the state of Oregon.

The Secretary of the Treasury: What is your annual turn-over?

Mr Smith: You mean now the volume of business? The volume of business into our capital?

The Secretary of the Treasury: Yes, the total business in a year.

Mr Smith: Two and a half times.

The Secretary of the Treasury: Yes, but what does that mean? I do not know your capital.

Mr Smith: Our total sales of the concern that I represent, as a whole, are about between \$14,000,000 and \$15,000,000, but in this territory here our sales would run between three and four million dollars.

The Secretary of the Treasury: Where do you do the rest of your business?

MrvSmith: Duluth, Winnepeg, Edmonton and Spokane.

The Secretary of the Treasury: You have much larger sales outside of this practically exclusive territory than you have in it?

Mr Smith: Well, perhaps the situation is not understood. The headquarters of our concern are at Duluth.

The Secretary of the Treasury: This is a branch, I

see.

Mr Smith: This is a branch, and our business is financed at Duluth.

The Secretary of the Treasury: Speaking of this branch alone, what is your total business here, what does it aggregate a year?

Mr Smith: Between three and four million dollars.

The Secretary of the Treasury: It is financed wholly from Duluth?

Mr Smith: Yes.

The Secretary of the Treasury: The local branch here does not have to worry about that?

Mr Smith: Not at all.

The Secretary of the Treasury: You must feel very comfortable at times.

Mr Smith: I feel very much so.

The Secretary of the Treasury: These branches are not such bad things after all, are they?

The Secretary of Agriculture: Are you one of the large distributing houses in this section?

Mr Smith: I think in our line we are the largest.

The Secretary of the Treasury: And to what extent do you come in competition with the Simmons Hardware Company

of St Louis, is that a competitor in this district?

Mr Smith: Hardly. They have some representatives out here, but they can simply touch the high spots, and are not really competitors.

The Secretary of the Treasury: They have no branch out here?

Mr Smith: No.

The Secretary of the Treasury: That will do, Mr Smith, and if you will file any figures you have as an exhibit to your testimony, together with these maps, we shall be obliged.

(The maps produced by Mr Smith were filed.)

The Secretary of Agriculture: Have you anyone here speaking for the bank? You represent the clearing house and the bankers here in the statement that for the present you think the headquarters bank should be at San Francisco, Mr Mills?

Mr Mills: No, that was my personal opinion; I was not instructed to represent them.

The Secretary of the Treasury: What would their views be on that?

Mr Mills: I think the majority would agree with me,

although I have never canvassed the situation.

The Secretary of the Treasury: I think it might be well to have some of those gentlemen here this afternoon.

The Secretary of Agriculture: We should be glad to have a more general expression of views on that question.

Mr Mills: Would you like to have one now who is here?

The Secretary of Agriculture: Yes.

Mr Cockinghan: I would suggest that you call a representative of the Agricultural Implement trade.

STATEMENT OF H. W. MITCHELL.

The Secretary of the Treasury: You may state your full name, address and occupation.

Mr Mitchell: H. W. Mitchell, Mitchell-Lewis Hardware Company, Portland.

The Secretary of the Treasury: You are president of it.

Mr Mitchell: Vice president.

The Secretary of the Treasury: You are down on this list as president. You may give us some idea of your business and what sphere your trade influence extends over, if you please.

Mr Mitchell: We believe that the business of the

agricultural implement distribution in a given territory properly reflects the natural trade center of the agricultural or producing section. Portland is the agricultural implement trade center of the Pacific Northwest, embracing the states of Oregon and Washington, all of Northern Idaho and Southwestern Idaho is too well known to those of us who have lived here, to require stating. To substantiate this statement, I will state the fact that the entire business in this territory of such concerns as the John Deere Plow Company, the Moline Plow Company, the Oliver Plow Company, the Parren-Orendorf Plow Company, which are all concerns which operate throughout the entire United States, and many of them throughout the globe and any number of locally owned jobbing houses, as well as threshing machine companies, operate in this territory, operate from here. This is their headquarters.

The International Harvester Company handles from here all of the state of Oregon and all of the state of Washington excepting that portion north and east of the Snake River and the Columbia River.

The aggregate volume of this business handled through Portland will amount in round numbers to \$8,000,000 to

\$10,000,000 per annum. As compared to this, the implement business done through all Puget Sound cities will not exceed, and I doubt if it will equal, five per cent of these figures.

As a general thing, there is no existing condition ~~xxx~~ without a well defined reason for it. This is true of this condition. There is a good and sufficient reason why this is so, and I will endeavor to put it briefly in this way. Grant, to begin with, that the ocean route, particularly with the early opening of the Panama Canal, eliminated from consideration all points in the territory mentioned except the Pacific Coast seaboard points, insuring the minimum transportation charge on commodities shipped from the eastern portions of our own country and elsewhere, and outside of this territory, we have as a competitor in this field only Puget Sound points, and it matters not which one of the Puget Sound points might be used for comparison, the results would be the same. Assume, for illustration, that you are about to engage in the distribution of our commodity, or any other commodity throughout the Pacific Northwest or in the scope of country lying west of the Rocky Mountains to the Pacific Ocean, and from

the British line on the north to the northern line of California and Nevada on the south. Assume that you cast up before you and analyze the situation something after this fashion: we want to locate at one place and one place only from which we can handle the largest percentage of this territory to the best advantage and the smallest percentage at the least possible disadvantage. If we locate at Portland we can handle to better advantage than to any other Pacific Coast seaboard point, the entire state of Oregon, all of southern Idaho, than could be done from any Puget Sound port --

The Secretary of the Treasury: Now, we would like to have some facts and figures about your trade and your own operations.

Mr Mitchell: We operate in this whole territory.

The Secretary of the Treasury: Yes. Now, can you give us some figures as to the amount of business you do?

Mr Mitchell: Do you mean ourselves?

The Secretary of the Treasury: Yes, showing how it is distributed all over these states.

Mr Mitchell: We do something like between a million and a million and a half.

The Secretary of the Treasury: What class of implement

Mr Mitchell: Agricultural implements and vehicles.

The Secretary of the Treasury: All kinds?

Mr Mitchell: Yes.

The Secretary of the Treasury: All kinds of implements?

Mr Mitchell: Yes sir.

The Secretary of the Treasury: Where is your chief distribution, I mean where is most of it distributed, in Oregon, or --

Mr Mitchell: It is distributed through this entire territory I have just referred to.

The Secretary of the Treasury: Where is the largest percentage distributed, in what state?

Mr Mitchell: From here?

The Secretary of the Treasury: Yes.

Mr Mitchell: Do you mean that that which is shipped in here and shipped out of here --

The Secretary of the Treasury: Yes, where do you ship your stuff mostly, where do you sell?

Mr Mitchell: The largest percentage of that which is shipped in here and out of here is shipped into Oregon, I presume.

The Secretary of the Treasury: What percentage of the total business is done in the state of Oregon?

Mr Mitchell: I could not say offhand. We maintain a branch house in Spokane which operates in the territory north of the Snake River and the Columbia River, just as the International Harvester does.

The Secretary of the Treasury: That would seem to indicate that Portland would not be the chief distributing center for the whole territory.

Mr Mitchell: Absolutely the only point at which you can get the goods in at the lowest rates and distribute them out to the best advantage. In other words, stock here is available for all points to the least possible disadvantage. I do not mean to say that all stock is available here for distribution to all other points to better advantage than it is from those other points to certain immediate districts. For instance --

The Secretary of the Treasury: You maintain a branch at Spokane because you can get a better distribution for part of your territory from there?

Mr Mitchell: Yes. And if we could get all our stuff in there we could do all the business for that territory in there, but there are times when we must supply them

with something they have not in stock and we have to fill them up with a mixed car.

The Secretary of the Treasury: What percentage of your business is done from Spokane and what from Portland

Mr Mitchell: There is a great deal of business, and in fact all of us who operate in this territory, who ship a great deal of our business direct from the factory to the dealer, because he buys in quantities which will admit of either straight or mixed carload shipments --

The Secretary of the Treasury: Where the information you could give us would be of some value would be to show on a map the distribution of your business over these states not only the amount you distribute from Portland and Spokane but also what you distribute direct from the factory upon order. If you could give us such a map, it would be useful.

Mr Mitchell: We cannot do that very well.

The Secretary of the Treasury: Why not?

Mr Mitchell: One year they may take the stock from the factory and another year they may take a mixed car from here.

The Secretary of the Treasury: That does not make any difference. We would like to know what your operations are

for any one year, so we may know the sphere of your trade influence.

Mr Mitchell: They may order a carload from the factory this spring and some shorts out of here later.

The Secretary of Agriculture: What is the significance of what you are presenting?

Mr Mitchell: To show that Portland is the natural base of operations.

The Secretary of the Treasury: But you cannot show it without figures.

Mr Mitchell: Yes, you can, by the geography and topography of the country.

The Secretary of the Treasury: Excuse us, but we know the kind of figures we prefer to convince us, and arguments of that character would not be convincing without something to support them.

Mr Mitchell: Well, you would have to know the country.

The Secretary of the Treasury: We should like to have it if you will be good enough to take a map and give us that kind of data, we will be glad to have it.

Mr Mitchell: Well, it will vary.

The Secretary of Agriculture: Here is the point. You are stating this is the distributing center and then you are stating it is not distributed from here but from the

factories.

Mr Mitchell: It is the point of operation, and it is the point at which the principal stocks are carried. Just as you are going to make a reserve bank at a point where all others will base on it.

The Secretary of the Treasury: We understand. It is a perfectly simple proposition, and if you know what we want, we would like to have this character of data. We would like to have you take one year, no matter what year, and tell us what the distribution was, not only from Portland, and also Spokane, but from data from the east.

Mr Mitchell: There may be a good deal that we distribute from Spokane which we send there from here.

The Secretary of the Treasury: That does not make any difference. We all know it all proceeds from Portland on order. You direct the manufacturer where to send it and direct the Spokane branch.

Mr Mitchell: You mean as to my operations alone, or as to all the houses?

The Secretary of the Treasury: We would be glad to have it from all the houses.

Mr Mitchell: By what time?

The Secretary of the Treasury: If we could have it within two weeks it would be sufficient.

Mr Mitchell: I guess we can get it.

The Secretary of the Treasury: You see we get a picture of the distribution of the trade influence of these houses in Portland by that means, and that of course is instructive. If you can send that to the Committee by the 15th of February in Washington, it will be attached as an exhibit to your testimony.

Who is next?

Mr Cookingham: We suggest the fruit industry.

The Secretary of the Treasury: Well, we had a good deal of that at Seattle. Is he to speak for those states, covering the entire states?

Mr Cookingham: Yes.

The Secretary of the Treasury: Well, we will hear from Mr Malboeuf.

STATEMENT OF C. A. MALBOEUF.

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

Mr Malboeuf: Charles A. Malboeuf; I am a fruit broker

Who is next?

located at Portland, and I am presenting this matter on behalf of the Chamber of Commerce.

I would like to submit this map which shows by legend the territory covering the fruit acreage which is exclusively local to Portland, that which is competitive with Portland with equal rate and located on or adjacent to water courses, other territory which is tributary to Portland financially, and still further territory which is tributary to Portland perhaps not financially but by common rate application. The legend there shows the exclusive territory in green, the water territory in blue, and the outside territory not tributary to Portland in red, the blue and red common to Portland away from water competition and blue and red and green in the southern part of Idaho, so remote from Portland as to be hardly considered in its territory. Based on as near official statistics as we can gather, the total fruit acreage in the three northwestern states ---

The Secretary of the Treasury: It will not be necessary to read that, because we cannot carry the figures so long, of course, and you have it all in a compact statement there, have you not?

Mr Malboeuf: Yes, either on that legend or on another

statement which I will submit.

The Secretary of the Treasury: So, if you will just summarize briefly the value of the industry and how much of it is handled financially from Portland, we would like to have that.

Mr Malboeuf: Of the total of 600,000 acres in the northwest, Portland's territory includes a total of 321,000. That is approximately the relative acreage of the total, which is financed and handled commercially from Portland, is 60 per cent.

The Secretary of the Treasury: What does that represent in money value for the last year?

Mr Malboeuf: As to production?

The Secretary of the Treasury: Yes.

Mr Malboeuf: Production for the last year was approximately ten million dollars.

The Secretary of the Treasury: That was what was handled at Portland?

Mr Malboeuf: No, it was handled in various ways. That includes the total money value of the crop out of the Portland territory. There has not been ---

The Secretary of the Treasury: That is out of the 300,000 acres you referred to as being tributary to Portland?

Mr Malboeuf: Yes.

The Secretary of the Treasury: How much of that was financed here in Portland, would you say?

Mr Malboeuf: Well, I would have to refer to the bankers to the financing of the crop. In a general way only, I can say that in the bulk of that territory the most of the financing is done by the local bank in each different district.

The Secretary of the Treasury: How do you mean in each different district?

Mr Malboeuf: For instance, in the district of Hood River the Hood River Bank financed the growers direct, and in Wenatchee and Yakima and so forth.

The Secretary of the Treasury: Have you any idea how much of that business comes to Portland and is financed here in Portland, I mean of the crop itself?

Mr Malboeuf: My general understanding of the situation that in the territory served by what we call exclusive territory, also a large portion of the water competitive territory in the state of Washington, and the western part of southern Idaho, it is financed from Portland.

The Secretary of the Treasury: What would you say that represents in dollars and cents, about, as an estimate?

Mr Malboeuf: Approximately \$5,000,000 last year, for the year 1913.

