

# STENOGRAPHER'S MINUTES

---

THE RESERVE BANK

---

ORGANIZATION COMMITTEE.

---

---

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

---

---

rs.

---

---

At Cleveland, Ohio.

Date February 17, 1914.

Law Reporting Company, Official Stenographers

115 BROADWAY, — NEW YORK

TELEPHONE, 2820 RECTOR

Cleveland, Ohio, February 17, 1914.

The Organization Committee met pursuant to notice  
at 10:00 A. M.

PRESENT:

THE SECRETARY OF THE TREASURY.

THE SECRETARY OF AGRICULTURE.

APPEARANCES:

J. J. SULLIVAN, President of the Central National  
Bank and the Superior Savings & Trust Company.

HON. NEWTON D. BAKER, Mayor of the City of Cleveland.

N. J. STONE, President National City Bank,  
of Akron, Ohio.

E. R. FANCHER, Vice-President Union National Bank,  
Cleveland, Ohio.

A. E. ADAMS (Youngstown, Ohio) First National Bank  
and the Dollar Savings & Trust Company of Youngstown, Ohio.

JOHN Y. BASSELL (Columbus, Ohio),

JOHN I. HAMILTON (Columbus, Ohio), American  
Guaranty Company.

J. J. JENINGS (Columbus, Ohio), City National Bank.

J. E. HINDMAN (Columbus, Ohio) Manager Columbus  
Clearing House.

L. P. KIESEWETTER, Chairman, Committee representing  
Central Ohio, Columbus, Ohio.

-----

The Secretary of the Treasury: Gentlemen, this Committee is charged with the duty under the Federal Reserve Act of dividing the country into not less than eight nor more than twelve Federal Reserve districts, locating a Federal Reserve Bank in each one of those districts. The law requires us to have due regard to the convenience and customary course of business in each district. Our object in visiting Cleveland is to elicit the facts relating to this part of the country, and we are prepared to hear such witnesses as you have to present. I see from the list that Colonel Sullivan is the first witness on behalf of Cleveland. Is that right, do you desire to be called first, Colonel?

Mr. Sullivan: If you please.

STATE PART OF J. J. SULLIVAN.

The Secretary of the Treasury: Will you state your full name and occupation, Colonel Sullivan.

Mr. Sullivan: J. J. Sullivan. I am president of the Central National Bank and the Superior Savings & Trust Company of this city.

The Secretary of the Treasury: And what do you represent

Mr. Sullivan: I am the Chairman of a Committee of the Clearing House Association of this city, and also Chairman of a Committee of the Chamber of Commerce of this city, and represent along with the two organizations named, many other organizations in Cleveland, and it is in that capacity that I desire to speak to you regarding the location of a Reserve Bank in the City of Cleveland.

The Secretary of the Treasury: Now before you begin, Colonel, you have a map, I presume, outlining the district?

Mr. Sullivan: We have a map here, Mr. Secretary, which I would like to place before you.

(The map was accordingly filed.)

The Secretary of the Treasury: Do you want to address yourself particularly to District No. 5, as represented on this map?

Mr. Sullivan: If you please. We suggest the division of the United States into eleven Federal Reserve districts, approximately as outlined on the map which we submit for

your consideration.

We believe that the purposes of the Federal Reserve Act cannot be well served with a smaller number of districts. Any attempt to limit the number further we think would necessitate either overwhelming banks in the great financial centers, or districts covering too large areas throughout the rest of the country.

We have outlined each of the districts with regard to the "convenience and customary course of business", attempting also to have each as self-contained as possible with respect to borrowing needs and lending power, and to divide the resources of the country equitably if not equally. The smallest banks of the eleven we suggest will serve districts that are certain to grow in financial strength. We have suggested the location of the bank in each district in a city which seems to us to be now or potentially the trade center, readily accessible, and with adequate commercial and financial strength; and we believe these qualifications are best indicated, not merely by present size and position, but also, and perhaps more reliably, by the rate and character of recent growth.

The districts we suggest are each described on a

schedule which we have designated as "Exhibit A", the headquarters being as follows: District 1, Boston; District 2, New York; District 3, Philadelphia; District 4, Richmond; District 5, Cleveland; District 6, Atlanta; District 7, Chicago; District 8, St. Louis; District 9, Dallas; District 10, Minneapolis; District 11, San Francisco.

In District No. 5 we have included the entire state of Ohio, 9 counties in western New York, including Buffalo and Rochester, 25 counties in western Pennsylvania including Pittsburgh and Johnstown, the 4 counties constituting the "Panhandle" of West Virginia, including Wheeling, and 19 counties of southeastern Michigan, including Detroit, Lansing and Bay City. Within this district there are 816 national banks having a total capital and surplus of \$250,360,000 which would be members of a Federal District bank with a capital of \$15,800,000. The deposits of these banks aggregate \$1,042,000,000. The state banks in the District have capital and surplus aggregating \$251,300,000, and deposits of \$1,336,000,000. The population of the district, according to the census of 1910, was 10,287,292.

We believe it is obvious that a district in the north between New York and Chicago is absolutely necessary to

limit the tremendous banking power acquired by those two centers of finance under our old law, as well as to enable each of those centers to serve its own community best. The District Reserve banks in New York and Chicago will necessarily be greater than any others, even when such a midway district is established. We believe it essential, however, to attach to other centers as much territory as can reasonably be separated from the New York district, and some of the territory which under the old conditions has centered its banking in Chicago.

Fortunately, between these two great centers there lies a natural district, which we believe is as cohesive in its industries, commerce, exchanges and financial problems as can be found anywhere in the world in a like area. This is the great iron and steel producing territory centering in northern Ohio; a district which has such manufacturing advantages in varied lines, added to great mineral and agricultural resources, that it has developed a remarkable diversity of industries and commerce, loosely allied, not discordant, yet offering a distribution of financial requirements which approaches the ideal.

This district has become so great in manufacturing

that its agricultural resources are often forgotten. Census figures show, for example, that Ohio ranks fifth among the states in number of farms, sixth in value of farm property, sixth in production of corn, fifth in tons of hay produced, sixth in value of potatoes grown, third in production of wool, sixth in pounds of butter produced, sixth in fallons of milk, third in dozens of eggs; and the list might be extended. But the meeting of bituminous coal and iron-ore in this district has made it preeminent in most forms of iron and steel production, the great barometer of business; Ohio is fourth in production of bituminous coal, and second in production of pig-iron. This region or district has moreover such advantages for the distribution as well as production of so many articles of manufacture, not only those using iron and steel as their chief material, that it has taken on chief importance as an industrial district. The census shows in this district nine manufacturing cities of more than 100,000 population, as follows (in order of rank); Cleveland, Pittsburgh, Detroit, Buffalo, Cincinnati, Rochester, Columbus, Toledo and Dayton. These cities alone produce annually manufactures valued at more than \$1,500,000,000. The census lists of leading classes of

products in these cities show a remarkable diversity; among the classes showing the greatest value of products in each city are the following:

Foundry and machine shop products

Primary iron and steel

Automobiles and automobile parts

Packing house products

Soap

Men's and women's clothing

Boots and shoes

Printing and publishing

Petroleum refining

Flour and grist mill products

Bakery products

Coffee and spice roasting and grinding

Tobacco manufactures

Malt and spirituous liquors

Brass and bronze products

We believe it is demonstrable that the seasonal demands for loans in the commerce and industries of this district are as evenly distributed throughout the year as would be possible in any district that could be outlined anywhere.

Even were the district limited to iron and steel manufactures, the demand would be distributed by the very fact that the processes are all carried on within its borders, from unloading of iron-ore to assembling the most highly finished products. For example, the season of the year when Cleveland has the least demands for loans on its industries, particularly its ore, pig-iron and primary steel, is the very season when Detroit has its greatest demands for financing its automobile products. We might multiply instances, but we believe the probability that the district will always be self-reliant is indicated sufficiently by a table and accompanying chart which we have prepared (and marked "Table A" and "Chart I",) showing percentages of reserves in each of the reserve cities in this district at the date of each Comptroller's call for a period of three years.

With all the diversity of industry, commerce and agriculture in this district, there is nevertheless a certain relation even between the most diverse. In Cleveland, for example, our women's wear manufacturers not only employ other producing members of the families of our machinists, but some of our largest foundries are owned

by textile goods manufacturers; and other inter-relations make for understanding of each other's problems, and mutual helpfulness. We believe that the bankers of all the district we have outlined would have sympathetic understanding, if not absolute knowledge, of the financial problems of all the manufacturers, miners, farmers and merchants of the district. Now this would not be true if the district were to include much of the tobacco and cotton territory south of the Ohio River, where the agricultural, commercial and industrial conditions are utterly divergent from those of Ohio. We think there would be a lack of mutuality which would be likely to affect the southern territory unfavorably, because of the preponderance of northern problems and requirements, and the probable majority of northern stockholders and directors.

The location of the bank to serve this district will doubtless lie between Cleveland and Cincinnati, because the other large cities within the district are so near its eastern and western boundaries. However, Pittsburgh has also claimed to be able to serve Ohio. Your choice lies possibly between these three. You will, of course, select the city which can, in your judgment, best serve the dis-

trict. It is our purpose in this presentation to assist you in forming a correct judgment; we shall try to avoid more local pride, and present only the facts and figures that have convinced us, as we think they must convince you, that the business interests of this district would be best served by locating the headquarters bank at Cleveland.

We are frank enough to say that no city in this district can substantiate the claim, as Chicago can for instance, that the great bulk of the trade of the proposed district centers there. So if you establish a district with Ohio as its great nucleus, you will doubtless place the bank in the city that best meets the following requirements:

- (1) Satisfactory communication throughout the district.
- (2) Proximity to center of traffic and exchanges of the district.
- (3) Financial, commercial, industrial and civic strength in itself.

Satisfactory relations with the entire district. We shall confine our evidence to a comparative showing for the three cities under each of these four heads. The

few essential facts and figures have been compiled with great care, accuracy being sought at whatever cost; and we believe they are absolutely reliable.

(1) Communication: It is probable that the communication throughout the district from any one of the three cities would be satisfactory to serve the purpose of the bank. It is certainly true that a letter mailed from Rochester, Johnstown, Cincinnati or Saginaw, cities in the remotest parts of the district, at the close of banking hours on one day would reach Cleveland in time to receive attention at the beginning of banking hours on the next day; and this would even be true of most if not all communities of eastern Kentucky and eastern Tennessee, if the district should extend so far. It is worthy of note, furthermore, that a letter mailed at the close of banking hours at any one of seven of the other District Reserve cities indicated on our map, would reach Cleveland in time to receive attention during the following morning.

Moreover, we believe it can be shown that Cleveland can be reached by most of the people in the district more quickly than either of the other cities. The debatable territory, so to speak, is all within the state of Ohio.

It is obvious that Pittsburgh can be reached by Pennsylvania towns more quickly than can Cleveland or Cincinnati; it is obvious that Cincinnati could be reached by towns in Kentucky more quickly than Cleveland, if Kentucky were included in the district; it is obvious that Cleveland can be reached by Michigan and New York points more quickly than either of the other cities. But Ohio lies between the three cities. Of the 37 cities of Ohio containing a population of 10,000 or more in 1910 (taken as indicating density of population), 17, with a total population of 1,130,000, can reach Cleveland most quickly; 14, with a population of 902,000, can reach Cincinnati most quickly; and 6, with a population of 105,000, can reach Pittsburgh most quickly. Fifteen of these cities, with a population of 1,064,000, are a longer journey from Pittsburgh than from either Cincinnati or Cleveland; 17, with a population of 427,000, are furthest from Cincinnati; while only 4, with a population of 78,000, are furthest from Cleveland. To make the point clearer by a system of scoring; if 100 points are allowed for the quickest communication, and 50 for the second quickest, the score is: Cleveland, 2,350, Cincinnati 1,550, and Pittsburgh 1,350.