The Secretary of the Treasury: Take your house, for instance, how much of that business was handled by your house to give us an idea?

Mr Malboeuf: I am not with any particular house.

The Secretary of the Treasury: I thought you had a brokerage business.

Mr Malboeuf: I am an independent broker, merely buying in the country for outside accounts.

The Secretary of the Treasury: Now, the volume of business done, for instance, through your brokerage house or by you would be what?

Mr Malboeuf: Approximately a total of 125 cars, which would mean close to \$100,000.

The Secretary of the Treasury: And that is handled purely on a commission basis, I presume?

Mr Malboeuf: Yes sir. No, as far as I am concerned it is but it was purchased either for cash or on consignment from the grower.

The Secretary of the Treasury: To what extent were they purchases and to what extent were they consignments?

Mr Malboeuf: The purchasers were about one-half of the quantity I mentioned.

The Secretary of the Treasury: How do you finance that, with the local bank?

Mr Malboeuf: Yes, with the local bank. That was paid to the grower through Portland and the check drawn from Portland.

The Secretary of the Treasury: How do you finance that in turn with the local bank here, what security do they require? Fruit is such a perishable thing that I would like to get an idea of the way these transactions are handled and financed.

Mr Malboeuf: In buying this fruit the Portland man on whose account I purchased the fruit was the direct purchaser from the grower, and he paid the grower in cash and he shipped it abroad.

The Secretary of the Treasury: And those foreign bills I suppose are handled by the banks here?

Mr Malboeuf: In all cases.

The Secretary of Agriculture: Which handles the greater part of this fruit business, Portland or Seattle, in this section?

Mr Malbœuf: Based on financial conditions at the present time, Portland has handled the greatest part of it. Commercial conditions must be measured by altogether different conditions ~~which~~ than those which regulate other industries, for instance grain; because fruit is not drawn here, but passes away from here, whether through Portland or otherwise. Portland has actually become a center on account of the growing industry in this section, and is today the headquarters of one of the largest selling agencies in the Northwest. The second largest, at Spokane at the present time, will make this its headquarters, beginning with the season's business, to cover the territory tributary to Portland.

The Secretary of the Treasury: We thank you.

STATEMENT OF AMOS T. HUGGINS.

The Secretary of the Treasury: Mr Huggins, will you state your name, residence and occupation.

Mr Huggins: Amos T. Huggins; general manager of Fleischner Mayer Company, wholesale dry goods.

The Secretary of the Treasury: How old is your house?

Mr Huggins: The present house is about --- since 1876, I think.

The Secretary of the Treasury: How long has it been in business in Portland, since that time?

Mr Huggins: Since that time.

The Secretary of the Treasury: Give us some idea of the trade influence of your house, or what territory is covered by its operations.

Mr Huggins: Our house is the only exclusive wholesale house in the city of Portland. We cover the states of Oregon, Washington, Idaho and as far east as Boise, Northern California, Alaska and the Hawaiian Islands.

The Secretary of the Treasury: How far do you go into California?

Mr Huggins: We go down perhaps as far as Red Bluff and into Humboldt County.

The Secretary of the Treasury: Where do you do the greatest part of your business?

Mr Huggins: The greater part of our business is in the state of Oregon.

The Secretary of the Treasury: Can you give the percentages in these different states of your business?

Mr Huggins: In Oregon we do 60 per cent, in Washington 32 per cent, and in the others 8 per cent.

The Secretary of the Treasury: How much competition have you from Seattle in your particular line?

Mr Huggins: Well, we have competition particularly in Western Washington; and to a very slight extent in Oregon.

The Secretary of the Treasury: How much competition have you from San Francisco?

Mr Huggins: From San Francisco our main competition is in Western Oregon.

The Secretary of the Treasury: What percentage of the entire wholesale dry goods business in Oregon would you say is done by your house here in Portland?

Mr Huggins: That I could not say; it would be only a wild guess.

The Secretary of the Treasury: Well, for a wild guess, what would you say?

Mr Huggins: I do not know that I could even make a wild guess. You see the eastern houses sell here and the San Francisco houses sell here, and the Seattle houses to some extent. Spokane does not do any dry goods business to amount to anything, except a little in eastern Oregon.

The Secretary: Where do you get your chief competition,

who are your chief competitors?

Mr Huggins: The chief competitors are the middle west houses.

The Secretary of the Treasury: St Louis for instance, and Chicago?

Mr Huggins: St Paul, Minneapolis, Kansas City, Omaha, Chicago, and St Louis, and of course we have the San Francisco houses and the Washington houses.

The Secretary of the Treasury: What is the volume of your gross business in a year; take for 1913, for instance?

Mr Huggins: I would prefer not to answer that.

The Secretary of the Treasury: You would prefer not to give that away?

Mr Huggins: Yes.

The Secretary of the Treasury: Well, it is not important. We simply want to get a line on the general activities.

Mr Huggins: I could give you as an indication of how our business is distributed, where our travelers are located.

The Secretary of the Treasury: Well, the percentage in the different states is sufficient for our purpose. How about your financing, where is that done?

Mr Huggins: Partly in Portland and partly in New York.

Chicago and St Louis, sell any paper there?

Mr Huggins: No, Q. T. Huggins, business in St. L. 2777

The Secretary of the Treasury: To what extent in Portland and to what extent in New York?

Mr Huggins: Well, our banking is done here. We distribute the money through a bank in New York, but our main banking is done here.

The Secretary of the Treasury: Do you have any trouble about getting the necessary accommodations in Portland?

Mr Huggins: Well, we have no trouble as far as amount goes, but sometimes we can do better as to rates in the open market by placing our paper in New York.

The Secretary of the Treasury: Do you do any business in Chicago and St Louis, sell any paper there?

Mr Huggins: No, we do no money business in St Louis and Chicago.

The Secretary of Agriculture: Or San Francisco?

Mr Huggins: No, nor Los Angeles. I also wish to mention the millinery business, in which we have a large wholesale house here.

The Secretary of the Treasury: Is that part of your business?

Mr Huggins: No, this is another concern which gave me these figures.

The Secretary of the Treasury: You are not selling any cigarettes now, are you?

Mr Huggins: No, it is not safe. 60 per cent of their business is done in Washington, Idaho, Montana, and British Columbia. Then the wholesale furnishing goods house here, the largest house, states that 34 per cent of their business is done in the state of Washington.

The Secretary of the Treasury: And what in Oregon?

Mr Huggins: They did not give me that. I had hard work to get these figures. Some people do not like to give away figures as to their business.

The Secretary of the Treasury: They are not giving away much when they simply tell you percentages of distribution.

Mr Huggins: I understand that. There was one other item I was asked to get, and that is as to the woolen mill industries. There are in the state of Oregon eight mills.

The Secretary of the Treasury: Woolen mills?

Mr Huggins: Woolen mills, yes. Their production for a year is about \$22,250,000.

The Secretary of the Treasury: Of finished products?

Mr Huggins: Of finished products, which from 60 to 70 per cent goes east.

The Secretary of the Treasury: What is the character of the product? blankets?

Mr Huggins: Blankets, flannels and cloths.

The Secretary of the Treasury: Not garments?

Mr Huggins: No, this is not made up, this is in the piece

The Secretary of the Treasury: You do not make wearing apparel, you only make blankets and cloth and things of that kind?

Mr Huggins: And Mackinaw, and things of that sort. There in the state of Washington there are three mills. There are none in California.

The Secretary of the Treasury: And how many in Oregon?

Mr Huggins: Eight.

The Secretary of the Treasury: I think that is all. We are much obliged to you.

STATEMENT OF FRANK H. PARSONS.

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

Mr. Parsons: Frank H. Parsons, Cashier of the Pacific National Bank, at Boise, Idaho.

The Secretary of the Treasury: Whom do you represent?

Mr. Parsons: I represent the Boise Clearing House.

The Secretary of the Treasury: Have you a resolution or credential there?

Mr. Parsons: Yes.

The Secretary of the Treasury: Read it, please.

Mr. Parsons: (Reading): "At a meeting of the Boise Clearing House Association held this 27th day of January, 1914, Mr. F. H. Parsons, Cashier of the Pacific National Bank, was unanimously elected as a committee to represent this Association and other banks, and to accompany Mr. F. E. Johnson of the Boise City National Bank, who represents the Boise Commercial Club, to appear before the Reserve Bank Organizer Committee in the interests of a Northwest Federal Reserve District.

BOISE CLEARING HOUSE ASSOCIATION

G. W. Fletcher,

Vice-President.

W. L. Bear,

Secretary."

The Secretary of the Treasury: That is the Commercial Club?

Mr. Parsons: Mr. Johnson represents the Commercial Club.

The Secretary of the Treasury: Now have you a Clearing House there?

Mr. Parsons: Yes.

The Secretary of the Treasury: Have you a resolution from that body?

Mr. Parsons: Yes: "To the Honorable Reserve Bank Organization Committee, Portland, Oregon. Gentlemen:

This is to certify that at a special meeting of the Board of Directors of the Boise Commercial Club held January 27th, 1914, the following resolution was adopted:

RESOLVED, that it is our opinion that the commercial and agricultural interests of southern Idaho and Boise will be best served by the establishment of a Federal Reserve District in the Northwest, embracing the states of Oregon,

Washington, Montana and Idaho.

BE IT FURTHER RESOLVED, That our President, F. F. Johnson, be and is hereby appointed a committee, of one to represent the Boise Commercial Club before the Reserve Bank Organization Committee at their meeting to be held in Portland Friday, Jan. 30, 1914, our said committee having full power to act as he may deem best in connection with a like committee from the Boise Clearing House Association.

Respectfully yours,

R. W. Childs,

Secretary."

The Secretary of the Treasury: How many banks are in your Clearing House?

Mr. Parsons: We have five.

The Secretary of the Treasury: How many national and how many state?

Mr. Parsons: Four national and one state.

The Secretary of the treasury: What is your view about this question, Mr. Parsons?

Mr. Parsons: Well, my view about this is that the interests of the banks of southern Idaho would be best served by a reserve Bank located at Portland instead of at

any of the other cities that have been mentioned, Spokane, Seattle and so on.

The Secretary of the Treasury: What would be your second choice, if there was not one at Portland?

Mr. Parsons: San Francisco.

The Secretary of Agriculture: Is it your judgment, Mr. Parsons, in view of all the circumstances, that a separate district ought to be created at this time in the Northwest?

Mr. Parsons: I hardly think that there should be.

The Secretary of Agriculture: You think the section would be better served with one strong institution located at San Francisco?

Mr. Parsons: I do.

The Secretary of the Treasury: And adequate branches, of course, in the rest of the district?

Mr. Parsons: Yes, adequate branches.

The Secretary of the Treasury: How far is Boise from Portland?

Mr. Parsons: 500 miles.

The Secretary of the Treasury: How long does it take to go from Portland to Boise?

Mr. Parsons: About 18 hours.

The Secretary of the Treasury: By the best trains?

Mr. Parsons: Yes, sir.

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

Mr. Parsons: You mean in point of time?

The Secretary of the Treasury: Yes.

Mr. Parsons: About 48 hours.

The Secretary of the Treasury: Which is your shortest route?

Mr. Parsons: Via Ogden.

The Secretary of the Treasury: Where is your principal banking relation? In Portland or somewhere else?

Mr. Parsons: Our principal banking relations are with Chicago and New York, in the east. For the western part it is about equally divided between Portland and San Francisco.

The Secretary of the Treasury: Where do you keep your reserves?

Mr. Parsons: New York and Chicago.

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

Mr. Parsons: Probably 75 per cent in Chicago and 25 per cent in New York, of the eastern part of our reserve.

The Secretary of the Treasury: What is the general course

of business in Idaho and southern Idaho, what is your general trend?

Mr. Parsons: I would say westward.

The Secretary of the Treasury: Westward?

Mr. Parsons: Yes.

The Secretary of the Treasury: Coming to Portland?

Mr. Parsons: Yes.

The Secretary of the Treasury: The bulk of your business comes here?

Mr. Parsons: Yes.

The Secretary of Agriculture: Are you in very close touch with Denver?

Mr. Parsons: Not very much.

The Secretary of the Treasury: What part of your reserves do you keep in Portland?

Mr. Parsons: I suppose possibly 15 per cent.

The Secretary of the Treasury: You mean 15 per cent of the amount of money you keep in reserve?

Mr. Parsons: Yes.

The Secretary of the Treasury: You do not mean 15 per cent, that is your total reserve, but you mean 15 per cent of the money you keep in reserve?

Mr. Parsons: Yes.

The Secretary of the Treasury: Why do you keep such a large amount in Chicago, if the bulk of your business is westward?

Mr. Parsons: On account of transfers. We find that we can use Chicago or New York exchange in making the transfers and we build up our balances from there.

The Secretary of Agriculture: As I understand it, then, your first choice is really for San Francisco?

Mr. Parsons: If there is to be a Reserve Bank, my first choice is Portland.

The Secretary of Agriculture: You mean if there is to be one in the Northwest?

Mr. Parsons: If there is to be one in the Northwest.

The Secretary of Agriculture: But for the present you prefer there be but one?

Mr. Parsons: Yes, that was the opinion, not only of the Boise bank, but at this meeting at our Clearing House Association there were bankers there representing eastern Idaho and western Idaho, and I have had a talk with a great number of bankers in southern Idaho, asking them as to their opinion about a Reserve Bank for the Northwest

States here. Most of them favored a branch or a bank at Portland, if there is to be a Reserve Bank placed in this Northwest district. In case there is not, San Francisco seemed to be the preference.

The Secretary of Agriculture: What I wanted to get at was this. I understood you to say that your own judgment is at this time there should not be a Northwest district?

Mr. Parsons: Yes.

The Secretary of Agriculture: And that there had better be a larger district with headquarters at San Francisco?

Mr. Parsons: Yes.

The Secretary of Agriculture: To what extent would that opinion be shared by the bankers in southern Idaho, do you think?

Mr. Parsons: I think it would be almost unanimous, if there was no possibility of a bank here.

The Secretary of Agriculture: I know, but to what extent would their opinion be that we ought not to attempt to create at this time a Northwest bank?

Mr. Parsons: I suppose a very large per cent, 90 or 95 per cent of the bankers would feel that way.

The Secretary of Agriculture: That there ought not to be?

Mr. Parsons: That there ought not to be.

The Secretary of Agriculture: Do you think that for the time being the interests of business, the banking interests of southern Idaho, would be well served by having a Reserve Bank in San Francisco and branch banks nearby?

Mr. Parsons: Personally, and I am speaking for myself now, I do not believe they would be as well served with a branch bank here as they would with a Reserve Bank; that is the interests of the banks of southern Idaho, owing to the close communication that we have here with Portland as compared with California.

The Secretary of the Treasury: If you had a strong bank in Portland and managed, of course, by directors -- you heard the discussion of the provisions of the Act with relation to branches?

Mr. Parsons: Yes.

The Secretary of the Treasury: Do you not think you would get the same facilities practically that you would with a Reserve Bank in Portland.

Mr. Parsons: In case there was not too much red tape connected with it, I personally would think we would get better results in dealing directly with the principal than

we would with an agent.

The Secretary of the Treasury: Would it in your judgment be better to organize a district stronger in resources and banking power than to organize a weaker and smaller one, that is, with a view to the future development of this great and growing section of the country?

Mr. Parsons: My judgment would be, of course, that it would be better to organize a stronger district, a stronger bank.

STATEMENT OF F. F. JOHNSON.

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

Mr. Johnson: F. F. Johnson, Boise, Idaho. My occupation is Cashier of the Boise City National Bank, but I am representing the Boise Commercial Club, as its president and representative here.

The Secretary of the Treasury: You heard Mr. Parsons' views?

Mr. Johnson: I did. I have some resolutions here from the club.

The Secretary of the Treasury: You may read them, please.

Mr. Johnson: (Reading): "At a meeting of the Boise Clearing House Association held this 27th day of January, 1914, Mr. F. H. Parsons, Cashier of the Pacific National Bank, was unanimously elected as a committee to represent this Association and other banks, and to accompany Mr. F. Johnson of the Boise City National Bank, who represents the Boise Commercial Club, to appear before the Reserve Bank Organizer Committee in the interests of a Northwest Federal Reserve District.

BOISE CLEARING HOUSE ASSOCIATION

G. W. Fletcher,

Vice-President.

W. L. Bear,

Secretary."

I will state I came away rather hurriedly and the Boise bankers and the commercial interests had not considered it necessary to be represented until the very last. We had had several invitations to go to Seattle from outside bankers, but the day before we held this meeting we received a telegram from your Secretary at Washington requesting us to appear at Seattle, and we wired asking permission to appear at Portland. Then on account of Mr. Armstrong's

testimony at Denver, we felt vitally interested, as the bankers and business men, so far as I know, have no connection with Denver, and we would not want to be attached to Denver in any event.

The Secretary of the Treasury: You have no financial relations with Denver?

Mr. Johnson: No. We had an account with Denver and closed it, because we had practically no use for it. You take our commercial interests at Boise, and if you will notice on the map, we have a little territory cut off from all the rest of the country. It is developing rapidly. There is a new territory, about one and one-half millions of acres of land which has nearly all been put under water, that is most of it is now and the rest will be added. The largest part is the Government reclamation project, and some Gary Act, and as that grows up it is going to make an interior district of itself, and Boise has become the financial centre of that territory. We have a number of jobbing houses there, and the banking interests of the small banks centre in Boise and we take care of most of those banks. Some of them come to Portland direct and some to us, and then it is up to us to make our arrangements outside.

But from the natural geography of the country, everything tends down to the Snake River and the Columbia River to the seaboard, and as Mr. Parsons explained, it is the shortest distance to Portland, by far.

There was a good deal of discussion among the bankers and others as to the advisability of a Northwestern district, and at first we thought that San Francisco with one large bank perhaps, was the best. But we feel that if we could have a bank in Portland, that they know our needs and the needs of that country better, and we probably would be better served than we would at San Francisco, although we might get the same result from an agency here which would be governed largely by how that agency was managed.

The Secretary of Agriculture: You understand that the directors of the Reserve Bank would be drawn from all the districts?

Mr. Johnson: Yes, but in all probability if we were tacked on to San Francisco, the best we could expect would be that we might possibly get one branch in our district, but they would take in Salt Lake City and southern California and Washington, and here are Spokane, Tacoma, Seattle and Portland and all these larger places which would want

representation.

The Secretary of the Treasury: Suppose you had a branch in Portland under those circumstances, to which Boise was attached; the directors of that branch bank are chosen with reference to the local conditions to be served by it.

Mr. Johnson: Yes.

The Secretary of the Treasury: You undoubtedly would get representation on that branch.

Mr. Johnson: Of course, assuming that you would have several branches, with a branch at Portland, if it was to serve the Boise territory, we would have representation.

The Secretary of the Treasury: There would be seven directors of the branch bank.

Mr. Johnson: On the other hand, in our own territory, even though our banking capital is small today, it would suit us better to have a branch in whichever district we are located, because we would have those conditions to meet. Now our business in there at the present time, live stock is the predominant business, and the sheep industry and live stock -- of course, you have had figures from Mr. Colt as to the carload movement of that stock, although most of our sheep, mutton and lamb, goes east and the fruit that

goes out of that country goes east, but it is financed locally. The sheep men are all financed there locally with the assistance of the east. We ourselves sell considerable paper based on the statements and the security back of these different concerns. The conditions around Boise at the present time in our particular instance makes a peak load of about \$400,000 more than the normal load, which is about \$1,500,000 of loans which we carry in our individual banks.

The Secretary of the Treasury: When does that peak come?

Mr. Johnson: About the first of June. Now formerly I was banking in Wallace, Idaho, which was strictly a mining community, and the bank with one and a quarter millions of deposits had no demand for money. I also have a bank in the Twin Falls district, which was organized when they first opened that district, just nine years ago, and it opened for business, it will be nine years the coming March. I went into Twin Falls through the solicitation of friends, and found we could work the two together, because they were always looking for loans in the northern part of the state, and before I moved to Boise I had arrangements with the bank I am now in, the Boise City national, whereby we

loaned them for their peak load and carried those loans as they were liquidated along the latter part of July, although they are getting so they liquidate later now. Then the demand came from what we call the Palouse country, in the wheat country, to harvest the crops and handle the wheat, and I placed that same money there. I will get that back about the first of the year, as the stock loans went up do below.

Our business at Boise is getting more diversified. The loans made on cattle are principally for feeding in that country. They feed quite a few cattle, and those begin to liquidate early in the winter, they commence in January and gradually go down. Sometimes some are carried along away into May, but the bulk is liquidated early in the spring.

The Secretary of the Treasury: Where do you finance the peak?

Mr. Johnson: We finance the peak with Wallace, Portland, Spokane and the east.

The Secretary of the Treasury: How much in the east, for instance, what percentage?

Mr. Johnson: I would say you take the actual peak we carry, we would probably carry in the east from 50 to 60

per cent; it varies at different times.

The Secretary of the Treasury: Have you any difficulty in selling that paper in the east?

Mr. Johnson: We never have had.

The Secretary of the Treasury: That is cattle paper?

Mr. Johnson: We sell principally the sheep paper.

The Secretary of the Treasury: That is live stock paper?

Mr. Johnson: Yes. The beauty of that is that you can show just how much a man gets for his wool and how many lambs he has, and you have a check on him.

The Secretary of the Treasury: Do you sell mostly in Chicago or New York?

Mr. Johnson: Some in Chicago and some in New York.

The Secretary of the Treasury: How is it divided?

Mr. Johnson: I would say about equally.

The Secretary of Agriculture: At present Montana seems to desire to be connected with a bank to the east.

Mr. Johnson: So I have seen.

The Secretary of Agriculture: Not only the part east of the mountains, but the part west of the mountains.

Mr. Johnson: Well, the trend of their business is very much to the east.

The Secretary of Agriculture: Yes, and that is a factor we have to take into consideration.

Mr. Johnson: I think you would make a very great mistake if you organized the full number of districts and only left one for the Pacific Coast. We have a country here which is developing rapidly and our interests will be somewhat different from the interests of San Francisco and it is too large a territory to serve.

The Secretary of the Treasury: You mean it would be a mistake to organize twelve, and out of the twelve give only one to the Pacific Coast?

Mr. Johnson: Yes, and if there could be a district held in reserve and we had something to work on in that way, we could overcome the lack of capital in this Northwest district, and later when we could overcome it, we could have such a district.

The Secretary of Agriculture: A number of sections of the country are developing very rapidly, and we understand, of course, how rapidly this Northwest is developing. Nobody can tell what the future is going to be with reference to the trade with the Orient.

The Secretary of the Treasury: And Alaska.

The Secretary of Agriculture: And every city from Pittsburgh to Seattle is expecting a great deal from the Panama Canal. We cannot tell anything about that. Now would you advise us to create a minimum number of districts and leave the elasticity for future development?

Mr. Johnson: I would, yes.

The Secretary of Agriculture: And in that case, to create one at San Francisco and not create one in the northwest.

Mr. Johnson: I must confess I had figured all the time until recently that there was no possibility of a Northwestern district. I knew we did not have sufficient banking capital to take that stock and make up the necessary capital, and I did not know how to finance it. But if we are going to have a Northwest district, which we would like to have if we can, we want it to be representative, and we want to impress on the committee that the great majority of us prefer Portland.

The Secretary of Agriculture: If there is to be a bank, your choice is Portland?

Mr. Johnson: Yes.

The Secretary of Agriculture: Under no circumstances do

you want to be connected with Denver?

Mr. Johnson: No, and we would regret very much being connected with Seattle, because it takes us that much further away; because you take the map and you will see Seattle is away up in the corner of Washington and out of the regular travel from that portion of the district.

The Secretary of Agriculture: In what degree do you look to Spokane?

Mr. Johnson: I have had more business with Spokane, for the reason I am interested in banks in Spokane, having lived in the northern end of the country close to them, and we have had interchange relations, and as I say, I established those before I had any interest in southern Idaho, and we have extended them since. Probably if it was not for that the business would have drifted into Portland. I could not say.

The Secretary of the Treasury: You understand the Act provides that no matter what action this Organization Committee may take with respect to these districts, it is subject to review by the Federal Reserve Board when organized, and you also understand, I presume, that the Federal Reserve Board has power to readjust these districts at any

time in the future. Now if the Committee should decide on the minimum number or any number less than the maximum, it would be within the power of the Board in the future to create additional districts up to the maximum.

Mr. Johnson: Yes, that is as I understand it.

The Secretary of the Treasury: So that the purpose of the Act was to give some latitude there to the Federal Reserve Board, so it could meet the changing conditions of the country.

Mr. Johnson: Of course you realize that after a district is established and the Federal reserve Bank is once established, and they have their plant, you might change the relative district, some of the territory between that and some other district, but it would be pretty hard to make a new district.

The Secretary of the Treasury: It is not difficult, if you have the power.

Mr. Johnson: I mean if you had all the districts organized to the maximum number. If you have some left you could at any time organize one district out of a portion of another.

The Secretary of the Treasury: That is what I am referring

to, and I understand that to be your view, and that it would be well to organize some number less than the maximum now, so as to leave room for adjustment.

Mr. Johnson: Yes, unless you felt you could organize one in the Northwest.

The Secretary of the Treasury: Yes, unless the facts would warrant our organizing one in the Northwest which would meet the requirements of the Act, and also serve the convenience and customary courses of business.

Mr. Johnson: Speaking of the feeling of the bankers down there, group one of the Idaho bankers held a meeting --

The Secretary of the Treasury: What does group one cover?

Mr. Johnson: Group one covers all of the territory between Twin Falls and Huntington and on the branch lines. It is the southwestern part of the state. The southeast have no group. We held a meeting at Nampa and I wired the secretary asking for information regarding the group. It is composed of nine national and seven state banks. This meeting was discussing the Currency Bill, and I was chairman of a committee which sent in a report. In that discussion they all spoke in favor of a district in the Northwest, and recommended that the minimum capital, which was \$5,000,000 under the old bill, be reduced so they could have one in the

Northwest. I just mention that so as to give you some idea of the feeling of the other banks.

The Secretary of the Treasury: The minimum capital under the bill is \$4,000,000.

Mr. Johnson: It is now, yes.

The Secretary of the Treasury: We will take an adjournment now until half past two.

Whereupon, at 12:45 o'clock P. M., a recess was taken until 2:30 o'clock P. M.

AFTER RECESS. 2:30 P.M.

STATEMENT OF HON. OSWALD WEST, GOVERNOR OF
THE STATE OF WASHINGTON.

The Secretary of the Treasury: Governor West, I suppose you are familiar with our problem?

Gov. West: I think so.

The Secretary of the Treasury: To divide the country into not less than eight nor more than twelve Federal Reserve districts, with the location of a Federal Reserve Bank in each one. We would be very happy to have your views on this subject.