(2) Location with respect to center of traffic and exchanges: There are 88 counties in Ohio. The population of the 44 counties north of a line drawn approximately through the center of the state is 2,547,721; of the 44 southern counties, 2,219,400. Density of traffic, which means density of exchanges, can be indicated fairly by railroad facilities for handling the traffic. There are 40 main-line tracks in service on the railroads traversing the northern part of Ohio, and 23 main-line tracks for the railroads traversing the southern part. In the north half of the state, ten railroads have two or more main-line tracks; in the south half, only three have as many as two main-line tracks. The total double-track mileage in Ohio, as shown by the most recent map of the Ohio Public Service Commission, is 2,107 miles. Of this double track mileage, more than 1,468 miles, or nearly 70% lies in the northern 44 counties; not quite 639 miles, or a little over 30% is in the south half of the state.

With respect to the railroad situation of Cleveland in this part of the state, it is only necessary to say that every eastern trunk line of the United States enters Cleveland, and that the city is on the principal travel

highway between New York and Chicago. Moreover, and equally important, Cleveland is on the most direct line from the iron-ore of the northern states to the bituminous coal deposits of this district. Practically all of the shipping carrying the iron-ore trade of the lakes (amounting to 50,000,000 tons last year) is directed from Cleveland, and about 80% of the great fleet of vessels engaged in the ore and coal trade are managed at Cleveland. You doubtless have in mind the fact that the tonnage through the Detroit River to and from Lake Erie ports is greater than the total port tonnage of New York, London and Liverpool combined. Furthermore, the value of this tonnage, as estimated by the United States Government Engineer at Detroit, was more than \$800,000,000 in 1910; a far greater sum than the total reported by the Census for the value of both the agricultural and manufactured product of the states of Kentucky and Tennessee combined. This indicates the unreliability of the argument that Cleveland is a less desirable center for this district because it has the lake to the north. The lake is a far more valuable source of business and exchanges than any equal areas of land. The great lakes furnish the cheapest freight haul in the world,

so that the iron-ore, coal and limestone for the production of pig-iron can be assembled on the south shore of Lake Erie more cheaply than in any other of the great furnace districts in the north. We note also that nearly all the cities you have been considering as locations for district banks are situated, not in the geographic centers of their districts, but at the points where lines of communication center, which happen to be, in most cases, at or near one edge of each district; and especially when any district has any frontage on navigable water, the trade of the district is likely to seek a port city.

(3) Financial, commercial, industrial and civic strength: Cleveland is the largest city between the Atlantic seaboard and Chicago, and its population is exceeded by only three cities of the seaboard -- New York, Philadelphia and Boston -- and two cities of the interior -- Chicago and St. Louis. The United States Census of Manufactures for 1909 shows that the value of the manufactured product of Cleveland is exceeded only by that of four cities, New York, Chicago, Philadelphia and St. Louis. Cleveland's rapid growth to this position is due largely to its strategic location and transportation facilities,

which have been the chief of its manufacturing advantages. These natural and economic advantages, aided by individual enterprise and the application of intelligent public spirit in cooperative effort, have produced the phenomenal but steady and substantial advance of Cleveland among the cities of the country. In 1850 Cleveland was 43rd in population rank; today it is the Sixth City.

As indicating the volume of trade now centering in Cleveland, we give below a table of a few of the leading commodities handled by Cleveland business houses, with the approximate volume of annual business in each line, conducted through Cleveland banks, as ascertained from reports furnished by a large number of leading business houses, and from most recent census reports. The financial needs of each of these lines are distributed over a large part of the year.

<u>Commodity</u>	<u>Annual volume.</u>
Iron ore	\$64,000,000
Bituminous coal	56,000,000
Petroleum and its products, etc.	33,500,000
Lumber	15,500,000
Stone	15,000,000

Grain and hay	\$19,000,000	
Live stock and packing house products	40,000,000	
Primary iron and steel products	36,000,000	
Foundry and machine shop products	48,000,000	
Automobiles and automobile parts and accessories (manufactured)	43,000,000	x
Men's and women's wearing apparel (factory product)	32,000,000	
Total annual value of the above commodities	\$398,000,000	

x (Part of this total is probably included in the value of "Foundry and machine shop products".)

We believe that the selection of normal trade centers for the districts you establish can be made almost unerringly by a study of the rate and character of growth of the chief cities in each district. The present size, trade importance and financial condition of the cities considered are of course most important factors; but you are planning for the future as well as the present, and growth is, we believe, a clearer index of probable strength than present size, if the two factors do not coincide. We believe, therefore, that we can best aid you in selecting the headquarters for this district by showing the

history of recent growth in Cleveland, Pittsburgh and Cincinnati.

Before considering the figures of financial growth, you should be advised that since the enactment of the national banking law, Cleveland is unique among these three cities, in having reported not one single failure of a national bank; no depositor in any national bank in Cleveland has lost one penny.

In order to limit as severely as possible the figures which we feel must be brought to your attention, we have confined our evidence of relative growth to a very few index items. These are not chosen for the reason that they favor Cleveland; we believe that all the recorded data would indicate equally well the indisputable fact of Cleveland's advance; but we believe the following items will be sufficient for reliable comparison. For each item we give the percentages of increase for the most recent ten-year period for which authoritative data are available, as follows:

	<u>Cleveland</u>	<u>Cincinnati</u>	<u>Pitts burgh</u>
Population, 1900-1910	46.9	11.8	18.2
Post office receipts, 1904-1913	116.4	61.3	107.5
Value of manufactures, 1899-1909	95.1	37.3	11.1
Clearing House exchanges, 1904-1913	57.8	16.1	23.9
Deposits, all banks, 1904-1913	66.1	37.5	36.2

(We offer in evidence Tables B, C, D, E and F, and Charts II, III, IV, V and VI which show clearly the annual growth of the three cities as indicated by these items.)

Civic conditions may seem to be a minor point in your consideration of a purely economic problem, but we believe they have a very distinct bearing. (Cleveland has a served reputation for freedom from "graft" in its municipal affairs; but that is a negative virtue, and is perhaps only a minor evidence of the alert progressive spirit which is constantly manifested by the great body of our citizens and their leaders in many ways.) For example, Cleveland enjoys the lowest death rate among the large cities of the country, due in part to climatic conditions, but also in large part to intelligent municipal sanitation. Cleveland was the first American city actually to begin putting into effect a great plan for grouping its public buildings in a "civic center". Cleveland's experiments in charities

and correction are attracting worldwide attention and serving as models for other communities; the famous Jooley Farm Colony, the Cleveland Federation for Charity and Philanthropy, and the new "Cleveland Foundation" are examples. In Cleveland has been evolved the unique street railway franchise (which may be credited largely to the work of the late Mayor Tom L. Johnson and the late United States Judge Robert W. Taylor) the essential features of which are the control of service by the city; the kind of service the people's representatives require, at a rate of fare which will pay its cost plus 6% upon an arbitrated valuation; and the consequent satisfaction of the people because a problem is solved which in other cities is a constant source of disturbance of both business and banking conditions. The citizenship of Cleveland expresses itself not only at the polls, but also through civic and commercial organizations, in which effective voluntary service for the improvement of living and working conditions in Cleveland is rendered most freely by a very large number of able men. These facts we cite as reasons for the growth of Cleveland in the past, and as evidence of its healthy condition and probable continued growth, so that in the future still more

that at present, Cleveland is likely to be the undisputed trade center of this district.

(4) Relations with District: It is natural that in a district like this the smaller communities and rural territory would all prefer to be attached to the nearest large city, with which trade relations are closest; and it is natural, too, that none of the three cities under consideration should name either of the others even as a second choice, because there has been a friendly but intense rivalry between these cities. Since Cleveland continues to outgrow the other two, we believe that it should not be subordinated to either. Yet Pittsburgh and Cincinnati cannot be expected to yield ungrudging precedence to their successful rival for preeminence in the middle West.

But the business men of all this district enjoy friendly, profitable and even cordial relations with each other; and we are certain that there would be no real disturbance, much less violence, done to existing trade conditions in Pittsburgh, Cincinnati, Buffalo, Detroit or Rochester, or any other locality within the district, through the establishment of a bank at Cleveland. Six

hundred and twenty-four national and six hundred state banks within the district now carry accounts with Cleveland national banks, besides two hundred and seventy-nine national and one hundred and twenty-one state banks beyond the district. About five hundred banks in the district have designated Cleveland banks as reserve agents. Cleveland has forty-five per cent of the total of all "bank deposits" in all Ohio banks. We have heard directly from two hundred and thirty-three banks in northern and central Ohio who name Cleveland as their first choice for the location of the district bank, as well as twenty banks in southern Ohio, four in southeastern Michigan, five in western Pennsylvania, two in New York, and even seven in Indiana; and we are certain that many other banks in surrounding states and in southern Ohio would find Cleveland perfectly acceptable, if not their first choice. To show that our city has the active good will of business men in its immediate trade territory, we submit herewith copies of resolutions from commercial and trade organizations in thirty-three Ohio cities and towns; resolutions formally adopted by Clearing House Associations in some of the cities; and editorials that have appeared in several Ohio

newspapers outside of Cleveland.

We submit these facts and considerations with the conviction that they establish clearly the desirability of such a district as we have outlined, with Ohio as its center, and with its Reserve Bank at Cleveland.

Respectfully submitted,

J. J. Sullivan, Chairman Clearing House Committee,

Newton D. Baker, Mayor of Cleveland,

Warren S. Hayden, President, The Cleveland Chamber  
of Commerce,

Elbert H. Baker, President, Plain Dealer Publishing  
Company,

F. H. Goff, President, Cleveland Trust Company.

These gentlemen constitute the Executive Committee, and we are representing Committees appointed by

The Cleveland Clearing House Association,

The Cleveland Chamber of Commerce,

The Cleveland Builders Exchange,

The Cleveland Association of Credit Men,

The Cleveland Real Estate Board,

The Cleveland Advertising Club,

The Industrial Association of Cleveland,

Cleveland Rotary Club,

Lake wood Chamber of Commerce,

and indeed the entire population of the City of Cleveland.

I thank you very much, gentlemen, for your attention.

We have letters from bank men in Detroit and Buffalo, and from Toledo, some expressing Cleveland first choice and Detroit especially expressing second choice, the first choice being Chicago and the second choice Cleveland.

The Secretary of the Treasury: Just give us the substance of those.

The Secretary of Agriculture: Just read the essential parts of them.

The Secretary of the Treasury: And have you the letters to which these are responses?

Mr. Sullivan: I think not, no, Mr. Secretary.

The Secretary of the Treasury: Are these solicited or voluntary?

Mr. Sullivan: Well, they are invitations for them to be here to attend our hearing. Now this is from Detroit:

"As I advised you by long distance relative to our Bankers endorsing Cleveland for second choice for Regional Bank, I found while all would be in favor of Cleveland as

between either Cincinnati or Pittsburgh, the majority felt that as at a meeting of our Clearing House Association we had unanimously selected Chicago and had sent a Committee to Chicago at time hearing was held by Secretary of Treasury, and advised the Secretary to that effect, they felt that we ought not to express a preference for any other choice until such time as Chicago failed to secure this District, if it should. That any other course might possibly weaken Chicago and at the same time be considered by Chicago Bankers that we were not acting in entirely good faith.

For these reasons they decline to make second choice at present time."

Hence we could not change their position. They still stand committed to Chicago, but as they say, they express a preference for Cleveland as against Pittsburgh and Cincinnati.

The Secretary of the Treasury: By whom is that signed?

Mr. Sullivan: William Livingstone, ex-President of the American Bankers Association.

This one is from Buffalo:

"Replying to your letter of the 11th: We beg to say

that Cleveland is our second choice, our first choice, of course, being New York City."

This is from Mr. Harry T. Ramsdell, Cashier of the Manufacturers & Traders National Bank, in Buffalo.

The Secretary of the Treasury: We will permit these to be filed as exhibits providing the letters to which these are responses are filed with them.

Mr. Sullivan: We will be glad to furnish them.

The Secretary of the Treasury: Furnish the correspondence, in other words, so we may see what representations were made as the basis of these expressions.

Mr. Sullivan: We will be glad to do that. This one is from Toledo:

"I beg to acknowledge receipt of your favor 12th inst. and thank you very much for the invitation to meet the Committee of the Federal Reserve Banks on Tuesday next.

I regret exceedingly that it will be impossible for me to be with you, but I think there will be a representation from the Banks here.