Gov. West: Well, of course you know we are all selfish --

The Secretary of the Treasury: You do not want me to admit that?

Gov. West: Well, it is true, whether you admit it or not; and we are looking out for Portland first, and then we are looking out for the Northwest. I was unable to be present this morning, but I understand the feeling among some of us is that if we cannot get it for Portland it should be in California. I differ from some of them in that respect, because I believe that the Northwest is entitled to

recognition in this line. There is no question as to the City of Portland being the financial centre of the Northwest, in my opinion. Fortunately, in the early days there came here from New England a number of educated gentlemen with financial instinct who developed into splendid bankers and created fortunes, and there has nothing that has happened since in the way of a panic or anything else which has ever been able to separate them from any of their money so there is no question as to Portland being the financial centre.

Of course, Seattle lays its claim. I remember when I was employed in a bank in a smaller town than this, where the bank had a chattel mortgage on everything that was loose in the eastern part of the State of Washington, and the only reason that they let go of it was because the security was not adequate. In the early days the Indians met here near the junction of the Willamette and the Columbia to trade, it was a trade centre. They came here because the rivers brought them here. It was the same thing that brought the early settlers here, it was the opportunity for wealth which brought these early financiers here. Most of the first banks that were started in the State of Washington

were financed by Oregon financiers, and the stock in a good many of them today is controlled by local capitalists.

The Northwest is peculiarly situated, and I cannot see for the life of me where any particular advantage would come to this section from the location of a Regional Bank in California. Perhaps Mr. Mills thinks differently, but I could never see any particular use for having a San Francisco correspondent with a bank except to have a place to accumulate cash to trade off for silver for use up here in the hop picking season. The Northwest is situated about halfway between southern California and Alaska. And, thanks to the administration, we are now unlocking Alaska, and there will be great development there. Banking business will be done largely here in the Northwest. There is nothing in common between California and Alaska, and that is Northwest territory.

We have heard a great deal of talk about the probability of not having sufficient capital; that is, the combined capital of the banks in the Northwest not being sufficient to justify the establishment of a Regional Bank. If the private banks would come in, the capital could undoubtedly be supplied, and there is nothing in our banking law, as I

understand it, which would interfere with the private banks coming in. Furthermore, there is one thing that so many of you gentlemen from the east cannot appreciate: We are a growing community here, and we are not dealing only in the things that we have today, but the things we expect to have tomorrow.

The Secretary of the Treasury: You do not believe in dealing in futures, though, do you, Governor?

Gov. West: It is 90 days before you have to decide, and before that we may have sufficient capital for two Regional Banks.

The Secretary of the Treasury: I thought the west was opposed to dealing in futures.

Gov. West: Well, it depends whether there is a profit in it or not. You gentlemen know the ground you wish to cover, and I do not care to bore you with a lot of things you have heard before, and if there is anything you care to ask me, I am more or less familiar with this entire territory, and would be glad to answer any questions.

The Secretary of the Treasury: Do you think the state banks, under your law, have the right to take stock in the Federal Reserve Banks?

Gov. West: I do not think there is any question about it.

The Secretary of the Treasury: Who is the proper authority to pass upon that, the Attorney General or Bank Examiner?

Gov. West: The Banking Commissioner.

The Secretary of the Treasury: The Bank Commissioner?

Gov. West: Yes. I think he would put a very liberal construction on it.

The Secretary of the Treasury: You think you could get any sort of construction on it which you think would be suitable to meet the occasion -- I am putting a very leading question to you.

Gov. West: I would be glad to answer it. I do not think there is anything which stands in the way at all.

The Secretary of the Treasury: The problem in most respects is an economic one, and as to the growth of these sections of the country, I want to assure you that we men who live on the other side of the country are not unfamiliar with it; we are very familiar with it. So far as I personally am concerned, I have always followed the west with the greatest possible interest, and I think I have kept fairly well informed with its progress and development. And of course we take into consideration the great growth you have

had here and the great possibilities that are before you; but under the law we are required to organize the district with a minimum of not less than \$4,000,000 of capital, and unless the state banks should voluntarily come in within the sixty days¹ in which the national banks are required to subscribe, so that when the Committee goes to apportion the country we know what amount of capital is actually available, we cannot guess at that. We have to know that before we can comply with the mandatory provisions of the Act, and unless they come in so we will know that we can get the capital in this district, naturally we would have to rely upon the returns of the national banks alone.

Gov. West: We understand that.

The Secretary of the Treasury: Now the national banks alone in the district which has been proposed here have not sufficient capital to contribute the minimum required by the Act; and the question confronting us is to link up a sufficient amount of territory to take care of this district and at the same time to comply with those requirements.

Gov. West: I am firm in my belief that the state banks would come in.

The Secretary of the Treasury: But we would have to know

~~that positively~~ before we could take that into consideration.

Gov. West: That could be ascertained at an early date.

The Secretary of the Treasury: We have already said to all the eligible state banks, and the ineligible ones for that matter, in order that we might develop the extent of their ability, the necessary rules and regulations and application for membership in this system. If they act promptly, so we may know what they will do, we of course will be able to act upon the returns.

Gov. West: In those three states, Washington, Oregon and Idaho, of course our friends on the north will insist that that territory is not served by Portland. The fact of the matter is that we get all of the Oregon packing business and we get -- probably Mr. Mills has looked the matter up and knows to the dollar what percentage we get, but I would say we get 50 per cent of the business out of those two states. My experience is that the bank balances are carried in Oregon, and are not carried in Washington or Idaho. The Washington and Idaho banks carry bank balances in Oregon.

The Secretary of the Treasury: Mr. Mills has given us figures on that.

Gov. West: Yes. Now when you stop and think that those three states with a combined area of 260,000 square miles, and with a population of a little over 2,000,000 of people, growing rapidly -- Oregon's population increased over 62 per cent in the last ten years, and the other states at about the same rate -- and with the opening of Alaska and the coming of the Canal, you can figure out what it will mean.

Now those three states with a combined area of 260,000 square miles, have a population of about 2,000,000 people, with resources that are undreamed of in some of the eastern states, and the combined area of the British Isles is 120,000 square miles with a population of 37,000,000 -- you will pardon me for boring you with these figures, but I want the facts in your minds --

The Secretary of the Treasury: We will not admit we are bored, therefore your apology is unnecessary. Go ahead.

Gov. West: Spain and Portugal, with a population of 21,000,000 and an area of 232,000 miles, and Germany with 208,000 square miles with a population of 59,000,000 people, and Austria with 241,000 square miles and a population of 41,000,000, we have resources that are undreamed of. Here in Oregon we have one-fifth of the standing timber. There

is enough timber in Oregon alone which can be cut and sawed for \$10 a thousand feet, which would bring a sum in which is five times the national debt. And by the way, that reminds me of some of these old conservative bankers, and our friend here on the right and the rest of them, if you only knew how hard it was to borrow money from them, you would know how strong the financial instinct was. I asked my old employer, who was one of the finest men and the best bankers in the country, as I entered the bank, what was the essential which led up to a successful banker. He says, "whenever you see a man coming who is an auctioneer, promoting a sawmill or describing the grandeur of the scenery, you want to lock the vault and reach for your six shooter." So that I find myself now harking back to the saw mill and the timber industry. But times have changed since that. There was a time when the banker looked with suspicion upon the sawmill man, but most of our fortunes today have come from that quarter. We were overlooking one of the greatest resources of this state at that time.

Those things are all being fully developed now, and the Northwest is making a wonderful growth. And I want to say this, that I think we are entitled to it. I am not

supposed to talk politics here, but I am going to tell you this: We out here in the Northwest have tried to play fair. We are people who stand for good judgment. We have been with this administration right down the line in our policies and we have not been asking any favors. All we ask is to be given a square deal. We did everything we could to bring about the passage of this law, because we wanted to put the business of the country on a firm footing. I was glad to see the administration get the glory, because I like the administration and happen to be a Democrat in politics. But most of these gentlemen around here are Republicans. I wish they were all Democrats, but they are not. But when it comes down to a matter of business and good judgment, they are all ready to join hands to help along with the show, and they have given every support in this thing. They do not expect anything in return except a square deal, and this Northwest is entitled to something in that line. We have the resources, we have the territory and we have got the good people, and I think we are entitled to it, that is if the combined capital of the banks is sufficient to do it. We do not expect an impossibility, but if it is possible we want it, and we

generally get what we go after in this country, if we have to send the militia after it.

The Secretary of the Treasury: Governor, you will certainly get a square deal, and you will not have to send the militia to get it. (Laughter and applause).

We would be glad to have you take a seat with us now, Governor.

Gov. West: Thank you.

The Secretary of the Treasury: Is the Bank Examiner here now?

Mr. Mills: Yes.

In reply to a letter from the Department requesting the expression of opinion of the Federal Reserve system, they replied as follows: Evaluate their banks' condition and savings, \$40,700,000; postal savings, \$750,000; bank, \$3,500,000; making a total of \$45,000,000. The total resources of the state is approximately \$75,000,000.

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STATEMENT OF S. G. SARGENT.

The Secretary of the Treasury: You may state your name and position.

Mr Sargent: S. G. Sargent, superintendent of bank, state of Washington.

The Secretary of the Treasury: You know our problem, and if you have some data you want to submit, we will hear it.

Mr Sargent: I did not know that I was to be called on, and I only have what I had in my room. The number of banks under state supervision is 173, with a total capital and surplus of \$11,780,000. The rediscounts were \$70,000 and the bills payable \$202,000, making \$272,000 borrowed money. The deposits commercially, in round numbers, were \$34,900,000; time and savings, \$20,700,000; postal savings, \$750,000; due banks, \$3,800,000; making a total of \$60,150,000. The total resources of the state banks amount to \$74,000,000.

In reply to a letter from the department requesting the expression of opinion of the Federal Reserve system, they replied as follows: Twelve state banks signified their intention of joining at once. These twelve representing capital and surplus of \$1,000,000. 77 are considering it but are undecided at this time, representing capital and surplus

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of \$6,400,000. 30 do not expect to join, representing capital and surplus of \$3,100,000. 21 did not reply, representing a capital and surplus of \$1,200,000.

Of the 170 state banks, 100 have the necessary capital to entitle them to membership. The total capital and surplus of these amount to \$10,750,000.

22-1/2 per cent of the loans of the state banks are secured by real estate mortgages. There is nothing in the Oregon law preventing state banks from subscribing for stock in the Federal Reserve system, as state banks are permitted to invest 25 per cent of their assets in stocks of other corporations.

The Secretary of the Treasury: 25 per cent of their total assets?

Mr Sargent: Yes.

The Secretary of the Treasury: That is an affirmative power which would seem to put the state banks here in a position to subscribe if they want to.

Mr Johnson: Here is the law covering that. (Handing paper.)

The Secretary of the Treasury: That seems to be a negatively affirmatively power which would seem to make it all right.

Mr Sargent: Yes, there is nothing else stated anywhere.

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S.G. Sargent

Those are all the figures I had prepared.

The Secretary of the Treasury: I think that covers the ground. Will you file that with the reporter?

Mr Johnson: This is the annual report with all the abstracts.

The Secretary of the Treasury: That might be attached also
(The papers submitted by Mr Sargent were filed.)

The Secretary of Agriculture: You have no doubt if a bank were established in the northwest it ought to be in Portland

Mr Sargent: I think so, yes.

The Secretary of the Treasury: I suspected that was your view so strongly that I did not ask the question; Now, what would be your second choice, if a bank should not be located at Portland? Where would you say, considering the general conditions here of the Pacific Coast, would be the next most logical point to put the headquarters of such a bank?

Mr Sargent: San Francisco.

The Secretary of the Treasury: You would not think Seattle was the next best?

Mr Sargent: No sir, not for Oregon bank. Very few Oregon banks carry balances in Seattle.

The Secretary of the Treasury: What is the law about the

carry?

Mr Sargent: 15 per cent outside of cities of over 50,000 inhabitants, and reserve banks are required to carry 25 per cent against their demand deposits and 15 per cent against their time and savings deposits.

The Secretary of the Treasury: Then you permit the bank to count balances with reserve banks as reserves?

Mr Sargent: Yes sir.

The Secretary of the Treasury: To what extent have you reserve agents in Oregon, how many banks are reserve agents?

Mr Sargent: Nearly all the Portland banks and banks in towns like Salem, Eugene and Albany and towns of from four to six or seven thousand inhabitants.

The Secretary of the Treasury: Where is a reserve agent permitted to keep its reserve, or is it required to?

Mr Sargent: It is not required.

The Secretary of the Treasury: You have not any central reserve bank of that?

Mr Sargent: We have no central reserve system, no.

The Secretary of the Treasury: So they are only required to keep the ordinary reserves?

Mr Sargent: Yes.

The Secretary of the Treasury: And then hold the reserves of other banks?

Mr Sargent: No, they are required to keep the same reserve that a bank in a town of over 50,000 is required to keep.

The Secretary of the Treasury: Yes, I understand that. That is the very system that the Federal statute is designed to annihilate.

Mr Sargent: Yes.

The Secretary of the Treasury: Is there any thought of abolishing the reserve system in this state?

Mr Sargent: It seems hardly advisable to make the reserve regulation for state bank so low as 12 or 15 per cent, whatever it is in the Reserve Bill.

The Secretary of the Treasury: What I mean is that the Federal statute is to eliminate Reserve agencies. After three years no bank can count any balance with another bank as part of its reserves. Is it the purpose in Oregon, so far as you know, to maintain that system here, permitting one bank to count as reserves a balance in another bank?