I had promised to meet the Committee in Cincinnati on Monday. As you perhaps know, the attitude of the Toledo Banks is Cleveland first and Cincinnati second."

That is signed by S. D. Jarr, President of The National Bank of Commerce.

The Secretary of the Treasury: He appeared yesterday.

Mr. Sullivan: Yes. I have not learned whether he is here.

The Secretary of the Treasury: No, he appeared yesterday in Cincinnati.

Mr. Sullivan: Well, the Clearing House of Toledo adopted a resolution stating these facts.

The Secretary of Agriculture: That was his representation.

Mr. Sullivan: Are there any questions you desire to ask? I will be glad to answer them if I can.

The Secretary of the Treasury: These letters which you are offering as exhibits here/expressions of Chambers of Commerce throughout the United States. We should like to know something about the manner in which these were procured. Were they procured as the result of solicitation or are they voluntary?

Mr. Sullivan: Some of them are voluntary, Mr. Secretary, and I think mostly invited.

The Secretary of the Treasury: In what way?

Mr. Sullivan: Well, simply knowing the friendly relationship --

The Secretary of the Treasury: I mean were the invitations to these Chambers of Commerce to express themselves, through committees sent out by Cleveland?

Mr. Sullivan: No, sir.

The Secretary of the Treasury: Or written representation of certain facts, and so forth, as an inducement or what?

Mr. Sullivan: We sent no committees out to solicit support for Cleveland, and the letters which we wrote inviting cooperation with us were -- we were actuated by what we knew to be a friendly relationship existing with banks and towns tributary to Cleveland.

The Secretary of the Treasury: The only point the Committee wants to establish is the basis upon which these resolutions or the actions of these different Chambers were made. For instance, if you wrote letters making any particular representations about Cleveland as a reason why they should take this action, we want those filed with the resolutions so the record may be complete and we may be able to better judge of the effect of the action. In some

instances we found some representations were made as an inducement for such expressions which were not altogether accurate. Now we do not charge Cleveland with anything of that kind or anybody else with making representations that are not altogether accurate, but it enables us to judge better of the value of these expressions.

Mr. Sullivan: I know, and I am sure I am within the bounds of absolute truth when I say there was no misrepresentation made.

The Secretary of the Treasury: We do not suggest that. We only want to know what was said.

Mr. Sullivan: Mr. Baxter will take charge of that.

The Secretary of the Treasury: This district No. 5 as you have laid it out with Cleveland as the centre, would you say that that district at the period of maximum demand is a borrowing or a lending district?

Mr. Sullivan: At the period of maximum demand, as matter of fact, we borrow but very little, and I speak more especially of Cleveland.

The Secretary of the Treasury: I am speaking now of the district, its combined resources?

Mr. Sullivan: I think that I can say truthfully that

neither Cincinnati nor Cleveland borrows much money. About Pittsburgh and Detroit I would not feel privileged to make a positive statement in that particular, Mr. Secretary.

The Secretary of the Treasury: Well, would it not be very easy for you or your Committee, if you have not already ascertained, to ascertain the amount of rediscounting done by all of the National banks of this proposed district at the period of extreme demand in any one year?

Mr. Sullivan: We could do that, yes.

The Secretary of the Treasury: Now you have not such figures?

Mr. Sullivan: We have not such figures.

The Secretary of the Treasury: Would you say that the district was a borrowing district, or that it always has adequate resources to take care of the demand?

Mr. Sullivan: Except at times of extreme stringency. My opinion is based upon my experience of 25 years in connection with this banking business, that the district is able to take care of its people, in its borrowing.

The Secretary of the Treasury: As a rule would it be a borrowing or a lending district?

Mr. Sullivan: It would be a lending district.

The Secretary of the Treasury: On the whole, you would have a surplus of funds to lend?

Mr. Sullivan: Yes, Mr. Secretary.

The Secretary of the Treasury: Let us take some of these other districts you have laid out here.

Mr. Sullivan: Would you pardon me one word? I would say this, that in Cleveland we scarcely ever rediscount.

The Secretary of the Treasury: You mean directly?

Mr. Sullivan: I mean directly.

The Secretary of the Treasury: Do you ever indirectly?

Mr. Sullivan: No, we borrow money and put up our bills receivable.

The Secretary of the Treasury: Is not that rediscounting, in effect?

Mr. Sullivan: Well, not as it is understood in banking circles.

The Secretary of the Treasury: No, but I am talking about the effect.

Mr. Sullivan: Well, the one is selling your paper direct, endorsing it and selling it, and the other is simply pledging it as collateral for a loan which is made on demand. We consider it a better way than rediscounting when we borrow

on demand, and we replenish our cash and we can pay the note on demand, but the rediscounted paper has to run until the time for which it is drawn has expired.

The Secretary of the Treasury: But in either case, so far as the effect is concerned, it is a liability of the bank?

Mr. Sullivan: Oh, yes.

The Secretary of the Treasury: And it is a rediscount in effect; in other words, you have got to go outside the resources of your own bank and get additional funds to carry on your business?

Mr. Sullivan: Yes.

The Secretary of the Treasury: To what extent is that custom practiced in this district or in this City?

Mr. Sullivan: Very slightly. It is very seldom this City borrows much money.

The Secretary of the Treasury: Even in the manner you have described?

Mr. Sullivan: Yes, sir.

The Secretary of the Treasury: At the period of extreme demand, Colonel Sullivan, is it your practice here to stop lending money when you get down to your reserves, or no matter how legitimate the business is which ought to be

cared for, or do you in such circumstances rediscount or borrow money to take care of the business?

Mr. Sullivan: We borrow money to take care of our business.

The Secretary of the Treasury: Now it is important for this Committee to get an idea of the extent of such borrowing and get some idea of it. Could you not supply those figures later?

Mr. Sullivan: For the district?

The Secretary of the Treasury: Yes.

Mr. Sullivan: Yes.

The Secretary of the Treasury: As well as for Cleveland itself?

Mr. Sullivan: We can do that.

The Secretary of Agriculture: Say by the first of March?

Mr. Sullivan: Yes, we will have to send a man to the different cities in order to get it accurately. Any figure we submit here we know is accurate.

The Secretary of the Treasury: Of course the direct rediscounting appears in the reports of the National banks to the Comptroller of the Currency, and that you can easily obtain by consulting the records, but as to that indirect rediscounting-- we call it indirect because it is indirect--

we should like to get information. And we should also like it as far as it is practicable to get it, from the State banks throughout the district. Those, I suppose, could be obtained through the State Banking Department, could they not?

Mr. Sullivan: We will be glad to furnish all of that.

The Secretary of the Treasury: Will you supply that?

Mr. Sullivan: Yes, we will be glad to do it.

The Secretary of the Treasury: For what period of the year would you say that this is a lending district, that is, that it is in possession of a surplus of funds that could be employed elsewhere?

Mr. Sullivan: Well, I would say three fourths of the time.

The Secretary of the Treasury: Three fourths?

Mr. Sullivan: At any rate.

The Secretary of the Treasury: And for about three months you would say it was a borrowing district?

Mr. Sullivan: Well, not exactly, because at any time outside of panic periods, the Cleveland banks do not borrow much money.

The Secretary of the Treasury: For three months of the

year you would say that it was not a lending district?

Mr. Sullivan: Well, no, in so far as taking care of the demands of Cleveland industries, it is a lender district; we never shut down --

The Secretary of the Treasury: No, what I mean is, you would not have a surplus of funds for three months of the year to lend to other districts, you would need it within your own district, is that what you mean?

Mr. Sullivan: That is what I mean, yes.

The Secretary of the Treasury: Let us consider some of the other districts that are laid out here. Take this district No. 4 embracing Maryland, West Virginia, Virginia, North and South Carolina. What did you think of that as a borrowing or lending district, which would you say that it was?

Mr. Sullivan: I would say that was a borrowing district.

The Secretary of the Treasury: And No. 6, including Kentucky, Tennessee, Georgia, Florida, Alabama and Mississippi?

Mr. Sullivan: Decidedly a borrowing district.

The Secretary of the Treasury: And what would you say of No. 8, Missouri, Arkansas, Louisiana, Kansas, Nebraska and Colorado?

Mr. Sullivan: That would be a borrowing district.

The Secretary of the Treasury: And No. 9, Oklahoma, New Mexico and Texas?

Mr. Sullivan: It would be a borrowing district.

The Secretary of the Treasury: How about No. 10, Minnesota, North Dakota and South Dakota, Wyoming, Montana, Idaho and Washington?

Mr. Sullivan: Minnesota would be a borrowing state, but as to the requirements of Montana and Washington, I would not be prepared to express an opinion, Mr. Secretary.

The Secretary of the Treasury: North and South Dakota, Wyoming and Idaho, I see all of those included there.

Mr. Sullivan: In the crop moving period I take it they would be pretty heavy borrowers.

The Secretary of the Treasury: Now take No. 11, comprising Oregon, California, Nevada, Utah and Arizona, would you call that a borrowing or a lending district?

Mr. Sullivan: I would call that a borrowing district.

The Secretary of the Treasury: No. 7, which includes Wisconsin, Iowa, Illinois, Indiana and a part of Michigan, what would you say about that? The Chicago district, would you call that a borrowing or a lending district?

Mr. Sullivan: I would not consider that a borrowing district.

The Secretary of the Treasury: You think that would always have surplus funds available for lending to other districts?

Mr. Sullivan: I think so, Mr. Secretary.

The Secretary of the Treasury: And No. 3, a part of Pennsylvania and Delaware and part of New Jersey, you would consider that as a lending district?

Mr. Sullivan: As a lending district, yes, sir.

The Secretary of the Treasury: And No. 2, New York City, of course, is a lending district?

Mr. Sullivan: Yes.

The Secretary of the Treasury: And No. 1 is a lending district?

Mr. Sullivan: Boston, yes.

The Secretary of the Treasury: You include in that the larger part of New York State in area, and the New England States exclusive of the western half of Connecticut?

Mr. Sullivan: Yes.

The Secretary of the Treasury: That would be a lending district?

Mr. Sullivan: Yes, that would be a lending district.

The Secretary of the Treasury: As a fundamental, Colonel Sullivan, do you think that this Committee should deliberately lay this country off into districts which comprise which comprise such a large number of borrowing districts at all times of the year, or dependent districts most of the year As a fundamental of this problem?

Mr. Sullivan: I think the districts ought to be so closely related that mail facilities and transportation facilities would serve the different parts of the district readily.

The Secretary of the Treasury: But does that mean the fundamental difficulty which meets this Committee? It is not a question of transportation, but of resources.

Mr. Sullivan: Yes, but as the one district could, under the law, aid another district, I think that would meet that objection, Mr. Secretary.

The Secretary of the Treasury: But is that sufficient? The law provides that the Federal Reserve Board may permit one Reserve Bank to lend to another, and it may in some circumstances compel one Reserve Bank to lend to another, but the obvious purpose of the law is to have a country laid out into districts which will not be, unless necessary, wholly dependent all the time. In other words, if you have a lend-

ing district, as you have described yours to be, and you have a surplus of funds which you want to lend somewhere, and you have no borrowing end in the district, then you have to go to the Federal Reserve Board and ask for permission to lend those surplus funds to another district; or if you do not want to lend them, and some one wants to get them from you, they have to go to the Federal Reserve Board and get an order to compel you to lend them. Now is it wise to create a situation of that character deliberately from the outset?

Mr. Sullivan: If it could be readily and intelligently avoided, I think it would be well to avoid it primarily.

The Secretary of the Treasury: Exactly.

Mr. Sullivan: Yes.

The Secretary of the Treasury: Now, therefore, is it not the obvious duty of this Committee to divide the country into such districts, so far as practicable, as will combine both a lending and a borrowing end, so that you can get that sort of financial equipoise in each district which would enable you, if this were a part of such a district, for instance, to lend your surplus funds within the district when they were needed at one end, and therefore be able to

employ those funds equitably and actively throughout the year. Would not that be the wiser plan?

Mr. Sullivan: If it could be done without violating the course of trade and convenience and accessibility and all that sort of thing, I think yes, if it could be done.

The Secretary of the Treasury: Now under the plan you have laid out here, with all of these dependent districts, they would be constantly at Washington for their permission to borrow somewhere else, or to compel some other district to come to their relief, with the eleven districts as you have laid them out, with the number of dependent districts which you have stated?

Mr. Sullivan: Yes. The borrowing demand in any of those districts is not perpetual, as I understand it, Mr. Secretary.

The Secretary of the Treasury: Are you familiar with that? That is the point. You cannot lay this country out into districts without having due regard to the problems presented by each one. Now the real problem here is not the location of the Federal Reserve Bank in some city, but it is to divide this country into proper districts. Now, once you have that, the location of the Federal Reserve Bank

in the district is comparatively a simple problem, so that we must all address ourselves primarily to this most important phase of the problem, the division of the country itself into districts.

Mr. Sullivan: If the district could be so arranged, such as we were compelled in our office to arrange for the Minneapolis district, running out and taking in Washington, if it could be avoided, I think it would not be best to arrange a district with such great distances, where it would take from 36 to 48 hours to get mail from one end to the other.

The Secretary of the Treasury: May I ask if in suggesting these districts, the transportation facilities and other factors which necessarily enter into it, were considered by your Committee?

Mr. Sullivan: Yes, sir.

The Secretary of the Treasury: Or did you simply lay the country off into districts, consulting merely the financial resources and so forth of these districts, so as to give bank the necessarily capital fixed under the Act?

Mr. Sullivan: The Executive Committee deliberately and religiously and with all the intelligence of which we were possessed, took into consideration the financial resources and

the industries of every state and every district which we have arranged on the map there. We put in hours and hours, and had many, many meetings, and this was the result of mature and long continued deliberation, Mr. Secretary.

The Secretary of the Treasury: Now coming back to the main point, the convenience and customary course of business. The district as you have outlined it here embraces a part of Michigan. Now is the customary course of business from this part of Michigan included in your district with Cleveland? We will take the City of Detroit, for instance alone; is its business more with Cleveland or with Chicago?

Mr. Sullivan: More with Chicago, Mr. Secretary; but it is only four hours or four and one half hours from Detroit here by rail.

The Secretary of the Treasury: Exactly. But on the other hand, if the customary course of its business is with Chicago, the law requires us to give consideration to that fact. The mandatory provision of the law requires that.

Mr. Sullivan: Yes.

The Secretary of the Treasury: Now on the other hand, let us take Buffalo, New York. What would be the customary course of Buffalo's business, is it with Cleveland or with

New York?

Mr. Sullivan: Eastward.

The Secretary of the Treasury: And Rochester the same?

Mr. Sullivan: Rochester the same.

The Secretary of the Treasury: How about Pittsburgh, is the customary course of business with Cleveland or with some other points?

Mr. Sullivan: We do a very large volume of business with Pittsburgh, yet the trend of exchanges on the part of Pittsburgh is towards New York.

The Secretary of the Treasury: How about Cincinnati, the customary course of Cincinnati's business is where?

Mr. Sullivan: Well, under conditions as they have existed for years, New York --

The Secretary of the Treasury: I am not speaking so much of banking exchanges, because I know those have been very largely artificial under the old system.

Mr. Sullivan: Yes.

The Secretary of the Treasury: But I am speaking of the business itself, the distribution of commodities from these different centers. Where would Cincinnati's trade principally be?

Mr. Sullivan: I think that the trade of Cincinnati would be rather southward.

The Secretary of the Treasury: So that the customary course of business, so far as Cincinnati is concerned, would not be conserved by attaching it to Cleveland?

Mr. Sullivan: While it would not be conserved, we feel that it would not be in any way injured.

The Secretary of the Treasury: You made a comparison here of bank clearances, Cincinnati and Cleveland and Pittsburgh. I see by the Comptroller's statement of October 21st, that you held as reserves of other National banks, \$12,368,000, and I will only give round numbers, and for State banks and private banks \$10,243,000, and for trust companies and savings banks \$14,651,000. The aggregate of that is in excess of Cincinnati's reserve holdings. Cincinnati has larger National bank reserves than you have here, but you exceed her in the amount due to State and private banks and trust companies. What inducements are held out by Cleveland banks to correspondent banks for such balances?

Mr. Sullivan: On the matter of interest?

The Secretary of the Treasury: Yes.

Mr. Sullivan: We pay 2 1-2 per cent on daily balances in

Cleveland. That is the general rule.

The Secretary of the Treasury: Is that a Clearing House rule?

Mr. Sullivan: Well, it is a hard and fast rule that is adhered to quite closely.

The Secretary of the Treasury: All the banks pay the same?

Mr. Sullivan: Also they are privileged to pay more or less, there is no absolute requirement that they must adhere to the 2 1-2 per cent.

The Secretary of the Treasury: The practice is to pay 2 1-2 per cent?

Mr. Sullivan: That is the general practice.

The Secretary of the Treasury: Do any of them pay more?

Mr. Sullivan: I do not know of any.

The Secretary of the Treasury: How about free check collections?

Mr. Sullivan: That is a matter that each bank determines for itself.

The Secretary of the Treasury: What is the practice?

Mr. Sullivan: I can speak specifically -- well, I think, the course that we pursue is about the general course pursued in the City; it depends somewhat upon the character of the

account which is kept with us. If a good balance is kept without interest, we make collections at par, more especially if we can get them at par. But the collection of checks on points remote from Cleveland, that cost us to collect, we usually make a charge for it, if the account does not warrant us standing that expense ourselves. It is a matter of individual opinion, I take it.

The Secretary of the Treasury: Is the effect of the general practice as you have described it, to make check collections largely free?

Mr. Sullivan: Not when they cost the bank.

The Secretary of the Treasury: No, but I am speaking of the general effect produced upon the whole volume of collections.

Mr. Sullivan: I think that we are quite obliging with our customers in that regard.

The Secretary of the Treasury: What would you say was the per cent of disobligingness, in other words what percentage of the total collections would you say are paid for?

Mr. Sullivan: Well, I would say not over one quarter.

The Secretary of the Treasury: 25 per cent?

Mr. Sullivan: Yes, sir.

The Secretary of the Treasury: So that about 75 per cent

of the collections are free, without charge?

Mr. Sullivan: Yes. Am I right in that, gentlemen? You gentlemen correct me if I am wrong. I am speaking largely from my own experience, and the gentlemen who are here, if they are doing it otherwise, it is their prerogative to speak up.

The Secretary of the Treasury: You could furnish us accurate information on that point, could you not, to be put in the record as an exhibit to your testimony later?

Mr. Sullivan: Yes.

The Secretary of the Treasury: Just make a note of it.

Mr. Sullivan: I am willing to go on record as saying that the checks which cost us to collect, we charge to our customer.

The Secretary of the Treasury: I want to fix a little more accurately, the extent to which you are obliging.

Mr. Sullivan: Well, that is a leading characteristic of the Cleveland bankers, Mr. Secretary.

The Secretary of the Treasury: But you would say the characteristic does not exceed 75 per cent. Will you furnish us with some data on that, Colonel?

Mr. Sullivan: I would be glad to.

The Secretary of the Treasury: That could be sent as a Clearing House matter.

Mr. Sullivan: Yes.

The Secretary of the Treasury: It has a bearing upon some features of the question, and we have asked it at other places, and we should like it here.

Mr. Sullivan: There are representatives of the larger banks right here, and if they have any views differing from my own, or if any custom has obtained in their bank different from what I have stated, I would like to hear from them.

The Secretary of the Treasury: Well, they can submit such information as they desire later or not, if they desire.

Mr. Sullivan: Mr. Sherwin, what would you say?

Mr. John Sherwin: (President First National Bank): I think we could be called fairly liberal. I think we are about the same as Cincinnati, not as liberal as Pittsburgh, and not as liberal as Philadelphia.

The Secretary of the Treasury: Or as Albany?

Mr. Sherwin: No, we are not as liberal as Albany, nearly.

Mr. Sullivan: I would say there is a very strong rivalry there, as there is in nearly every city, between the banks, and the banks have to cater not only to the business, but the

whims of the patrons of the bank, in order to hold their trad

The Secretary of the Treasury: Well, under this system, with the abolition of reservation, I mean the existing reservation, naturally you will not have the same rivalry -- the same occasion for rivalry in that regard?

Mr. Sullivan: No.

The Secretary of the Treasury: We had in Cincinnati yesterday a district suggested embracing Ohio, Indiana, Kentucky and Tennessee, with suggestions that that district might be extended even to the Gulf, including in any case the State of Alabama. What would you say as to such a district as that, the main feature being the inclusion of a lending with a borrowing district, and also getting a district of great diversification of industries and crop rotations and of financial rotation, so to speak. How would you view such a district as that?

Mr. Sullivan: We certainly could not look upon it with favor, Mr. Secretary. In Cleveland especially, the iron and steel are great factors with us. We have business relations with Pittsburgh many, many times over, more than we have with Cincinnati, owing to the fact that the iron ore produced and brought down from Lake Superior by our people

is sold to Pittsburgh furnaces --

The Secretary of the Treasury: Of course you realize that the creation of that district would not affect in the slightest degree those transactions with Pittsburgh.

Mr. Sullivan: Well, we think that it would suit better to have the bank located in Cleveland, owing to our being in the center of this unusually active--

The Secretary of the Treasury: No, I am speaking of the district. The district I have just described would include the State of Ohio and the City of Cleveland. Suppose Cleveland had the Reserve Bank.

The Secretary of Agriculture: And omitting any consideration of where the bank should be located,

Mr. Sullivan: The district would be too much disconnected, it seems to me.

The Secretary of the Treasury: Well, the transportation facilities throughout that district are north and south.

The Secretary of Agriculture: Would it be any more disconnected than the district including Minnesota and Washington?

Mr. Sullivan: As I said a while ago, Mr. Secretary, that is the only district that we do not altogether approve of,

but we could not arrange the map any better. We do not altogether approve of that, you might say, shooting district, and the district which you name would take on a similar form, it seems to me.

The Secretary of the Treasury: It would give you a diversification and rotation of the financial demand throughout the year, would it not?

Mr. Sullivan: Well, I do not think that I could reason myself into a conclusion that that would be the best kind of a district for Ohio.

The Secretary of the Treasury: How are you going to get a borrowing end unless you take in some borrowing territory with a lending territory?

Mr. Sullivan: We really have our active industries here, which as I said before, require all of the money we have in Cleveland.

The Secretary of the Treasury: No, I am speaking of the district. We cannot consider Cleveland alone as the whole district; we have to figure on the whole district.

Mr. Sullivan: No; while it is very close to our heart, yet we realize we are citizens of a great country --

The Secretary of the Treasury: You have laid out a dis-

district here in which you say for three quarters of the year you have a surplus to lend, and you have no territory under this plan in which to lend it unless you can get the permission of the Federal Reserve Board in Washington. Now you do not want to be put in a position of that kind, I assume, because after all, this Reserve Bank must be constituted upon the same common sense grounds that you would constitute any other banking institution or business organization; so we must lay it out with logical reference to some known or conceivable common sense business operation. Now, if the Federal Reserve Board, for instance, should say to you that for nine months in the year you could have lent your funds out of that district, what would become of your Reserve Bank, where would you earn interest on its stock?

Mr. Sullivan: Mr. Secretary, I would not wish that it would be inferred from what I have said about having money to lend, that we sought paper outside of our city. I had reference to the money to lend to our local people.

The Secretary of the Treasury: And I was speaking of the district. I asked if the district as suggested by you was a borrowing or a lending district. Now you show that for

three months of the year it is a borrowing district, or if not a borrowing district, all its resources are required within the district,

Mr. Sullivan: Within the district, yes.

The Secretary of the Treasury: And for nine months there is a surplus of funds within the district that may be used somewhere else.

Mr. Sullivan: That is the point I desire to correct. I did not mean to say we had a surplus of funds which were not in demand here in this district.

The Secretary of the Treasury: For the whole year then you would consider the funds would be fully employed in this district?

Mr. Sullivan: Yes. In Cleveland it is a fact that rarely ever do we go out and buy paper on the market. Our industries are so numerous and their requirements are so great, that all the money we have in Cleveland is in demand here.