Mr Sargent: Well, I suppose our law would have to be repealed. I do not know what the intention is.

The Secretary of the Treasury: I mean, has there been any

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discussion of that.

Mr Sargent: No, I believe not.

The Secretary of the Treasury: It leads to pyramiding of reserves, as you know, and of course it has been found to be a very objectionable and pernicious system under the national banking law. I think that is all. We are very much obliged to you.

FURTHER STATEMENT OF MR. A. L. MILLS.

Mr Mills: This morning you asked me to divide the statistics between state and national bank, and I have had that prepared during the noon hour. I do not think it is necessary to read it.

The Secretary of the Treasury: You might just give the totals, if you please.

Mr Mills: The first question was "With which city, Portland, Spokane or Seattle, do you have the largest banking balance?" The answer from the national banks was \$11,000,000 and from state banks \$8,000,000. I will skip to question 9. "Your first choice of the above mentioned cities for a Federal Reserve bank." The national banks, 106 for Portland, 29 for Seattle and 35 for Spokane, with a capital of

\$11,000,000 for Portland, \$3,000,000 for Seattle and \$2,000,000 for Spokane, of the national banks. Of the state banks there were 188 that preferred Portland, 77 Seattle and 120 Spokane, with a capitalization of the state banks of \$7,000,000 for Portland, \$4,000,000 for Seattle and \$4,000,000 for Spokane.

As to the question about entering the reserve system, which I think you were anxious to understand, of the national bank 183 voted yes, representing a capital of \$20,492,000; no, 2 banks in the three states, representing a capital of \$322,000; undecided seven national banks representing a capital of \$361,000. In other words, \$20,400,000 of the national banking representation would come in as against \$600,000 of the undecided and those voting no. Of the state banks 97 voted yes, representing a capitalization of \$6,242,000.

The Secretary of the Treasury: Are those eligible banks?

Mr Mills: I think so. 189 banks voted no, representing a capital of \$6,000,000. 189 were undecided, with a capital of \$7,000,000. In other words, out of the total capitalization of the state banks in the three states, \$6,000,000 decided yes, undecided \$7,000,000 and no, \$6,000,000, about

one-third yes. May I file this?

The Secretary of the Treasury: If you please.

Mr Mills: This morning you said you would like to hear from some of the Portland bankers about their opinion.

Mr Cookingham is the vice president of Ladd & Tilton, the largest state bank in the northwest and the largest state bank in Oregon.

The Secretary of the Treasury: We would be very glad to hear from Mr Cookingham.

STATEMENT OF EDWARD COOKINGHAM.

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

Mr Cookingham: Edward Cookingham, vice president of Ladd & Tilton Bank, Portland, Oregon.

The Secretary of the Treasury: You might state the capitalization and surplus of your bank.

Mr Cookingham: The capital of our bank is \$1,000,000, the surplus \$1,000,000, and undivided profits about \$275,000. Our bank is the oldest bank on the Pacific Coast with one exception, the National Bank of D.O.Mills, which is the only older bank upon the Pacific Coast. It is one of the largest

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Edward Cookingham

state institutions west of the Mississippi River, and is the largest bank from point of deposit in the state of Oregon, even larger than the national banks.

The Secretary of the Treasury: What are your deposits?

Mr. Cookingham: Our deposits are nearly \$14,000,000.

The Secretary of the Treasury: Now, you know the problem confronting the Committee, and we should like your best judgment as to whether or not it would be advisable at this time to organize more than eight of these Federal Reserve banks in the country. What is your best judgment on that?

Mr. Cookingham: From an economic and banking standpoint, it is my view that the fewer the number of regional banks designated, the better.

The Secretary of the Treasury: For the time being?

Mr. Cookingham: For the time being.

The Secretary of the Treasury: Are you influenced in that view by the fact that the Federal Reserve Board may, later on, with the development of the country, organize additional districts?

Mr. Cookingham: Yes, I believe that --

The Secretary of the Treasury: So that elasticity and

flexibility could be provided?

Mr Cookingham: Yes, I believe that should be kept in mind by the Federal Reserve Board.

The Secretary of the Treasury: Is it your judgment that it would be wise to organize at this time a bank in these three states separately, with such a small amount of available banking resources as you could get?

Mr Cookingham: I think, Mr Secretary, that ^{if} we could command the capital sufficient to provide the minimum capital of \$4,000,000 for a regional bank that we ought to have one in the northwest. The northwest is a very large region. Portland is 77½ miles from San Francisco, and the states of Washington and Idaho, as you know, are very much farther removed. And if it were possible for us to command the capital, I believe that we should have a regional bank in this district.

The Secretary of the Treasury: Assuming that that capital could not be raised, how do you think this district should be created, and what states should be embraced?

Mr Cookingham: If the capital cannot be raised here, I think that the Pacific Coast district of California, Oregon, Idaho and Washington should be made one district.

The Secretary of the Treasury: What would you do with

Nevada? ... and interest of the Federal Reserve law, 1913

Mr Cookingham: Nevada also, I would include Nevada. And the regional bank, I think, should be located at San Francisco. But I think the reserve Board should be liberal in the matter of stationing branches in the reserve districts. I do not think that the establishment of branches is at all harmful, but on the contrary will be very beneficial, and as they will command the full strength of the parent bank, it is my judgment, and I think we are justified in asking for the establishment of branches properly distributed throughout this large geographical district in the northwest, if the regional bank is at San Francisco.

The Secretary of the Treasury: Considering the necessities of this region, its constant necessities for available credits, and the increasing need of such credits to take care of the constant development of the district, would it, in your judgment, be wiser to organize a sufficient amount of territory as a district now in which you would have a strong bank, capable of taking care of that development, rather than to divide this territory into weaker banking units. would

Mr Cookingham: In regard to that, if I have understood correctly and do still understand correctly the spirit in the

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Edward Cookingham.

and scope and intent of the Federal Reserve law, it is that its entire power throughout the entire country shall be co-ordinated through the Federal Reserve Board in Washington and that the Central Body, having supreme autocratic power and authorized expressly by the law to transfer funds at will from one part of the country to the other, by that method of co-ordination, the number of banks does not cut such an important figure as it otherwise would.

The Secretary of the Treasury: Well, I think you state the case a bit too strongly when you say the autocratic power to transfer funds from one part of the country to the other.

Mr Cookingham: Well, to require rediscounts, which is substantially the same.

The Secretary of the Treasury: You can require one to rediscount for another upon the affirmative vote of five members of the Board, but naturally, questions would arise as between the banks as to the character of collateral which one bank would take from the other, and it would not, therefore, be a power which could be exerted in the unlimited degree you have just expressed.

Mr Cookingham: Well, some of the banks must necessarily

be of very much greater strength than others in other sections. For instance, the New York bank and the Chicago bank will be very much more powerful probably than a bank in the south, and it has been my conception of the law that the south would need to have help in the shape of rediscounts from the other regional banks in order to make the system as fully successful as you intend it to be.

The Secretary of the Treasury: Mr Cookingham, taking these three states of Oregon, Washington and Idaho, would you call this a borrowing district or a lending district?

Mr Cookingham: You mean from the standpoint of active banking capital?

The Secretary of the Treasury: Yes, of active business --

Mr Cookingham: It is a lending district with reference to its own industries here, to a very considerable extent. It is a borrowing district in the matter of mortgages on farms and mortgages on large office buildings and investments of that character, where large fixed capital is required, which can be procured from the large life insurance companies or from foreign loan companies in much greater quantity and at better rates than Oregon, Washington and Idaho can afford to loan. It is a developing

country and we need all our capital for our current operating expenses. Our current operating capital is all required, and we are unable to put large sums into fixed investments.

The Secretary of the Treasury: I am speaking of the commercial needs of the district, I mean for commercial and industrial needs and those combined transactions which enter into daily commerce and activity. Is it in that respect a borrowing or a lending district, I mean to say is there a surplus of available banking capital and resources now to take care of your own uses?

Mr Cookingham: Only for our own uses; we have no money to loan to buy paper from the outside to any appreciable extent. It is done to some extent.

The Secretary of the Treasury: Are you able to take care of the extreme seasonal demand without rediscounting?

Mr Cookingham: Not entirely, still we do pretty generally, take care of our requirement here.

The Secretary of the Treasury: When is your extreme demand?

Mr Cookingham: Our extreme demand comes in the fall

season.

The Secretary of the Treasury: Always?

Mr Cookingham: Always in the fall season when the wheat is being marketed and that is the time of ^{the} greatest strain which is put upon our banking institutions in this section.

The Secretary of the Treasury: Can you judge, of course there are figures and by consulting the statistics we could pick it out, but perhaps you have it in your mind, to what extent do you have to rediscount or borrow, from outside to take care of the extreme demand?

Mr Cookingham: Our bank never borrowed anything, speaking for our own institution, since the panic of 1907, not a dollar. We do, of course, take care of other banking institutions in this section, but we borrow nothing ourselves.

The Secretary of the Treasury: Is that because you simply stop after you exhaust your available spending capital, or because you never exhaust it? That expressed it a little awkwardly. What I mean is this, do you simply stop, in other words, lending money, when you have employed your available capital? In other words, would you be willing to rediscount to take care of the

additional demand in excess of your own capital?

Mr Cockingham: I will have to answer that perhaps at a little length, Mr Secretary. We endeavor always to run with a very strong reserve, usually from three quarters of a million to a million and a half in excess of the legal requirements of the laws of the state. By the adoption of that policy we usually keep in strong position to take care of the peak of the load when it comes in the fall. Of course I do not mean to say we can supply every dollar of capital that we are called upon to supply during the wheat moving season, because sometimes the wheat moves with great rapidity, and when prices are high it takes an enormous amount of money. But the other banks are all doing their share; hence we have been able, without borrowing, to take care of the wants of our own particular customers, some of whom are large.

The Secretary of the Treasury: What I mean is this, suppose there was an excess of demand over and above your ability to supply it with your own capital.

Mr Cockingham: Yes.

The Secretary of the Treasury: Do you stop meeting that demand as soon as you get down to the minimum reserve?

Mr Cockingham: We are obliged to, yes sir.

The Secretary of the Treasury: In other words, you never rediscount?

Mr Cookingham: No sir.

The Secretary of the Treasury: For the purpose of taking care of the excess demand?

Mr Cookingham: We never do.

The Secretary of the Treasury: That is exactly the point. That seems to be the practice generally of the banks of the country, they rediscount with reluctance.

Mr Cookingham: I think you understand why that is.

The Secretary of the Treasury: I know there is a common and foolish sentiment that if you rediscount the bank is weak or rather over-strained. Do you have that same feeling that the national banks have?

Mr Cookingham: Well, we are governed by the same feeling yes, although we recognize that rediscounting is an entirely legitimate function of banking, and should be very generally used by the banks when necessary, in times of stringency or where there is an extraordinary demand.

The Secretary of the Treasury: What I mean is a legitimate demand.

Mr Cookingham: Yes, but the fear that all the banks have of exposing the fact to the public that they have been

compelled to borrow is the one thing which keeps all good banks from rediscounting. It is a senseless proposition, but that is the way it is looked on all over the United States.

The Secretary of the Treasury: It is, of course, a perfectly senseless proposition, and yet it is hard to combat an idea of that kind.

Mr Cookingham: Yes. One bank cannot combat it.

The Secretary of the Treasury: To that extent you automatically limit the business of the country.

Mr Cookingham: Yes sir, we do.

The Secretary of the Treasury: The Federal Reserve Act, of course, is designed to make rediscounts popular.

Mr Cookingham: Yes sir, and I hope it will.

The Secretary of the Treasury: And therefore give the elasticity to credit which is demanded by the extreme demands which are made by the necessities of trade, and commerce.

Mr Cookingham: Yes sir, and we consider that one of the very strong features of the bill, and one of its very beneficial features.

The Secretary of the Treasury: Is it the intention of your bank to enter the system?

Mr Cookingham: In regard to that, Mr Secretary, I may

say that the attitude of our bank towards the Bill is distinctly and in every way friendly and not at all hostile, but the question of the entry of state banks into the system is one that has not been clarified to a sufficient extent yet to enable us to decide. I do not see how it would be possible for us to decide before the 23rd of February, which is the date of the expiration of the time set by the Committee.

The Secretary of the Treasury: That is for national banks?

Mr Cookingham: Yes.

The Secretary of the Treasury: Of course, you can come in later; there is no limit on the state banks.

Mr Cookingham: But I would like to call attention to that one point in regard to the state banks, because distinctly and in every way friendly and not at all hostile, but the question of the entry of state banks into the system is one that has not been clarified to a sufficient extent yet to enable us to decide. I do not see how it would be possible for us to decide before the 23rd of February, which is the date of the expiration of the time set by the Committee. With four million dollars of capital and million dollars of surplus, we would be contributors to the extent of \$120,000 to the reserve system, which is a fairly material sum in the Northwest, especially considering we are short of capital.

The Secretary of the Treasury: That is for national banks?

Mr Cookingham: Yes.

The Secretary of the Treasury: It is anywhere, I think.

Mr Cookingham: Now, the Act provides, and I have been giving this Act a good deal of study, because our people all feel so friendly towards it, and because our disposition is to enter the system, and I have not been able to discover any rules that have yet been issued governing the entry of state banks, and I have written off a quotation from the Act, section 9, with which you are very familiar, of course. The organization Committee, or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by state banks.