The Secretary of the Treasury: Now it ought to be perfectly simple to furnish some real figures. If you gentlemen have studied this problem as much as you say you have, it ought to be possible to furnish some figures about this

district which would show whether or not it is a lending or borrowing district all or part of the year, and what parts of the year it is such. Can you not give us those facts? I should think your Clearing House Committee could give us some real data on that point.

Mr. Sullivan: When I say a lending district, I mean we have ample money to supply the local demand.

The Secretary of the Treasury: Yes, but what we need to know is how much more than the supply for the purely local demand you have at any period of the year, and what length of time of the year you have that surplus of funds in this district, and if you have an inadequacy of funds for any period of the year, what period of the year, and the length of its duration, and to what extent.

Mr. Sullivan: As we say in our brief, we believe that our district is quite well balanced up.

The Secretary of the Treasury: Well, we cannot proceed on beliefs; we must proceed on facts. Now, these facts are obtainable, and we should like very much to have those facts. They are very essential facts, and if you gentlemen address will yourselves to that question, we will give you time to file a brief which will cover that particular point.

I assume you could furnish it by the first of March, could you not?

Mr. Sullivan: Oh, yes, Mr. Secretary.

The Secretary of the Treasury: I will ask the reporter to give you a copy of these questions, so that you may have them.

Mr. Sullivan: Very well.

The Secretary of the Treasury: Is it the view of your Committee, after careful study of this question, that the country should be divided into 11 districts?

Mr. Sullivan: That is our conclusion.

The Secretary of the Treasury: That is your best judgment?

Mr. Sullivan: Yes, in order to carry out the spirit of the law.

The Secretary of the Treasury: Do you think it is the spirit of the law to create a lot of dependent districts, as I said before, if you can avoid it?

Mr. Sullivan: No, if it can be avoided; no.

The Secretary of the Treasury: Are you more likely to avoid creating dependent districts with a less number or a large number?

Mr. Sullivan: I beg pardon?

The Secretary of the Treasury: I say, are you more likely to create a number of dependent districts by dividing the country into eleven districts than into eight districts?

Mr. Sullivan: The eight districts would be, it seems to me, more self-reliant.

The Secretary of the Treasury: You would have stronger units?

Mr. Sullivan: Yes. But in carrying out the purpose of the law, we have been governed by the idea that New York and Chicago should be detracted from and minimized in a way from what they have been in the past.

The Secretary of the Treasury: You do not attach importance to the suggestion that a great and dominant bank should be created in New York, do you?

Mr. Sullivan: Well, I think that New York should naturally have a larger bank than any other district in the country.

The Secretary of the Treasury: But you do not believe in creating a dominant bank there, one that had for instance, forty to fifty per cent of the entire banking capital and resources of the country?

Mr. Sullivan: No, I certainly would not approve of that.

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

Mr. Sullivan: New York, Chicago and St. Louis.

The Secretary of the Treasury: And in what proportions, would you say?

Mr. Sullivan: Probably 50 or 60 per cent in New York and 30 per cent in Chicago, and about 10 per cent in St. Louis.

The Secretary of the Treasury: Why is the larger balance kept in New York, is that because the course of your business and exchange is more that way than any way else?

Mr. Sullivan: Yes, sir, Mr. Secretary, and also due to the fact that the New York exchange has become so popular that a man going west or east anywhere, if he gets a New York draft, feels perfectly safe that he can have it cashed anywhere.

The Secretary of the Treasury: With the paring of exchange between these Reserve Banks, as provided in the Act, do you think it would be necessary to maintain such large exchange balances in New York City?

Mr. Sullivan: No, I do not, and in fact we could not, owing to the smaller--

The Secretary of the Treasury: You could not carry reserves, but you would carry some balances there in addition

serves, but you carry some balances there in addition to your reserves, do you not?

Mr. Sullivan: Yes, and that would doubtless be done to some extent.

The Secretary of the Treasury: But not to so large an extent as now?

Mr. Sullivan: No, it would not be necessary.

The Secretary of the Treasury: Now, assuming the creation of the district as you have outlined it here, what would be your second choice of a city?

Mr. Sullivan: Well, really we have not considered that, Mr. Secretary.

The Secretary of the Treasury: It is a very necessary consideration.

Mr. Sullivan: The governing thought was to present our case to you gentlemen and with your large and varied experience, gleaned from examining the whole country--

The Secretary of the Treasury: You know this district better than we do, and if Cleveland did not have it, what point would you say would next best serve it for the location of a reserve bank?

Mr. Sullivan: Personally I would not feel like expressing

a second choice. (Laughter). We believe that you gentlemen with all of the facts in your possession, will discharge your duty as your duty occurs to you.

The Secretary of the Treasury: We want you to help us discharge it by giving us as full information as possible. Now you think Cleveland is the best point for this location.

Mr. Sullivan: Decidedly so.

The Secretary of the Treasury: You have convinced me that you think so.

Mr. Sullivan: I have very strong views on that subject.

The Secretary of the Treasury: Now what we want you to give us in order to aid us is your best judgment as to what other city or cities next to Cleveland/<sup>could</sup>best serve this district if Cleveland could not have it. It is a very material question, and we ask it everywhere, and usually we get, of course, the information. If you could not have Cleveland, then you must think of some other point that, with your knowledge of the district, would be the next best place it could be put to advantage.

Mr. Sullivan: State pride, you know, would suggest the City --

The Secretary of the Treasury: Disregarding State pride

and considering the business and economic phases of the problem.

Mr. Sullivan: I think the consensus of opinion, and this is my own think, because we have had no conference or exchange of views --

The Secretary of the Treasury: I am asking for an expression of individual opinion.

Mr. Sullivan: I think that Chicago would probably be out next choice.

The Secretary of the Treasury: But that is not in the district.

Mr. Sullivan: I beg pardon.

The Secretary of the Treasury: I am speaking of the district you have laid out here.

Mr. Sullivan: Well, if I have to express a second choice, personally I would then say Cincinnati.

The Secretary of the Treasury: And what would be your third choice? This may be taxing your magnanimity, Colonel; would it be Buffalo or Pittsburgh, or either of them, or Columbus?

Mr. Sullivan: Well, we do not feel that Buffalo is considered at all in the matter.

The Secretary of the Treasury: It is in the district.

Mr. Sullivan: Yes, but owing to the business relations which we have with Pittsburgh, I think I would make Pittsburgh as the third choice.

The Secretary of the Treasury: That would be your third choice?

Mr. Sullivan: Yes.

The Secretary of Agriculture: Chicago would be your second choice, if you were simply considering cities and not this district?

Mr. Sullivan: Yes, but that would be so unreasonable, to attach this part of the country to Chicago, that it would be violating, you might say, the spirit of your law.

The Secretary of Agriculture: On the same principle would it be unreasonable to attach Buffalo to Cleveland?

Mr. Sullivan: No.

The Secretary of Agriculture: Nor Pittsburgh?

Mr. Sullivan: No, Mr. Secretary.

The Secretary of Agriculture: How would it be more unreasonable to attach Cleveland to Chicago than Buffalo to Cleveland?

Mr. Sullivan: Owing to the fact that it would make Chicago a much stronger district than the law contemplates. That is the point.

The Secretary of Agriculture: I see. I thought perhaps you had in mind the drift of your trade

Mr. Sullivan: Oh, no. No, we are at peace with all our neighbors, and we are ready to adjust ourselves to any condition which you gentlemen place upon us, in order to make the law work.

The Secretary of the Treasury: You mean you are at peace even on the Reserve Bank proposition, even including that?

Mr. Sullivan: Oh, yes, yes.

The Secretary of the Treasury: The Federal Reserve Act in Section 13, page 14 of the Act, provides among other things, the following:

"Upon the indorsement of any of its member banks, wit

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, 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."

There are some provisos attached to that which I shall not read. You can refer to the Act for the whole provision. We should like to have the Cleveland Clearing House give consideration to that question, and submit to us at the earliest practical moment, by the 15th of March, if possible, a memorandum or a brief upon the question of commercial paper, as to what should be the definition of commercial paper within the meaning of this Act. Now, if you have any peculiar character of paper here, I mean paper that is peculiar to this locality, we should like you to describe it and set it out in full so we may become familiar with it; and again, we should like you to suggest the forms of notes, drafts and bills of exchange which you think would

best serve for universal use among these Federal Reserve banks and their branches, and the member banks, with a view of standardizing these forms, so far as practicable.

Mr. Sullivan: I will be glad to do that.

The Secretary of the Treasury: Now, Section 16, page 19 of the Act, contains two provisions:

"The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks."

Now that is a very important feature of this Act, one requiring a great deal of thought and study, and with your experience here in the clearing of checks and with your practice in this region, we should like you to submit to us a memorandum or a brief expressing your views as to how that provision of the Act may be best effectuated, also suggesting what you think would be a reasonable charge

to be made by the Federal Reserve banks between them and their branches, governing the transfer of funds. That may come along at the same time with the other.

Mr. Sullivan: Yes.

The Secretary of the Treasury: There is still another provision of this Act, the paragraph just preceding that, on page 19, which relates-- perhaps I had better read this provision also in the record, so that the whole question may come to you?

"Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank; checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose

checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank."

Now, if you will submit your views also upon that provision of the Act, we should like to have them.

Mr. Sullivan: I will.

The Secretary of the Treasury: The Act, as you know, provides also that branch banks shall be established within the district; shall be established; it is mandatory that that shall be done, the object of the law being to bring the facilities of the reserve bank into all parts of the district as far as possible. If a Federal reserve bank were located in the district you have described, at any one of these important cities, at Cincinnati or Pittsburg, and a branch were established at Cleveland, would you not get every facility you would get from the location of the reserve bank itself in this city?

Mr. Sullivan: Well, I presume we would, Mr. Secretary.

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

Mr. Sullivan: I thank you. We will not present any other witness except Mayor Baker.

## STATEMENT OF HON. NEWTON D. BAKER,

Mayor of Cleveland.

The Secretary of the Treasury: We will be glad to hear your views, Mayor.

Mayor Baker: I can add nothing to the statistical account which Mr. Sullivan has given, and I am here for two reasons: The Council of the City of Cleveland passed a resolution unanimously directing me to appear on behalf of the Council and as the City's representative, to present whatever could be presented with propriety for Cleveland as the site of a reserve bank in this territory. In addition to that, I have been in constant consultation with the Executive Committee represented by Colonel Sullivan, and have been a party to the deliberations which have resulted in the brief which Colonel Sullivan has prepared, and of which printed copies are here, with some explanatory tables and charts, in order that you may have both the verbal and the graphic representation of what the Colonel has been saying.

Now, I do not want to multiply words, and I know you do not want to hear multiplied words, and so the things

that I am here to say can be placed within a very narrow compass, and said within a very few minutes.

The Secretary of the Treasury: We are glad to hear from you at such length as you wish.

Mayor Baker: That is very gracious of you, Mr. Secretary.

The Secretary of the Treasury: Do not feel that you have to limit yourself.

Mayor Baker: Thank you very much, but I do not want to muddle this discussion at all with a lot of irrelevant matter.

The Secretary of the Treasury: We feel sure you will clarify it, so with that encouragement, keep it up as long as you like.

Mayor Baker: Thank you very much. We were conscious of the fact that this Board could not be appealed to by any mere exhibition of local pride or prejudice on our part. I think we had a somewhat finer sentiment than that, if I may describe how we felt about it. We do not want a reserve bank in Cleveland, unless the putting of a reserve bank in Cleveland best serves the general interests of the country, and facilitates the operation of this Act. I think that it may be fairly said that Cleveland is a city of the

United States first, and a City of the State of Ohio second, and a city to itself third. That is our attitude, and we have a good deal of pleasure in feeling that from our City there went to Congress a member of the Currency Committee who contributed pretty substantially, I feel, to the enactment and drafting of this legislation, and we are all very proud of the part he was permitted to play in it.

So that the considerations we have been presenting here through Colonel Sullivan and our own deliberations on the subject, have been in trying to seek out the district to which Cleveland must be a part with reference to the application of the entire Act. We realized from the beginning that a Branch bank might be established in Cleveland, and that we would get just as much facilities from a branch bank as we would by being the site of a reserve bank. We realized that Cincinnati would undoubtedly feel the desire to have a reserve bank there, and Pittsburgh also, and we realized the difficulty which you have pointed out, and to which we could as yet find no answer. I see that Colonel Sullivan has rather bravely promised to supply you with some answer, but we submitted it in the Committee and could not find one, and the Colonel <sup>may</sup> be going to touch some

hidden spring of information.