Now, until the state banks know just what the regulations and by-laws are to be, I do not see how any state institution can declare itself, and I think that is one reason why there have been so few state banks in the United States which have applied for membership.

The Secretary of the Treasury: Those regulations have been issued and probably you will receive them any day in the mail now.

Mr Cookingham: I see. There are other points besides that that have an effect upon the entry of state banks.

I do not know that you would want to take them up now, but they are important, and I would either like to mention them now or just talk with you later about them.

The Secretary of the Treasury: For the record you might mention them, because we should like to know what the points are. They may have to be dealt with by the Federal Reserve Board when it is organized.

Mr Cookingham: One point is that the eligibility of state banks is affected by the limitation of making loans; in other words, the Oregon state law permits banks to loan 20 per cent of their capital and surplus to one borrower.

The Secretary of the Treasury: That will have to be changed. Each state bank entering the system will have to certify that its eligibility is complete in respect to excess loans by cutting any 20 per cent loans it may have down to 10 per cent to conform to the law.

Mr Cookingham: Now, I observed in one of the New York papers that you have issued a certificate for the state banks to sign on making application for entry, that they are eligible. Now, before a state bank can become entirely eligible and certify that it is eligible, it must proceed to cut its loans down to the 10 per cent limit, not an easy thing in these times, and one which might work considerable

hardship upon good clients who are entirely responsible. Now, that is an important point. Of course, we might facilitate and help their borrowing the money elsewhere, but it must be done before we can certify to our eligibility, and no matter how anxious we are to enter, we are prohibited from certifying our eligibility by that condition. The Secretary of the Treasury. My offhand opinion would be that that would not be a prerequisite to membership.

Mr Cookingham: I am very glad to hear that.

The Secretary of the Treasury: I believe the Board would take the view that the state bank joining the system would have a reasonable time within which to make those adjustments.

Mr Cookingham: If that ruling could be made, I think that would overcome a very serious objection.

The Secretary of the Treasury: It is something to which we will give attention.

Mr Cookingham: Now, there is one more provision of the law in regard to ownership of stock. As you know, as you have just seen, the Oregon state law permits state institutions to invest not more than 25 per cent of their assets in stock. Now, many of the state banks, including our own have stock, not purchased for speculation, not purchased

for any purpose of an illegitimate character, but stock which has come into the possession of the bank in the usual process of business and which would naturally have been acquired in the growth of a private bank like ours, which has been doing business over half a century. Now, what will be the attitude of the Board in regard to those stock holdings? Will the laws of the state continue to govern the state bank, or will they be compelled to observe the requirements of the national banks, which substantially prohibit the ownership of stocks.

The Secretary of the Treasury: My recollection of the provisions of the Act is that there are only certain specific things that you must conform to if you become a member.

Mr Cookingham: I have a memorandum of it here, Mrv Secretary.

The Secretary of the Treasury: Read it, if you have it quoted;

Mr Cookingham: It is in section 9: "Any bank becoming a member of the Federal Reserve Bank, under the provisions of this section, shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national bank respecting the limitation of liability which may be incur

by any person, firm or corporation to such bank." That is what we have just covered. Then the prohibition against making purchases of or loans on stock of such bank.

The Secretary of the Treasury: That relates to purchasing its own stock and making loans on its own stock.

Mr Cookingham: I am very glad to hear of that interpretation.

The Secretary of the Treasury: That is my interpretation. Of course you cannot take that as authoritative, because we would have to act on it formally, but that is my own view, there is no question about it.

Mr Cookingham: I would say that ^{with} those two matters clarified, I think you would have a large number of state banks enter the Reserve system, that is my judgment. If you will make the conditions attractive to the state banks and make it possible for them to come in without large sacrifices on the part of themselves and their clients --

The Secretary of the Treasury: As you know, the national banking Act prohibits any national bank from purchasing its own stock or making loans on its own stock

Mr Cookingham: I know that, yes sir.

The Secretary of the Treasury: The requirement here is that if a state bank should become a member of this system, that it should comply with the Federal statute that regard and make no purchases of its own stock or make loans on its own stock.

Mr Cookingham: That would be very easily complied with and is an entirely reasonable provision.

The Secretary of the Treasury: There is no difficulty in that, and there is no purpose in this Act to impair the ordinary powers of a state bank which it exercises under the state law, except in so far as there is a specific provision in the bill.

The Secretary of Agriculture: Of course, it is desirable to have as many banks in the country in this system as possible, and whatever Board is going to be created is going to administer this in a reasonable way within the discretion given them by law, and I do not apprehend any trouble.

Mr Cookingham: With those two important points clarified, I think it is going to make it very much more easy for the state banks to enter.

The Secretary of the Treasury: We will see if we cannot

deal with those two points promptly, I mean more officially.

Mr Cockingham: Will the state banks be require to come in before February 21st?

The Secretary of the Treasury: They are not required to.

Mr Cookingham: I did not know but that the ruling had been made.

The Secretary of Agriculture: The only point, as I said to you outside the meeting, is that I think the state banks ought to bear in mind that their action in this matter has a bearing on our districting of the entire nation, and certainly that it has a bearing on the original selection of directors of these reserve banks.

Mr Cookingham: Yes.

The Secretary of the Treasury: They would not have an opportunity to participate in the selection of the officers and directors of these banks, if they came in after they were organized, I mean until after the next election.

Mr Cookingham: I realize that.

Edward Cookingham

The Secretary of the Treasury: And so far as the Organization Committee is concerned, it would be a great advantage to know before the 23rd of February, for instance, just how many state banks would become members of the system. Then we will know how much available capital there is to allot to the country.

The Secretary of Agriculture: It has a vital bearing on the question of the banking resources of the country.

The Secretary of the Treasury: And the banking capital.

Mr Cookingham: I am glad to get those two points cleared up.

The Secretary of Agriculture: That is informal, you understand.

The Secretary of the Treasury: But I think it would be entirely safe to rely upon it.

Mr Cookingham: I understand. I have had a number of inquiries. As we are the largest bank here, they naturally look to us as a leader in the matter.

The Secretary of the Treasury: I think the organization Committee will make a prompt ruling on this question.

Mr Cookingham: And there is no need to submit it further in a more formal way?

The Secretary of the Treasury: No, we have it in the record and will take it up and deal with it. You have a memorandum embracing these questions?

Mr Cookingham: I just made one of my own.

The Secretary of the Treasury: Suppose you formulate the question and address it to us formally before we leave. Just embody in this formal communication.

Mr Cookingham: If I cannot get it done tonight, can I mail it to you in San Francisco?

The Secretary of the Treasury: Yes.

STATEMENT OF J. C. AINSWORTH.

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

Mr. Ainsworth: J. C. Ainsworth, President the United States National Bank, Portland.

The Secretary of the Treasury: The Committee would like to know your views as to whether or not it would be wise to attempt to organize a bank for these three states with the limited banking capital and resources which would be available, or to organize a larger district with ^aheadquarter bank somewhere in that district.

Mr. Ainsworth: I do not think under the Act you could create a Federal Bank in this district unless we had outside capital furnished by the government.

The Secretary of the Treasury: Unless, of course, the state banks would supply it.

Mr. Ainsworth: Yes, if they would.

The Secretary of Agriculture: And even then it is a question.

The Secretary of the Treasury: Yes, I know. What district would you think would be effective here, if we cannot

organize the extreme Northwest, these three states, into one would you say these three states, including Nevada and California would make a homogenous and well diversified district?

Mr. Ainsworth: I do, yes, sir.

The Secretary of the Treasury: Under those circumstances where do you think the headquarters bank should be?

Mr. Ainsworth: San Francisco.

The Secretary of the Treasury: You would think then that branches should be established at Portland Seattle and Los Angeles, I suppose.

Mr. Ainsworth: I think the reserve city should have very favorable consideration from the Committee for branches.

The Secretary of the Treasury: Spokane, for instance?

Mr. Ainsworth: Yes.

The Secretary of Agriculture: Under that contingency you would suggest, if not for other reasons, the creation at this time of eight or more districts?

Mr. Ainsworth: I should say they should be kept to the minimum, so that the banks would have some size and power and ability.

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

STATEMENT OF C. F. ADAMS.

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

Mr. Adams: C. F. Adams, President of the Security Savings & Trust Company, Portland.

The Secretary of the Treasury: You have heard the questions we have just put to these gentlemen. What is your view about that?

Mr. Adams: My view is that it is nonsense to talk about putting a Reserve Bank up in this country at this time in these three states. We had better make one large bank on the Coast and put it in San Francisco, and give us effective branches.

The Secretary of the Treasury: Is your bank likely to take membership in this system?

Mr. Adams: I think so.

The Secretary of the Treasury: What is your capital?

Mr. Adams: \$1,000,000.

The Secretary of the Treasury: And your surplus?

Mr. Adams: \$600,000.

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

STATEMENT OF EDWARD G. CRAWFORD.

The Secretary of the Treasury: Will you state your name, residence and occupation?

Mr. Crawford: Edward G. Crawford, Vice-President of the Lumberman's National Bank.

The Secretary of the Treasury: Do you concur in the views these other gentlemen have expressed about this district?

Mr. Crawford: I do in a measure, Mr. Secretary. I think we ought to have a regional bank in the Northwest, however, if it is possible, if the capital can be raised. I think we ought to be entitled to it; so far as the strong part of it is concerned, I think that will come all right.

The Secretary of the Treasury: Yes, but knowing the limitations imposed upon this Committee by the statute, what would you say?

Mr. Crawford: The only reason I think that we ought not to have a bank in the Northwest is lack of capital, assuming that cannot be provided.

The Secretary of the Treasury: Assuming that to be true, would you think it would be best to include these three states with Nevada and California as a district?

Mr. Crawford: Yes, sir.

The Secretary of the Treasury: What would you do with Arizona?

The Secretary of Agriculture: Are you familiar with the trade down there?

Mr. Crawford: No.

The Secretary of the Treasury: Or with Utah?

Mr. Crawford: No.

The Secretary of the Treasury: But you would think that, including the two states with the Northwestern states, you would get a well diversified and homegenuous district?

Mr. Crawford: You can.

The Secretary of the Treasury: California, Idaho, Oregon, Washington and Nevada.

Mr. Crawford: That would seem the natural thing to do.

The Secretary of the Treasury: And under those circumstances, you would think the headquarters bank would have to go to San Francisco?

Mr. Crawford: Yes, if it is impossible to raise sufficient capital here.

The Secretary of the Treasury: You believe if that were

done you could get good efficient facilities here through the branches?

Mr. Crawford: Will the branches be able to conduct the business expeditiously?

The Secretary of the Treasury: Undoubtedly. They will be governed by Boards of Directors chosen from --

Mr. Crawford: They will not have to refer questions to the parent institution?

The Secretary of the Treasury: On questions of large policy, yes.

Mr. Crawford: Would they be willing to re-discount paper at once?

The Secretary of the Treasury: I should think so.

The Secretary of Agriculture: The whole matter is a matter of regulation, and I suppose the regulations are going to be drawn with a view to the convenience and prompt handling of business.

The Secretary of the Treasury: The purpose of the bill is to accomplish exactly that.

The Secretary of Agriculture: I cannot imagine any regulation would be drawn by the Reserve Board or by these regional banks, putting their heads together, which would

interfere with business, because the whole purpose is to facilitate it, and the law provides that they shall discharge the ordinary duties of directors of the bank.

The Secretary of the Treasury: That is all. Is Mr. Olmstead here? If not, we will have Mr. Holbrook.

STATEMENT OF MERRITT L. HOLBROOK.

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

Mr. Holbrook: Merritt L. Holbrook, Vice-President of the Merchants National Bank.

The Secretary of the Treasury: You have heard the questions and answers which have been made?

Mr. Holbrook: Well, indistinctly. I heard Mr. Cookingham, but could not hear the others.

The Secretary of the Treasury: The question is whether or not it would be wiser to organize a district composed of these three Northwestern states or a larger district composed of these three states with Nevada and California. In view of the fact that the requisite capital under the Act cannot be furnished by the three Northwestern states, what would you say was the best thing to do under the circum-

stances.

Mr. Holbrook: Of course, if it is impossible to raise the requisite capital in the Northwest, there is no option, we simply would have to give it up and go in with the San Francisco district. I have always very much favored establishing a regional district in the Northwest on account of the large territory and the difference in the industries and resources of this section compared with the San Francisco district. I have always felt we would get much better service if we had independent facilities to handle this territory. I have always felt and feel now strongly that practically all the banks in the country will go into the system as soon as they can, and that has been clearly indicated by the testimony here today. Of course, I think they very properly will wait a short time until they see how the system works. That is entirely proper.

The Secretary of the treasury: That is the state banks?

Mr. Holbrook: That is the state banks. Of course, the national banks will go in, but I refer to state banks. And if they all go in, we should have sufficient capital in this district.

The Secretary of Agriculture: Would not California stand

the same chance of not being served that Oregon would?

Mr. Holbrook: I take it that San Francisco would have a Regional Bank.

The Secretary of Agriculture: But who would direct it? Not San Francisco people.

Mr. Holbrook: No, they would serve that territory in that section.

The Secretary of Agriculture: The bank would be directed by directors selected from the entire district, no matter how big it was. The member banks select the directors and Oregon would have as much in proportion to say about it as California would.

Mr. Holbrook: Yes, in proportion, of course. We would have the minority representation.

The Secretary of the Treasury: So would California.

Mr. Holbrook: California itself, yes, but I take it they would have more than this proportion. I am not certain, I have always taken it for granted --

The Secretary of the Treasury: They could not possibly have control. The government has three, and the banks of the entire district have six. It is not possible that the city in which the headquarters bank is located could control

the bank.