The New England States, New York, Pennsylvania and Ohio, have the wealth of this country in them now. They are the states that comprise the financially self-contained territory of this country. All the rest of the United States, so these wise gentlemen said in consultation, and I am simply voicing what was there said,-- all the rest of these states are for the most part, borrowing states; they constitute parts of borrowing districts; and how it is ever going to be possible to divide up the United States by a system of wedge-shaped districts, which will head into the concentrated financial section of the country and spread out so as to include enough of the borrowing and some of the lending territory of the country, is absolutely an insoluble problem, or was to us. We could find no way in which that could be done.

We thought that if we made Cleveland a part of a territory which was, so far as we could see, substantially self-contained financially, that that would be at least a contribution to the solution of the problem. The great districts that center around Boston, New York and Philadelphia, are inevitably lending districts. The financial

maelstrom of the last fifty years has centered at New York and brought the wealth of the country there, and Chicago has had kind of a secondary maelstrom around it for a long time. So that our effort was to make a district which, as near as we could see, would be self-contained, and that is what we think we have done. The seasonal demands for money in that district as we have mapped it out, are represented to us to be, by those who know, pretty nearly an even balance, so that it did not seem to us that our district would have to go to the Federal Reserve Bank asking for either

compulsory process upon some other district to lend us money, or permission on our part to lend to some other district. We felt that the Banking Act from its very inception was the antithesis of the central bank plan. We knew there was a good deal of sentiment in the country at one time for the central bank idea, making a strong financial center at New York. I can say quite frankly, that personally I never had the least sympathy with that. It may well be that some men of Cleveland had, but I think the sentiment of this City was distinctly opposed to it. When the Act was passed, our bankers and our ~~trade~~ newspapers were very heartily in favor of an interpretation of that Act which we believed would cor-

respond with its spirit, that would make as evenly balanced districts as might be made, recognizing the impossibility of evenly balancing them. It was thought that in the settled part of the country, where the lines of commerce and industry are fairly well set, substantial equality might be obtained; but for the great evolving western country, where there is so little of the past and so much of the future, where the development is all ahead, there might be equivalents among subordinates there and equivalents among superiors in the eastern part of the country. And it is upon that theory that the map we have drawn is attempted to be made, establishing among the first five or six districts, substantial equivalents of financial strength, and among the remaining districts of the country, a kind of equivalent, and as between them and the banks of the East, the possibility of growth, used to balance the western smaller districts against the established financial precedents of those in the East. Whether or not that is sound, you gentlemen will have to determine. It is the best thought we could get on the subject, and our predominating thought was to suggest, if we could; a plan by which there would be no great central financial center at New York, and no great absorbing center at Chicago, but a

strong district between those two, a district strong enough to be between two such districts, without being ground to pieces by their superior strength. And that seems to us to put the Western part of New York, the Western part of Pennsylvania, Ohio and Eastern Michigan as a group around the Great Lakes chain, which is a means of transportation and a means of wealth that in a way brings a kind of identity to that territory and makes it both homogeneous in its interest, and feelings,  
/and ties it together in its development.

Now, where ought the bank to be? I want to say a word on that subject. If I did not say it, the members of the Council of the City of Cleveland would perhaps feel I had not done what they sent me here to do.

The Secretary of Agriculture: Before you touch on that point, is this arrangement of the country into districts, based on very definite information concerning the force of trade and the wishes of some of these outlying states, or are we to take that simply as a general statement of your views?

Mayor Baker: It is almost entirely arbitrary, except as affects the district in which we are ourselves concerned. And I say that because I want to be more than frank, I want

to say we were more or less helpless in doing it. We had no information as to the lines of trade in the Western States, except those obvious presumptions which arise from the existing directions of railroads, and the great centers of trade that have been established near them. We felt that the trade of the Northwest territory was necessarily to the East, that all of that territory trades to the East, and we selected what we knew to be the great centers of trade from that sort of thing, rather than from an examination presently of their financial relations.

The Secretary of Agriculture: I suppose you realize that we cannot lay out any one of these districts without reference to the others?

Mayor Baker: We have felt that very strongly, and for that reason were emboldened to suggest eleven districts rather than one, and leave you to deal with the rest of the country.

The Secretary of the Agriculture: And the consideration of the direction of trade and the wishes of certain communities might cause us to rearrange it considerably.

Mayor Baker: We felt that very strongly. We did consider the territory to the South of Ohio and asked ourselves quite

earnestly, the question as to whether any part of that ought to be attached to the country to the North. It seems to us that a well-balanced territory as to its seasonal demands for money could be made in the way we have made it, and the balance of that territory would be disturbed, this equipoise would be disturbed by adding so distinct a civilization as that south of the Ohio River in any part of the territory north of the Ohio River.

Now, if I may turn to the consideration of the City for just a moment?

The Secretary of Agriculture: Yes.

Mayor Baker: It is very hard for me to talk about Cleveland, without appearing more or less foolish, because, of course, I am only an adopted son of this City, and the glamour with which it seizes the imagination of the individual is still very strong on me. Cleveland has, in the last 15 years, grown with a steadiness which I think characterizes the growth of no other city in the United States. There has been no sudden seizure of some new invention or passing mechanical whim that has boosted up its manufacture or population, but it has grown year by year with an apparently even rate of growth, both in population, in manufactures, industry,

commerce, bank balances and wealth and in the thing which I trust I can make you gentlemen view with more importance than any of them, which is the forward looking, aggressive independence and patriotism of the people that live here.

Cleveland is not only the sixth city of the United States, but by providential dispensation, probably, -- I shall not go back to the glacial period -- Lake Erie was put there obviously to make Cleveland a great city, whether it is the site of a regional reserve bank, or not, and I think we cannot help ourselves very well. People come to us from all over the world. We get thirty thousand immigrants a year, and our population is a cosmopolitan population, made up of all the peoples of the world. Seventy-five per cent of our people are either foreign born, or children of foreign parentage, and yet those experts who have come both from the general Government and from the great universities to study the immigrant problem, unite in saying that Cleveland has solved the problem of absorbing foreign-born people better than any other place, and that, I think, is due to the fact that people have become an entirely self-conscious city, its civic conscience is developed in a way that I do not think exists in any other place. I myself have been almost

exclusively a student of municipal affairs, pretending to know very little about National affairs, and so I have seen and studied other cities, and without any disparagement to them, I think Cleveland may claim a complete pre-eminence in the matter of civic development, in the acquisition of a civic consciousness and a civic conscience. That has led us to the solution of a great many city problems. The brief which Colonel Sullivan has read refers to our solution of the street railroad question, a thing entirely unimportant in itself, so far as you are concerned, but showing, I think, a method of approach to political and economic problems on the part of our people which promises economic repose in the city as distinct from economic and political conflict about local matters in other cities. And I feel very sure that if the bank were placed in Cleveland, that the other cities about us, generously our rivals for this honor, if that be the point which is in anybody's mind about it, would feel that the largest, the best known and the most progressive city in the district had been selected, and that they would fall in as readily in recognition of Cleveland as the site of the regional bank, as we shall fall in if you determine to put it in any other place. But the guiding

spirit of our city has been throughout to facilitate, if we can, your task in making this law operative, and we know whether we get a regional reserve bank or a branch bank, that the business of this country under the operation of this law, as administered by your Board, is going to be facilitated and aided in every way, and not hampered.

Now I had handed to me as I came in here, a letter from one of the most eminent bankers of our community, who was suddenly taken ill, the President of the Guardian Savings & Trust Company, and I want permission to read just a sentence or two out of it, in order to show the spirit of our state banks and trust companies towards this Law. Mr. H. P. McIntosh says:

"I regret that my sudden illness, and Mrs. McIntosh's prolonged illness, compels us to leave for Florida this evening, thereby preventing my being here next Tuesday to participate in receiving Secretary McAdoo, Secretary Houston and Comptroller Williams, and to co-operate with other Cleveland citizens in making their visit to the Sixth City pleasant and agreeable, and please assure them for me that if they conclude to locate a Regional Bank in this city, that I will heartily co-operate with other citizens in

gal9

Mayor Baker.

4604

endeavoring to make this bank one of the 'Shining Lights' of the system. I am sure that the claims of Cleveland for the location of such a bank will be ably and forcibly presented by His Honor, Mayor Newton D. Baker, and Col. J. J. Sullivan.

"Please kindly convey my regrets to the above gentlemen, and believe me to be

Yours truly,

(Signed) E. P. McIntosh."

The Secretary of the Treasury: That letter may be filed, if you like.

Mayor Baker: I will file this. It is filed for the purpose of showing that a man who would be universally regarded here as expressing the judgment of the great trust companies of our city, and our trust companies are both an ornament and a matter of great pride and financial strength to us, their attitude towards this Bill is one of sympathy and a desire to co-operate in any way.

If there be any question that I can answer, it will give me happiness to try to answer it. I trust you will not ask me anything about borrowing money, because I know nothing about it except in a personal and an intimate way.

The Secretary of the Treasury: I am afraid the Secretary and myself do not know much about it in that direction, since we have got into the Government's employ.

The Secretary of Agriculture: You might tell us whether from that point of view the district is sufficient to take care of such needs.

Mayor Baker: I have found the district amply able to take care of my personal needs.

The Secretary of the Treasury: We are very much obliged to you, Mr. Mayor.

Mayor Baker. Thank you very much.

The Secretary of the Treasury: And I may say at this juncture, if you will permit me, that the questions which we address to the witnesses are not to be taken at any time as indicating any bent of mind or opinion on our part. We have to ask these questions in order to develop the facts and in order to bring out the arguments, and they have no other significance than that. We thank you.

Mr. Sullivan: We have some charts, Mr. Secretary.

The Secretary of the Treasury: Will you please file those as exhibits. Are you going to let us have this map which you have here?

Mr. Sullivan: Yes.

Mr. Baxter: It is an absolute duplicate of the other.

The Secretary of the Treasury: That need not be sent then. Have you any others?

Mr. Baxter: They can be prepared.

The Secretary of the Treasury: We would like those to be i triplicate.

Mr. Baxter: I can have them sent to you.

The Secretary of the Treasury: No, we can have them prepared. Does this close the case for Cleveland?

Mr. Sullivan: This closes the case for Cleveland.

The Secretary of the Treasury: Now Columbus, I see, is represented by Mr. Kiesewetter.

#### STATEMENT OF L. F. KIESEWETTER.

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

Mr. Kiesewetter: L. F. Kiesewetter, Cashier of the Ohio National Bank, Columbus, Ohio.

The Secretary of the Treasury: What do you represent?

Mr. Kiesewetter: The Columbus Clearing House Association and commercial interests of that City.

The Secretary of the Treasury: How is that expressed, as the accredited representative of the Board of Trade or Chamber of Commerce?

Mr. Kiesewetter: Chamber of Commerce and the Clearing House Association together.

The Secretary of the Treasury: You know our problem?

Mr. Kiesewetter: Yes.

The Secretary of the Treasury: If you will kindly give us your views and tell us if you are addressing yourself to this district presented by Cleveland or to some other district, we should be glad to hear from you.

Mr. Kiesewetter: The district which we have in mind which makes Columbus the most suitable location for a regional reserve bank, has Ohio as its central dominating influence, and then there are adjacent to it that would be needed to make the bank large enough, but not too large and not too small--

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

Mr. Kiesewetter: Yes, I have it in the paper I have here which is very short.

The Secretary of the Treasury: Could you let us see it?

Mr. Kiesewetter: Yes, it is bound in the rest of this.

The Secretary of the Treasury: You may proceed.

Mr. Kiesewetter: "You are nearing the end of your trip but not of your labors, The conflict of opinions, expressed at the various hearings granted by your Honorable Board, has furnished you with a vast amount of material to sift. What we have to say is, in our opinion, as important as it is short, and to the point.

You will soon be ready for retrospection, and want to take into consideration more particularly the general features of the whole situation, together with the more or less mandatory provisions in the Federal Reserve Act as to locations.

In the survey of the cities, one comes to the general conclusion that the United States can well be divided into three main sections:-

No. 1- That part of the country which has been longest settled, is richest in wealth, and is east of the Appalachian Mountains.

No. 2- That part of the country which was next settled, which is richest in agriculture, industry and commerce, which lies between the Appalachians and the Rockies, and which might well be called the valley of the Mississippi

and its tributaries.

No. 3- That rapidly growing section which is so rich in mining, agriculture, fruit culture, industry and commerce as to deserve improved facilities from time to time, and which lies west of the Rocky Mountains.

We take it, from observing the attitude on the part of the cities there located, that those west of the Rockies have joined forces in their broad, generous, western spirit, and have all agreed that San Francisco should be their choice for a Federal Reserve Bank.

For the country east of the Appalachian we presume that four Federal Reserve Banks will serve, which might tentatively be, for sake of argument, placed at

Boston,

New York,

Philadelphia, Baltimore or Richmond, and

Atlanta.

We now come to that great expanse of territory between the mountain ranges of the east and of the west. As a central point, giving weight to the denser population and heavier financial operations in the eastern part, we naturally select Chicago as the pivotal point in the north, Dallas

or New Orleans in the south, St. Louis or Kansas City in the west, and Columbus in the east. It is possible that you will want to include Minneapolis to serve the great Northwest and keep the Chicago Association from becoming too vast.

If you will take a glance at the map you will see how evenly distributed these points are, taking all things into consideration, -- that is, density of population, the current lines of travel and the accessibility to the territory to be served in each instance.

This would make nine banks in the system at this time. We are under the impression that your Honorable Committee would prefer not to establish the limit of the number allowed, namely twelve, but rather leave the situation open, in a degree, for later institutions as the great western country develops and prospers.

Coming more directly to the point about which we are addressing you, in the center of the section between Chicago and the Appalachian range, lies the great state of Ohio, which has always been, from the earliest times, the gateway from the east to the west. All of the trans-continental routes pass through this state. Its interests which are, to the greatest degree, agriculture, industry, commerce and

mining, all have an equally important part, and are represented by the investment of many hundreds, yes thousands, of millions of dollars. There is no one feature which overshadows any of the others, nor any city which is overpowerfully large. It would be a district well balanced in its makeup to take care of its constituent banks through all the seasons. The banking power of this section (Ohio, Western Pennsylvania, Western New York, Southeastern Michigan, Eastern Indiana, Northeastern Kentucky, Northwestern West Virginia) would bring into existence a Federal Reserve Bank with about \$16,000,000. of subscribed capital and \$8,000,000. of paid in capital. The deposits with it would be approximately \$60,000,000. A good strong institution, but not one which would overshadow the others. Neither would it be dominated by any interests which would be so powerful as to gain the ascendancy over any other. We feel that this point should be particularly emphasized in our statement of the facts.

A post card vote gathered from this section indicates on the part of over a thousand bankers who have given study to the situation, a majority preference for the city of Columbus as the central place, geographically, for a Federal

Reserve Bank.

The Secretary of Agriculture: What was the question asked?

Mr. Kiesewetter: That is just what I want to show, Mr. Secretary. "Would the selection of Columbus, Ohio, as the location of a Federal Reserve Bank, meet with your approval?" That is the first question. The second question was, "Would Columbus, Ohio, be a convenient location, so far as your interests are concerned?"

The next question asked of them was "If your answer to No. 2 is negative, please indicate below your choice of cities, first, second and third."

I have a copy of the letter which was addressed, and of the post card which was sent in reply, which I have no doubt you would like to keep for the files.

The Secretary of the Treasury: Yes.

(The papers were accordingly filed).

The letter is as follows):

To the Bank Addressed:

It is becoming more evident every day that the Federal Reserve Bank Organization Committee will locate Federal Reserve Banks at the most convenient points, geographically, for the districts which such banks are to serve.

It is also reasonable to presume that such centers as Boston, New York, Baltimore, Atlanta, New Orleans, St. Louis and Chicago will be among the cities selected. Between the districts which the Federal Reserve Banks located in the cities mentioned will be permitted to serve, there lies this great Middle West country, very rich in agriculture and busy with industry and commerce.

A bank will be located somewhere in this district, at the place which is geographically the center and therefore logically the natural and easiest point of communication for the benefit of the whole territory to be served.

Will you please express your preference by answering the questions on the closed post card and mailing the same at once?

Yours very truly,

THE COMMITTEE

Representing the Commercial, Agricultural,  
Industrial and Banking Interests of Central  
Ohio.

The Secretary of the Treasury: How many banks answered that?

Mr. Kiesewetter: A little over one thousand. I have a list of the cities which replied. I did not bring the post

cards with me because it was a very bulky proposition, but I would be glad to send them to you, if you want them.

The Secretary of the Treasury: The result of the poll will be sufficient.

Mr. Kieseletter: Yes, I have that with me here, and I will read it to you while we are on the topic. The post-card poll was made of all the banks in the district outlined on the map asking for first, second and third choice, and adding the votes together, as shown by the replies received for the three choices, gives Columbus, 434; Cincinnati 425; Cleveland 283; Pittsburgh 222; Louisville 139; Chicago 126; and so on. Then there were scattering votes all over the eastern part of the country.

The Secretary of Agriculture: Your card did not ask whether they would prefer Cleveland or Cincinnati or Columbus in this district?

Mr. Kieseletter: No, sir.

The Secretary of Agriculture: It just asked if that would be convenient?

Mr. Kieseletter: "Would that selection meet with your approval, or would it be convenient." That is what the card asked.

The Secretary of Agriculture: Just what do you gather from that poll, then? Simply that it would be convenient?

Mr. Kiesewetter: I think it would be the most convenient arrangement for these gentlemen in this section, showing that it would best suit their needs for the business which they have to transact with a Federal Reserve Bank.

The Secretary of Agriculture: Do you gather that the poll indicates those Banks would prefer Columbus to any other city in this district?

Mr. Kiesewetter: I would gather that the poll indicates from the first, second and third choice, that Columbus would be the most convenient point for the cities in this district at which to locate a Federal Reserve Bank, so that they could do business with it.

The Secretary of Agriculture: The most convenient point?

Mr. Kiesewetter: Yes. It is easy to be seen, however, from the replies, that quite a few bankers are local or prejudiced in their view points. We notice that they do not take the situation broadly, that they do not try to put themselves, in a measure, in the place of your Honorable Committee, by giving each part of the country consideration in proportion to its financial importance. We believe that you will find

the vote, which you are taking on your card system, will indicate this same attitude.

We are trying to arrive at conclusions, and a recommendation based on such conclusions, which, to as great a degree as possible in our case, meets your point of view, namely the greatest good for the greatest number.

The best location, therefore, is the one we represent to meet all the conditions. It is unquestionably true that Columbus as a center, is a city which is ideally situated to take care of a district with a radius of, we will say, two hundred and twenty-five miles. No banking institutions within that territory are over five hours away from the main or branch offices, most of them only two hours distant.

If a Federal Reserve Bank is located at the center, in Columbus, the branches could well be placed at Pittsburg, Cleveland, Buffalo, Toledo, Detroit, Indianapolis, Louisville and Cincinnati. We are heartily in favor of the idea of having important branches, and we would think it entirely proper that the branches should bear importance in proportion to their contributions to the capital of the Federal Reserve Bank of their district.

The value of a central location is emphasized when

The value of a central location is emphasized when one goes into a closer examination of the business done by bankers. We believe that you will find, in many instances, half, or even more than half, of the volume of transactions of banking institutions consisting of business with other banks, representing items in the course of transit. It is highly important, therefore, if the Federal Reserve Bank is to become a sort of Clearing House for its district, that it should be located at the point which will be nearest to every other point in the district, thereby saving all possible time in transit. We have heard bankers urging this point time and again at their conventions. Rapidity of collection is highly desirable, and the interest on the money which is thus floating in the mails in great volume, is an item of great consequence. On that score alone Columbus would be entitled to your first consideration.

So far as we know the territory which is indicated on the map herewith, does not overlap that requested by the districts which have been asked for by New York, Baltimore, Richmond, Atlanta, New Orleans, St. Louis or Chicago, We do not wish to conflict with any other district. If the Committee has made up its mind to what distance the primary points

will extend, in their sphere of influence, we believe that the secondary locations, such as the one we are attempting to establish in our section, will cause Columbus to be the most advantageous point for the territory between New York and Chicago. By primary locations we mean points at which it will be found indispensable to locate a bank. We take it for granted that such points are New York, Chicago, San Francisco.

I suppose it is quite well agreed, we will say, that New York, Chicago and San Francisco are primary points. We cannot--

The Secretary of the Treasury: The Committee makes no such concession yet.

Mr. Kiesewetter: No, I know you make no such concession, but we will say for the sake of argument, that those places are primary points.

The Secretary of the Treasury: You assume that as a hypothesis?

Mr. Kiesewetter: Yes, merely for this purpose, that the other points are not relatively as important as those three points.

By secondary points we mean such districts as are, in a measure, elastic, depending upon what is included in the

primary districts. That is, these other points are subject to adjustment, whereas the others cannot be made too large because we do not want them to overshadow the other districts.

Further, there is a location, if it should be decided by your Committee that Columbus should be selected, there is a location there which you could go into to-morrow morning and in which you could do business. That is a picture of the banking room.

The Secretary of the Treasury: We are not prepared to go that far.

Mr. Kiesewetter: You are not prepared to go that far?

The Secretary of the Treasury: The Committee has no jurisdiction over that question at all.

Mr. Kiesewetter: I mean by that, it is ready and the Federal Reserve Bank Board for this district, whatever it might be, could go in there to-morrow morning and do business, and it would not be hampered for lack of location, and this district could have its Federal Reserve Bank in operation quicker than any other district in the country, I think.

The Secretary of the Treasury: Well, each city tells us that. They are all on a par.

Mr. Kiesewetter: We do not believe that your Honorable

Committee will feel compelled to select the largest city in population or banking power, particularly when such city is located on the circumference of the district to be served. Although Columbus is not the largest city in population in the district, it is more than large enough for the location of a Federal Reserve Bank. It has more direct and quicker railroad communication than any other city with all of the points in the district. It has brought no political pressure to bear upon you, having in mind your injunction at the beginning of your labors that such pressure was decidedly distasteful to you, and should not be brought into the matter.

Further, there is a location in the City of Columbus ready for occupancy at any moment. It is the complete outfit of an institution that is not now in business, a very centrally situated, groundfloor room, that can be leased for a considerable period of years, if wanted--well equipped with counters, tellers' cages, vaults for the safeguarding of your valuables, consultation or committee rooms, etc., -- in fact in every way desirable for your purposes.

Summing up what we have said, in short:

1. Four banks in the east, one in the far west and four (or at the most, five) in the land which lies between, would seem to be a reasonable provision for the country's business needs consistent with the intent expressed or implied by the Federal Reserve Act.
2. Giving consideration to density of population, importance of the agriculture, industry and commerce of the district mapped out, established lines of communication, convenience of location, speed and directness of contact with each point in its district, Columbus is the place, logically, for the eastern bank of those intended to be put in the country between the mountains.
3. The district included to be served by a bank at Columbus would have a well proportioned bank, not too large, not too small; it would be a district which has nearly every conceivable kind of business going on within its borders, which is growing daily in population, wealth and importance, agriculturally, industrially and commercially. Its Federal Reserve Bank would be busy all the year round, would have its risks well and plentifully distributed, no one line of business overshadowing any other, no one interest powerful enough to be particularly noticeable, no one

city very far in the lead of many others.

As to the size of that bank, I have a table here. There are in that district 988 National Banks--

The Secretary of the Treasury: What is the banking capital? What would be the resources?

Mr. Kiesewetter: \$289,000,000.

The Secretary of the Treasury: I am speaking of the capital of the Federal Reserve Bank.

Mr. Kiesewetter: I have already stated that, while you were out, Mr. Secretary.

The Secretary of the Treasury: Very well.

Mr. Kiesewetter: About eight million dollars of paid-in capital, and about sixty million dollars deposits.