Mr. Holbrook: No, I do not think they would control, it, adversely to our interests, anyhow, but my notion of all this legislation is that the design is to reach the different territories and create districts which are homogenous and closely allied and that are convenient, instead of going clear to New York, we will go to San Francisco. And if we can just go here, or to Seattle, so much the better.

The Secretary of Agriculture: Is it clear that it is necessary to have a homogenous territory? For instance, in the east we have had two districts suggested to us, one reaching from the Potomac River to Florida, that is to say, the southeastern district, which is a borrowing district, the cotton district and corn district. Now a great many people have suggested to us it would be very much better to attach that section to a highly industrial section like Pennsylvania, Baltimore or Philadelphia, and include those states in that territory.

The Secretary of the Treasury: Including the lending end with the borrowing end.

The Secretary of Agriculture: So as not to have a homogenous territory.

Mr. Holbrook: Well, there are two sides to that. I have always had an idea it would be better with the other end of the proposition. I think it is all a matter of speculation and development under the law.

The Secretary of Agriculture: Let us not forget that the present individual banks will pass on the paper and securities as heretofore, and then that the Regional reserve Banks will be composed of directors representing these individual banks, no matter how highly diversified the territory may be, and you will get men who are familiar with the conditions.

Mr. Holbrook: Yes.

The Secretary of Agriculture: Not only through the individual banks, but through the branch banks, as well as through the Federal reserve Board.

Mr. Holbrook: That is true. The feeling has always been general that the closer home we could get this service the more effective it would be.

The Secretary of Agriculture: Yes, but still it would be relatively intimate anyway.

Mr. Holbrook: Yes.

The Secretary of Agriculture: Because you first have your

individual banks and the branch banks and the parent bank with directors representing the entire district.

The Secretary of the Treasury: The branch bank will have a more intimate relation to the community than the headquarters bank itself.

Mr. Holbrook: Is that so?

The Secretary of the Treasury: You have seven directors, and they are more or less local to the branch. That is all, thank you.

Now I think we will have to push along a bit. There are some of these out of town gentlemen. Who are they?

STATEMENT OF T. J. MAHONEY.

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

Mr. Mahoney: T. J. Mahoney, Cashier of the First National Bank, Heppner, Oregon.

The Secretary of the Treasury: Do you represent anything in addition to your home bank?

Mr. Mahoney: No, sir.

The Secretary of the Treasury: What is your view about the best place for a Federal reserve Bank.

Mr. Mahoney: I think if we have sufficient capital in the Pacific Northwest, that Portland would answer the purpose of the country, from our standpoint as a country bank.

The Secretary of the Treasury: You are at what place?

Mr. Mahoney: Heppner. That is in eastern Oregon.

The Secretary of the Treasury: What would be your next choice after Portland?

Mr. Mahoney: San Francisco.

The Secretary of Agriculture: Where do you keep your balances?

Mr. Mahoney: We keep our large balances in Portland.

The Secretary of the Treasury: Do you keep any balances in San Francisco?

Mr. Mahoney: We keep balances in Seattle, Spokane and New York, but the great bulk of our business is with Portland, I would say 90 per cent of our business is with Portland, and we borrow our money in Portland.

STATEMENT OF W. G. SHUHAM.

The Secretary of the Treasury: What is your name?

Mr. Shuham: W. G. Shuham.

The Secretary of the Treasury: Where are you from?

Mr. Shuham: Waitsburg, Washington, in the Walla Walla Valley in southeastern Washington, about 20 miles east of Walla Walla.

The Secretary of the Treasury: Do you represent anything but your own bank?

Mr. Shuham: Yes, that is about all at this time.

The Secretary of the Treasury: Where do you think this Federal Reserve Bank should be located?

Mr. Shuham: We had rather hoped that one could be established at Portland.

The Secretary of the Treasury: You prefer Portland to Seattle?

Mr. Shuham: Yes, we do.

The Secretary of the Treasury: Why is that?

Mr. Shuham: Well, it is more accessible, and the natural trend of our business is all Portlandward.

The Secretary of the Treasury: What is your next choice after Portland?

Mr. Shuham: On the volume of business I believe I would be forced to say San Francisco.

The Secretary of Agriculture: That is of your banking business?

Mr. Shuham: Yes, on account of the grain shipments and flour.

The Secretary of Agriculture: What about the general business of your community, where does that go?

Mr. Shuham: It is unquestionably towards Portland.

The Secretary of Agriculture: And in the second place?

Mr. Shuham: In the Northwest, do you mean?

The Secretary of Agriculture: What is the next largest percentage, to San Francisco or some other city?

Mr. Shuham: If you mean the business of the merchants?

The Secretary of Agriculture: yes.

Mr. Shuham: I suppose it would be Spokane or Seattle probably.

The Secretary of Agriculture: That is all, thank you.

STATEMENT OF W. L. THOMPSON.

The Secretary of the Treasury: Mr. Thompson, will you state your full name?

Mr. Thompson: W. L. Thompson, President of the State Bankers' Association.

The Secretary of the Treasury: You are President of the State Bankers' Association of Oregon?

Mr. Thompson: I have that honor, yes, sir.

The Secretary of the Treasury: Where do you live?

Mr. Thompson: Pendleton, Oregon.

The Secretary of the Treasury: Are you a banker yourself?

Mr. Thompson: Yes, sir.

The Secretary of the Treasury: Naturally you would be.
What is your bank?

Mr. Thompson: The American National, at Pendleton.

The Secretary of the Treasury: What is your view about
the best location for a Federal Reserve Bank, if one were
located in the Northwest?

Mr. Thompson: From our standpoint, Portland naturally.

The Secretary of the Treasury: Is most of your business
with Portland?

Mr. Thompson: The greater percentage of our business is
with Portland. We are in the heart of the great wheat
section and also on the border of a large stock growing
country, and we are peculiarly interested in the Federal
Reserve Act, in the fact that our country is really a
borrowing section, due to the fact that we have both of
these interests.

The Secretary of the Treasury: How much business have you

with Seattle, how does it divide as between Portland and Seattle?

Mr. Thompson: Our business with Seattle, our business during the past year, which I looked up, as compared with Portland, was about one-sixth our total exchange transactions. Our transactions with portland last year were about \$3,000,000.

The Secretary of the Treasury: What would be your second choice for a location of a bank?

Mr. Thompson: San Francisco.

The Secretary of Agriculture: Where do your cattle and grain go?

Mr. Thompson: Naturally to Portland. About one-quarter to one-third of our grain goes to the sound, Tacoma and Seattle.

The Secretary of Agriculture: Does much of it go east?

Mr. Thompson: very rarely.

The Secretary of the Treasury: Very rarely?

Mr. Thompson: Sometimes our barley goes east, but very rarely. Our county produces about one per cent of the wheat of the United States, so you can get some idea of the

importance of that question. And while we are on this

matter, I would like to ask this question of the Board. We are in the heart of an Indian country, that is, we have a large Indian Reservation on our border, and some time during the past year, or just about the time that the administration was changing hands, the Indian Department began to make regulations governing the conduct of our banks, outside the Comptroller's office, and we were prohibited from borrowing any money or re-discounting it, in order to hold any Indian funds, which is absolutely contrary, of course, to the purpose of the Federal reserve Act, and one which has forced the country banks, which we are purely in principle and in business, to beat the devil about the bush in order to finance our country. We take a different attitude towards the people in our section of the country than the ordinary city banker, as expressed by some who have talked today, and that is that we do not hesitate to ask for outside assistance and help to take care of our country, and we do not find any sentiment against our re-discounting among our own people.

The Secretary of the Treasury: You want to know if the regulations of the Secretary of the Interior are paramount to the Comptroller of the Currency?

Mr. Thompson: Yes, sir.

The Secretary of the Treasury: If you will send that circular to the Secretary of the Treasury with your question, we will see that you get an answer.

Mr. Thompson: Thank you.

STATEMENT OF R. L. RUSH.

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

Mr. Rush: Grain and stock.

Mr. Rush: R. L. Rush, Pomeroy, Washington, banking and farming.

The Secretary of the Treasury: What is your choice as to the location of a Federal Reserve Bank, if you had a western district?

Mr. Rush: I should rather have it in Portland.

The Secretary of the Treasury: You would prefer to have it in Portland?

Mr. Rush: Yes.

The Secretary of the Treasury: How close are you to Spokane?

Mr. Rush: About 100 miles south of Spokane.

The Secretary of the Treasury: Where do you keep your

reserves?

Mr. Rush: In Portland principally.

The Secretary of the Treasury: Is the normal course of your business more with portland than with Seattle and Spokane?

Mr. Rush: About four-fifths of the products raised in our country in which I do business are marketed in Portland.

The Secretary of the Treasury: What is the nature of those products?

Mr. Rush: Grain and stock.

The Secretary of the Treasury: Grain and stock?

Mr. Rush: Yes.

The Secretary of the Treasury: What would be your second choice on the pacific Coast for a Federal Reserve Bank?

Mr. Rush: Well, I would rather have it at Spokane.

The Secretary of the Treasury: And what is your third choice?

Mr. Rush: Well, I hate to be ^{so} disloyal to my own state as not to say Seattle. (Laughter)

The Secretary of the Treasury: So for the purpose of being loyal you would say Seattle?

Mr. Rush: Yes.

The Secretary of the Treasury: But for the purpose of business what would you say?

Mr. Rush: Well, I think I would say San Francisco.

The Secretary of the Treasury: We are much obliged to you.

STATEMENT OF CHAS. S. LOVELAND.

The Secretary of the Treasury: Mr. Loveland, state your name and occupation?

Mr. Loveland: Charles S. Loveland, Examiner for the Portland Clearing House.

The Secretary of the Treasury: You are the Examiner for the Portland Clearing House?

Mr. Loveland: Yes, sir.

The Secretary of the Treasury: You mean you are employed by the Portland Clearing House as their Examiner?

Mr. Loveland: Yes, sir.

The Secretary of the Treasury: What is your view about this question? Did you have something you wanted to suggest?

Mr. Loveland: I have prepared a few figures here culled from the reports, showing the capital and surplus of the national banks and the state banks, with their contribution of reserves and capital. I have prepared that for the

Pacific Coast states, as shown in the summary of the reports, but I presume you have all that.

The Secretary of the Treasury: We have that data in another form, but this might be filed as an exhibit.

(The papers were filed accordingly.)

The Secretary of the Treasury: Have you any views to express as to the best place to locate a Federal Reserve Bank?

Mr. Loveland: The trend of business is strongly towards Portland from the districts which I examined as a National Examiner, and that was Idaho and Oregon, and a part of Montana from Billings this way. But in view of the fact that we have not sufficient capital without all the state banks coming in, and under the laws of the different states they are unable to, outside of Oregon, I think probably that the branch service would give us good service, if we cannot get the Reserve Bank.

The Secretary of Agriculture: In that case you would suggest the headquarters at San Francisco?

Mr. Loveland: Yes.

STATEMENT OF W. J. KERR, President

of the State Agricultural College,

The Secretary of Agriculture: President Kerr, you have heard the discussion this morning. Would you give us the benefit of any views you have on this subject.

Mr. Kerr: Very briefly, Mr. Secretary, I am doubtful as to the value of anything I might say contributing to the discussion of the afternoon. I have been asked to speak very briefly regarding the agricultural outlook in this district, particularly in Oregon, and to indicate something of the future there is for the Oregon farmer and the agencies that are at work in promoting the development of the agriculture of the state.

In Oregon the total land area is 61,188,000 acres. The total land in farms is 11,600,000 acres, 19 per cent. The improved land in farms is 4-1/4 million acres, 36 per cent of the land farmed, and only 7 per cent of the total. The total number of farms is 45,502 and the average size is 256 acres, and the average value \$11,609.

According to the State Assessment Rolls there is tillable land in Oregon aggregating 23,500,000 acres, of which more

than 80 per cent, or 19-1/2 million acres is as yet uncultivated.

In central Oregon alone, with a total land area of 26,568,000 acres, the acreage cultivated is only 791,800 while that of tillable land uncultivated is nearly 9,500,000 acres. It will be observed that great as are the agricultural resources of Oregon, these resources are yet largely undeveloped.

The small number of farms, however the large size of the individual farm, and the enormous area of tillable land yet unplowed, all indicate the great possibilities that yet remain for the development of agriculture in this state, --

The Secretary of Agriculture: Could you give us the growth in the number of farms in the last five years?

Mr. Kerr: No, sir, I could not. I understood that to be covered by another speaker and did not go into those statistics.

The Secretary of Agriculture: Yes, we can get them.

Mr. Kerr: I also understood that certain questions relating to the amount of wheat produced and the dairy industry and so on would be presented by others and I have not included the statistics covering those questions and did

not want to burden you with any repetition.

The Secretary of Agriculture: yes, we have those statistics.

Mr. Kerr: The State Bankers Association of Oregon, the Oregon Development League, the Portland Commercial Club, and the State Agricultural College and other organizations are all working together for the development of the agricultural resources of the state.

I have been asked to indicate something of the future of the development of agriculture and the ~~my~~ part that is being played by the agricultural college in this work. As a basis for what I may say, it may be proper to indicate first something of the position this institution occupies in the higher educational field of the Northwest. As you of course know, Mr. Secretary, there are two land grant institutions on the Pacific Coast. The distance all rail from the southern line of California to the northern line of Washington is between 1600 and 1700 miles. The College of Agriculture at Berkeley, constituting part of the State University, and the Oregon Agricultural College at Corvallis. By rail it is 691 miles from Berkeley to Corvallis and 400 miles north from this city to the north

line of Washington. It is 424 miles by rail from Seattle east to the Washington State College, which is within six or eight miles of the Idaho State Line, over a range of mountains. In those respects, therefore, the Oregon State Agricultural College occupies a unique position, having a very large field.

Now as to the work of the institution --

The Secretary of Agriculture: Is it largely agricultural?

Mr. Kerr: The college or the area?

The Secretary of Agriculture: The college?

Mr. Kerr: I will indicate that, Mr. Secretary. In order to get a better idea of the work which the institution is doing and may do in this field, I may state first that the college plant now inventories \$1,581,000, of which \$810,000 is in buildings and \$771,000 in equipment, live stock and land.

The income for the present year for maintenance is \$439,300 and for capital, buildings, equipment and improvements \$249,000, or a total of \$688,300.

The college community this year numbers 2,643. Of these the faculty, experiment station, staff and extension workers number in the aggregate 227, with a total enrollment of

students of 2,416. This last includes regular students 1646 and short course students 770.

The number of agricultural students up to date is between 1500 and 1600 out of the total enrollment.

The increase in the development of the agricultural work of the institution during the last six years has been about nine-fold. That is, there has been an increase of over 900 per cent in the amount of agricultural work actually done.

The Secretary of Agriculture: Have you technological work as well as agricultural?

Mr. Kerr: The institution covers the usual field of the land grant college. We have engineering, forestry --

The Secretary of the Treasury: How many students are enrolled in agriculture?

Mr. Kerr: You mean the long course?

The Secretary of Agriculture: yes.

Mr. Kerr: Upwards of 900.

The Secretary of Agriculture: Working towards a degree?

Mr. Kerr: Yes.

The Secretary of Agriculture: How many do you graduate?

Mr. Kerr: Last year between 50 and 60, and this year it

will be much larger. You will understand the reason for that when I say that seven years ago the total number of agricultural students was 80.

You will be interested in this, I think. On the basis of state population the number of agricultural students in the State Agricultural College is a little less than five times that in Illinois, 4-1/2 times that in Indiana, 3-1/2 times that in Michigan, and nearly twice that in Kansas, with a lesser population.

The Secretary of Agriculture: We have all those facts on record in the office at Washington.

Mr. Kerr: yes.

The Secretary of Agriculture: Have you anything to present that directly bears on this problem?

Mr. Kerr: Directly relating to the development of agriculture and only relating to the question you have under consideration indirectly.

The Secretary of Agriculture: yes. We have of course, a pretty full and complete inventory of the agencies which are operating for agriculture: perhaps if you would just summarize them, it would expedite matters.

Mr. Kerr: Well, I have intended --

The Secretary of Agriculture: We have the catalogue showing your students and everything of that kind very full. How much has the state spent directly toward the study of agriculture.

Mr. Kerr: The total amount expended by the college for resident instructional work this year is \$270,000, and of that about 70 per cent is in the field of agriculture. Then in addition to that for agricultural extension work the income for this present year up to date is \$67,800.

The Secretary of Agriculture: from the state?

Mr. Kerr: No, that is the total income from the state and the county, with about \$10,000 from the Department of Agriculture, in cooperative work.

I may pass over the different points here and indicate-- I have twenty things given here as indications of the service rendered in the field of agriculture, but it will take too long for me to give them. I may give one as an illustration, because it affects a large area of the state. For instance, in central Oregon there are some two million acres of tillable land with an average elevation of 4000 feet and an annual precipitation of 11 inches, most of which until recently has been known as desert land and used for

grazing only. Investigations indicate that the larger portion of this area has an underground flow of water at an average of over ten to fifteen feet below the surface. Three years ago a branch experiment station was established on a typical piece of this land. It has been demonstrated that it is possible, by the use of certain moisture conserving tillage methods, to drive down the surface moisture until it unites with the moisture rising from the underground water, thus practically transforming dry land into sub-irrigated land.

The crops on this land last year yielded in wheat 48 bushels per acre, alfalfa/^{seed}120 pounds, field peas 29 bushels, indicating what can be done over that area of 2,000,000 acres, and so on.

We are expending this year something over \$100,000 in agricultural experimental work, \$60,000 at the home station and \$40,000 at the seven branch experimental stations. Now the greatest agency for the development of the agriculture of the state is the agency of the college, because whatever new truths may be discovered through research and investigation, however much may be done in residential work, the rapidity of the development of the agricultural resources

of the state will be governed by the extent to which the people on the farms are able to utilize this information, to apply the scientific principles in agriculture properly

Now Oregon has, and I should like to mention this in conclusion, one of the most comprehensive laws, probably the most comprehensive extension law in the states. This law was passed by the last legislature through the cooperative efforts of the different agencies mentioned. It contains a provision first appropriating \$6,000 to the office of the State Superintendent of Public Instructions for promoting industrial education, chiefly agricultural in the public schools and this work, done in cooperation with the agricultural college, and \$27,500 a year for itinerant school work, general publication work by bulletins and so forth. It contains a provision under which the several counties may appropriate money or levy a tax for farm demonstration work and the maintenance of county agents, and the amount provided by the county, with certain limitations, is duplicated from the State Treasury.

Another provision under which the state through the Agricultural College cooperates with the Department at Washington, or with any division of the government --

The Secretary of the Treasury: I am familiar with all that, Mr Kerr.

Mr Kerr: Yes. This is without any limitation. If the Lever Bill should be passed, immediately upon the certification of that Act, the necessary amount to be provided by the state becomes available from the state treasury without further legislative enactment, and if the Department of Agriculture should make available five thousand or twenty five thousand dollars on the provision that the state duplicates it, upon certification of that fact, this amount immediately becomes available from the state treasury.

STATEMENT OF D. S. DURKEE.

~~Mr~~

The Secretary of the Treasury: Will you state your name and occupation?

Mr Durkee: D. S. Durkee, manager Postal Telegraph Company.

The Secretary of the Treasury: We should like to get some information about the telegraph facilities between Portland and San Francisco. For instance, how long does it take ordinarily to get a business message through. I do

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D. S. Durkee.

not mean a rush message, but I mean the ordinary course of business transaction, about what time is required to deliver a message?

Mr Durkee: From the time it is filed here until it is ~~delivered~~ delivered, I would say about twenty minutes.

The Secretary of the Treasury: Do you think that is sufficient figure to put it at?

Mr Durkee: Yes.

The Secretary of the Treasury: I mean to be delivered to the party to whom it is addressed.

Mr Durkee: Yes sir.

The Secretary of the Treasury: Have you abundant facilities between Portland and San Francisco?

Mr Durkee: Yes.

The Secretary of the Treasury: What is the rate between Portland and San Francisco?

Mr Durkee: It is 50 cents for ten words and three cents for each additional word, the regular day rate.

The Secretary of the Treasury: What is the day letter rate?

Mr Durkee: The day letter rate is 75 cents for 50 words.

The Secretary of the Treasury: How long does it take

ordinarily to get a day letter through?

Mr Durkee: We do not handle day letters,

The Secretary of the Treasury: You do not?

Mr Durkee: The Postal does not.

The Secretary of the Treasury: How about night letters?

Mr Durkee: Fifty cents for fifty words.

The Secretary of the Treasury: And what is the extra rate?

Mr Durkee: Ten cents for each additional ten words, or fraction thereof.

The Secretary of the Treasury: One cent a word?

Mr Durkee: Yes sir.

The Secretary of the Treasury: How are your facilities with Seattle and Spokane, and Boise, Idaho, for instance?

Mr Durkee: We have good facilities to Seattle and Spokane, but not to Boise. We do not reach Boise.

The Secretary of the Treasury: Is the service good there?

Mr Durkee: Yes sir.

The Secretary of the Treasury: Quick and expeditious?

Mr Durkee: Yes sir, splendid.

The Secretary of the Treasury: What are the rates between Portland and Seattle?

Mr Durkee: 25 cents.

The Secretary of the Treasury: And how much for the extra words?

Mr Durkee: 25 cents and two.

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

Mr Durkee: Night letter rate is 25 cents for 50 words.

The Secretary of the Treasury: How about the service -- you are not so familiar with the service San Francisco down to Los Angeles, I presume?

Mr Durkee: Well, the service is good, that is about all I could say about it.

The Secretary of the Treasury: Is this a district office or a division or only a local office?

Mr Durkee: Only a local office.

The Secretary of the Treasury: Where is the district office?

Mr Durkee: The district office is in Seattle.

The Secretary of the Treasury: You mean covering California, as well?

Mr Durkee: No, the division office for the whole coast

is in San Francisco.

The Secretary of the Treasury: That is all. Thank you.

STATEMENT OF WILLIAM ARTHUR ROBB.

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

Mr Robb: William Arthur Robb, manager Western Union Telegraph Company.

The Secretary of the Treasury: Is this a local office only?

Mr Robb: Yes sir.

The Secretary of the Treasury: How is your time to San Francisco?

Mr Robb: Our time is regulated so that the message is a delayed message if it is not in San Francisco ten minutes after it is filed.

The Secretary of the Treasury: You mean in the San Francisco office?

Mr Robb: In the San Francisco office.

The Secretary of the Treasury: In the business district there, how long does it take within a medium radius, we will say, to deliver a message, how much time do you all

for that?

Mr Robb: The average time is ten minutes from the time it is received in an office until the time it is delivered, that is, the average time.

The Secretary of the Treasury: Have you ample facilities between Portland and San Francisco?

Mr Robb: Yes.

The Secretary of the Treasury: Do you dispatch messages on that time?

Mr Robb: Yes sir, we have four multiplex wires.

The Secretary of the Treasury: During even the rush hours?

Mr Robb: During even the rush hours.

The Secretary of the Treasury: How is it at Seattle?

Mr Robb: At Seattle we have four different wires.

The Secretary of the Treasury: Your rates are the same as the Postal?

Mr Robb: They are the same.

The Secretary of the Treasury: You send a day letter? What is your charge for day letters to San Francisco?

Mr Robb: 75 cents for 50 words.

The Secretary of the Treasury: What is the time re-

quired to deliver a day letter?

Mr Robb: A day letter is considered delayed after being 20 minutes in the office.

The Secretary of the Treasury: After twenty minutes?

Mr Robb: Yes sir. As a matter of fact they get out of the office inside of ten minutes usually, unless there is some unexpected congestion.

The Secretary of the Treasury: You say they are considered delayed. To what extent are they really delayed?

Mr Robb: I should say they are not delayed over 20 minutes.

The Secretary of the Treasury: Do you usually get a day letter through in time? About what time does it take to deliver a message to San Francisco from here?

Mr Robb: In about twenty minutes, unless they are delayed.

The Secretary of the Treasury: Of the delivery within a radius of your office would be ten minutes more; do you mean to say a day letter would get through ordinarily in about 30 minutes and be delivered?

Mr Robb: Yes sir.

The Secretary of the Treasury: How is your service to Boise, Idaho? and points in Nevada from here?

Mr Robb: We have a direct wire to Boise and relay for all points intermediate, all intermediate points between here and Boise. The same thing is true between here and Tacoma, we relay to those points.

The Secretary of the Treasury: What do you mean by relay?

Mr Robb: The Overland Trunk Line from the east and from San Francisco delivers the business to us and we relay it to those points. They are considered way points.

The Secretary of the Treasury: But as between these cities you have direct wires and no relay is required?

Mr Robb: Yes.

The Secretary of the Treasury: I mean Portland and Seattle and Portland and San Francisco.

Mr Robb: Yes.

The Secretary of the Treasury: And is it the same between Portland and Spokane?

Mr Robb: Yes, we have two direct wires. We also have two direct wires to Chicago and also two to Los Angeles.

The Secretary of the Treasury: Is there anybody here who can tell us about the telephone service between here

and San Francisco? Have you any other witnesses, Mr. Mills?

Mr. Mills: No, not unless you want some others.

The Secretary of the Treasury: Now, the Committee is about to adjourn. Before doing so, if there is anyone who cares to be heard, who can present any new light on this problem, we will hear them briefly. Are there any out-of-town people here particularly who want to be heard on this problem?

Mr. A. T. Smith: May I ask a question. Will state banks which carry postal savings funds be allowed to go on as they now are, or have to come in under the Federal Reserve system?

The Secretary of the Treasury: They will not be allowed to carry postal savings funds unless they become members of the Federal Reserve system after this organization is perfected.

I may say before adjournment that it must not be assumed by anyone that the questions asked by the Committee of any one indicates any opinion or bent of mind of the Committee or any trend of thought. We ask these questions in order to bring out the facts.

I want to say further on behalf of the Committee that we have been very much impressed since we have been here in the Northwest with the story of your very great development, and we are glad to have come here and gotten at first hand the information which we require to enable us to pass intelligently on this proposition. And I need not say that the Committee will give the most thorough and careful consideration to all the facts which have been presented, and it will render its decision without reference to any local consideration here or anywhere else. We are charged with the performance of a very great responsibility, one which is of national significance and importance, and we believe that the value of this system to the people of this country rests upon its being dealt with as a national problem, and that the advantages which you are going to get from the establishment of these banks is going to come from the strength of the entire system, and a decision of the question upon the merit of the problem itself. You may be assured, as I said to the Governor a few moments ago, that you are going to get a square deal as far as we know how to give it.

The hearing will now be adjourned.

Whereupon, at 4 P.M., the hearing was adjourned.