4. An expressed opinion on the part of a majority of those who would be member banks in favor of the convenience of Columbus as a location.

5. The best possible arrangement for efficient service by having the head office at Columbus and branches where indicated.

6. No conflict with territory to be included in other districts; and a district which can be expended or contracted at will, now or in the future.

7. If the Federal Reserve Banks are to become Clearing Houses for the speedy settlement of exchanges between member banks, no better point than Columbus could possibly be selected, to save time in transit on the immense volume of cash items constantly in the mails, and about the cost of which in loss of interest any reserve city banker will be glad to inform you.

8. A city large enough and well adapted in every way for a Federal Reserve Bank with a location (banking room, offices and vaults) all ready for instant occupancy, a city with 27 lines of communication, steam and electric, reaching out in all directions and in direct communication with every important point that could be included.

We thank the Committee for the courtesy of the hearing. We have made our presentation as brief as possible so as not to weary you, so as to save your time and to give our brethren, who also wish to be heard, plenty of opportunity. We appreciate the tremendous responsibility resting upon you, we realize the many conflicting interests which you are trying to reconcile.

We feel that the whole arrangement herein suggested to you for a Federal Reserve Bank in the center of the State

of Ohio, is an ideal one. Taking all things into consideration, this cannot so well be said of any other district which you will be called upon to map out.

But one of the Reserve Banks at Columbus, put the branches where indicated-- you can then quickly dismiss from your minds any further cares about this part of our great and glorious country, realizing that you have truly done that which will be of the greatest good for the greatest number.

Now in addition, I have a lot of statistics and facts here which go to bear out in detail what I have offered.

A number of the questions you asked Colonel Sullivan have a decided bearing on the situation, so far as we are concerned, and some of which we would like very much to answer, and one of which with regard to the arrangement of the districts, so as to have a north and south country included --

The Secretary of Agriculture: Give us your views on that.

Mr. Kiesewetter: Well, that is probably a most important point which was brought out, to our notion, in the hearing.

There is a little difference of opinion as to whether the

country which is included in the bank should be all borrowing or lending or half and half, equally balanced, if possible. Bankers, you know, are somewhat selfish, and speaking from the banker's point of view, I would prefer in a lending district not to have a territory associated with us which was a borrowing territory. That is, I would much rather, if our Federal Reserve Bank is a lending bank, to lend to another Federal Reserve Bank. I do not think the formalities which we would have to observe in that connection would be onerous at all. I think it would become largely a matter of form. We are told now, you must not go below your reserve, and must not lend anything if you are below your reserve, but bankers use their discretion and judgment, and the Comptroller very wisely sees that they use it properly, and we do not hew right strictly to that one little line. I would much rather, if we are a lending district in No. 5, say, and district 6 needs money, that we should lend to the Federal Reserve Bank of that district with their endorsement, thereby getting a better class of paper, than to try to reconcile the conflicting interests between a north and south section in one Federal Reserve Bank Board. I do not think that would

work as harmoniously as the other, and I think the Federal Reserve Board will be called upon very seldom to enforce lending; only in the most serious stringencies would that probably come about. You will find a section like in the Massachusetts region, Boston say, which would have plenty of money to lend, which would be looking for some place in which to employ their funds. They are not familiar with the sections of the South, but they will take the endorsement of Federal Reserve Banks willingly, and be glad to invest it in that way. And <sup>they</sup> would prefer to do it that way rather than to have the territory directly attached to them. I am speaking now from the practical hard banker's point of view, in lending his money and getting all the security he can.

The Secretary of the Treasury: In view of the fact that the Federal Reserve Bank lends to member banks only, and upon the endorsement of those banks, there ought not to be any difficulty on that score. It is rediscounting, that is all it is.

Mr. Kiesewetter: Yes, but I would much rather have the credit of the Reserve Bank than of the individual banks.

The Secretary of the Treasury: But suppose the Federal

Reserve Board did not give you permission, suppose you wanted to lend to some district, and they said "Do not lend to that district, lend to another", you do not get the same freedom of action, nor do you get the same responsiveness to the legitimate demands of trade and commerce as you would, it would seem -- and I am expressing this in the form of an opinion when it is really a question -- if you incorporated a greater diversity of industry and commerce in a district, you would get a more normal course of transactions between the Federal Reserve Bank itself and the member banks.

Mr. Kiesewetter: I think the Federal Reserve Board, if District No. 5 had plenty of money and No. 6 wanted some money, and they knew that, the Chairmen of the two Boards would communicate with each other, and if one said "We have money to lend", and the other said "We need money", I do not think the Federal Reserve Board would withhold its consent. We will say District No. 8 wants money --

The Secretary of the Treasury: Yes; suppose you had several of them borrowing; the Federal Reserve Board would have to exercise its discretion as to where you should lend that money.

Mr. Kiesewetter: Yes.

The Secretary of the Treasury: You might prefer to lend it to one and it might say you should lend it to the other.

Mr. Kiesewetter: I understand that the endorsement of the Reserve Bank would be perfectly good.

The Secretary of the Treasury: Yes.

The Secretary of Agriculture: Outside of that, would not your member banks still do business with other banks in their district?

Mr. Kiesewetter: Yes; the rate of interest would have something to do with it. If No. 8 would offer a better rate than No. 6, probably No. 8 would get the money.

The Secretary of Agriculture: But there is nothing in this arrangement which would prevent a member bank in Columbus doing business with a member bank in Jackson, Mississippi.

Mr. Kiesewetter: You mean lending direct?

The Secretary of Agriculture: Yes.

Mr. Kiesewetter: No, not any more than we would be prevented from borrowing money in New York if we wanted to continue to do so.

The Secretary of Agriculture: I just wanted to bring out

the fact here that your individual banks could still continue to do business over the whole country.

Mr. Kieseletter: Yes, but they would not continue to do business over the whole country in that degree.

The Secretary of Agriculture: But you have the privilege.

Mr. Kieseletter: Yes, but that privilege does not mean anything at all.

The Secretary of Agriculture: You might howl for it, if it were taken away.

Mr. Kieseletter: I mean we do not have any privilege--

The Secretary of the Treasury: It is one you already exercised.

Mr. Kieseletter: Yes; but the privilege to loan money in Mississippi does not mean anything to us, because we are not acquainted with the situation there at all.

The Secretary of Agriculture: Suppose Columbus were not selected as the headquarters for either the district which we have been considering this morning, or the district you propose, what would be your preference?

Mr. Kieseletter: My preference would be for the city which is most centrally located in the district, the district which you map out. Now, if in District No. 5 which

you have mapped out there, Cleveland is about as near the center as it is possible to get a city which would be suited for the location, and we would naturally favor Cleveland. If the district is mapped out which was made in Cincinnati, Ohio, Indiana, Kentucky and Tennessee, Cincinnati would naturally be the center of that section, and we would be perfectly well satisfied with a bank at Cincinnati, or Cleveland, because one is as convenient to us as the other.

The Secretary of Agriculture: What are the directions of the business of Columbus at present?

Mr. Kiesewetter: Both east and west. It is a through point, a division point between New York and Chicago.

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

Mr. Kiesewetter: In New York, Chicago and St. Louis.

The Secretary of Agriculture: What percentage in each?

Mr. Kiesewetter: I should say the percentage was probably the same as with Cleveland, 60 per cent in New York, 30 per cent in Chicago, and ten per cent in St. Louis.

The Secretary of Agriculture: You make accessibility your controlling consideration?

Mr. Kiesewetter: That is so important, because of the larger amount of that character of business which is going on as compared to the business which is going on across the counter in a bank.

The Secretary of Agriculture: To what extent would that be a controlling consideration if branches are established at convenient points?

Mr. Kiesewetter: If branches are established at convenient points, I do not see that it makes any difference if your branch offices are going to be permitted to do all that your main offices are in the way of collection.

The Secretary of Agriculture: There is no limitation in the law, apparently.

Mr. Kiesewetter: I do not see any.

The Secretary of Agriculture: And I imagine any wise body of men would allow them to do whatever is necessary.

Mr. Kiesewetter: I should think so.

The Secretary of Agriculture: In that case it is not so very important, or a matter of overwhelming consequence, where the headquarters is.

Mr. Kiesewetter: It depends, as I say, how much discretion is allowed the branch offices, because when it comes

to the rediscounting privilege, I do not know that that power would be delegated by the main office to all the branches, would it? Of course it is relative--

Secretary of Agriculture: There would have to be some sort of supervision, but these branches do not have mere managers; they have seven directors, as you know.

Mr. Kieseletter: Yes.

The Secretary of Agriculture: Who unquestionably would have discretion and responsibility?

Mr. Kieseletter: Yes. But I cannot get away from the thought that they would probably be considiary in quite a degree to the main office.

The Secretary of Agriculture: I imagine the spirit of co-operation would control.

Mr. Kieseletter: Oh, yes.

The Secretary of Agriculture: I think that is all.

The Secretary of the Treasury: Just one point. In view of the possible exercise by these Federal Reserve Banks of Clearing House functions in the different districts, you attach additional importance to the matter of accessibility of the Federal Reserve Bank, do you?

Mr. Kieseletter: So much so, that we are perfectly willing

to waive interest on balances which we are now getting, in addition to collection facilities, if we can get collection facilities.

The Secretary of the Treasury: Of course, there again the branch would exercise a very important function.

Mr. Kiesewetter: I would presume so, but you have to have a center around which the branches can also operate

The Secretary of the Treasury: I understand that, but in a compact district --

Mr. Kiesewetter: Yes, which this is--

The Secretary of the Treasury: There is a lot which can be done between the branches and the headquarters by telegraph and telephone.

Mr. Kiesewetter: Yes, but they cannot exchange checks that way.

The Secretary of the Treasury: No, but you can exchange balances. I mean today, you can ascertain balances in that way.

Mr. Kiesewetter: Yes.

The Secretary of the Treasury: And in that way you can get the remittances very much quicker than otherwise?

Mr. Kiesewetter: Yes.

The Secretary of the Treasury: So you consider those factors as being of very great importance in the location of the head office, do you?

Mr. Kiesewetter: Yes, sir.

The Secretary of Agriculture: You have excellent communication by telegraph and by telephone to all these points?

Mr. Kiesewetter: Yes, indeed. We have every through line from the east to the west, and we have twenty-seven rail and electric lines centering in Columbus.

The Secretary of Agriculture: Are your telephone lines often interrupted by storm?

Mr. Kiesewetter: Very seldom. We have two systems. Some people consider that not a blessing. We have the Independent system and the Bell Telephone System, and they connect everything within a radius from New York to Chicago, completely, and it is very seldom we have any interruption.

The Secretary of the Treasury: If you get an interchangeability between these Independent and Bell Systems, of course that would extend the radius of telephonic communication very largely from a common point, would it not?

Mr. Kiesewetter: Yes. But the opinion seems to prevail

now that is not going to be done, and the Independent fellows are now branching out and extending their lines where they had stopped pending the possible negotiations between the two.

The Secretary of the Treasury: Yes, I was only speaking of the effect, if that was brought about.

Mr. Kiesewetter: Yes, it would be much better. T

The Secretary of the Treasury: That is the connection of the Independent lines with the Bell lines would increase the effective area of both systems?

Mr. Kiesewetter: Yes. As it is now, we have to have two telephones, where we formerly had but one.

The Secretary of the Treasury: We should like to have the Columbus Clearing House consider these questions we have addressed to Cleveland as being addressed to the Columbus Clearing House.

Mr. Kiesewetter: Yes. I think those opinions would be largely a matter which would not govern so very strongly, because when these Reserve Banks get into operation, they will have to feel their way along.

The Secretary of the Treasury: Well, it is of value preliminarily.

The Secretary of Agriculture: As to the commercial paper, that is the advantage of leaving it to administrative operation instead of enacting it into a law. That is all.

The Secretary of the Treasury: Does anyone else wish to be heard? These hearings are public, and now that these scheduled cities have been heard from, if there is anyone here who can contribute new light or additional information on this subject, the Committee will hear them. We only ask that it be new or additional information.

If there is none, the hearing will be adjourned.

(Whereupon, at 12:15 P. M., the hearing at Cleveland was adjourned.)