

At an informal meeting of the Federal Reserve Board held in the office of the Governor on Saturday, May 18th, 1918, at 11:00 A. M., for the purpose of hearing claims of Birmingham, Alabama, Jacksonville, Fla., and Nashville, Tenn., for a branch bank of the Federal Reserve Bank of Atlanta:

PRESENT:

Mr. Harding, presiding,	Mr. Miller,
Mr. Warburg,	Mr. Williams,
Mr. Delano,	Mr. Adelson, Assistant Secretary.
Mr. Hamlin,	

Present also: Representing Birmingham, Mr. Oscar Wells, President, First National Bank, Mr. J. H. Brye, President, Traders National Bank, Mr. W. H. Manley, President, Birmingham Clearing House Association, Mr. J. K. Jackson, Vice-President, American Trust & Savings Bank.

Representing Jacksonville, - Mr. Giles L. Wilson, Vice-President, Florida National Bank.

Representing Nashville, Tenn., - Mr. J. T. Howell, President, Cumberland Valley National Bank, Mr. T. B. Wabb, Vice-President, Fourth & First National Bank. Mr. T. G. Garrett, Mngr., Nashville Clearing House.

Representing the Board of Directors of the Federal Reserve Bank of Atlanta; Mr. M. B. Wellborn, Mr. W. H. Kettig, Mr. J. A. McCrary, Mr. P. R. Kittles, Mr. H. N. Randolph, Counsel.

By way of opening the hearing, Mr. Harding stated that the hearing would have a very important bearing upon the policy of the Board in establishing branches; that the applications received from the three cities represented at this hearing appeared to have many meritorious points, but that there are general certain policies to be considered in the establishment of branches that it is impossible to give every community what they wish in this matter because a multiplicity of branches would tend to weaken the administration of the parent bank. That the Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta together with such members of the Board who cared to come, had been asked to be present at this hearing so that they might discuss the case from the standpoint of the Federal Reserve Bank of Atlanta as representing the district as a whole. That due consideration would be given to what Mr. Wellborn had to say on behalf

of his own Board, and that one representative from each of the applicant cities would be asked to make a concise statement regarding the claims of his own locality.

Mr. Wellborn stated; - That his Board had held several meetings regarding the establishment of branches and had been thinking the matter over for several months; that it was the pretty general opinion of his Board, nearly all agreeing, that they did not see the necessity of any branch banks being established at the present time, and had recently passed a resolution to that effect; that he did not think it would increase the efficiency of their service throughout the whole district; especially in handling rediscounts and shipment of currency to member banks; that they recognized it is intended by law that banks shall be established so that certain cities might be able to handle business to better advantage through the Federal Reserve Bank, and might be influential in getting state banks to enter the system. That branch banks are very expensive, and while they could well afford to pay for them at present, it was likely they would have some

slack years like 1915 and 1916.

In reply to a series of questions by Mr. Harding, Mr. Wellborn stated, - that the present income of his bank was about \$100,000 per month. Reserve, about 74%; gold reserve \$34,000,000; paper pledged with the Federal Reserve Agent, \$25,000,000. Mr. Harding inquired as to the sentiment of the Atlanta Board regarding the establishment of a branch in New Orleans. Mr. Wellborn stated; - That they were somewhat divided, but felt the law at that time was mandatory. We felt that as New Orleans was urging for the establishment of a branch, and as it was the largest city in the district, it was entitled to it. Mr. Wellborn stated that there were four member banks in New Orleans, at the time the branch was established, and that at present there were eight; that the New Orleans Bank was fully self sustaining. That it had justified its existence, and that they would not be willing to contemplate closing the Branch; that the operations of the New Orleans Bank did not conflict in any way with the Atlanta Bank; - that the cost of operation has been about \$30,000 per annum, and that it would probably run to \$42,000 this year. That the

earnings for the last six months cover 40% of the theoretical capital.

Mr. Harding then stated that he did not know that there was any advantage in being heard first or last, but in order to be absolutely fair, the cities would be heard in the order that their names were drawn. The names were drawn by Mr. Wellborn in the following order:

Jacksonville, Florida.
Nashville, Tennessee.
Birmingham, Alabama.

Mr. Giles Wilson presented the case of the City of Jacksonville. In reply to a series of questions, he stated; - that Jacksonville was the gateway to Florida, that the entire state of Florida should be allotted to Jacksonville, if a branch was established; that the Florida banks are not as active borrowers as banks in adjacent states but that the establishment of a Branch in Jacksonville would stimulate business and encourage banks to engage in more intimate relations with the Federal Reserve System. That Jacksonville is a general clearing point for State Banks; that frequent transfers are made for account of interior banks; that all points in the state

of Florida could be reached within twenty-four hours by mail from Jacksonville. That the heaviest calls for currency are during the winter tourist season (December, January, February and March). Payments over the counter by Jacksonville banks, and shipments to country banks for the three national banks in Jacksonville are about \$39,000,000 for the period, October to May. Rates of exchange vary from 50¢ to \$2.50 per thousand. That there are about 56 national banks in Florida, and about 250 state banks, that at present two state banks are members of the system. That a branch in Jacksonville would probably result in a dozen more coming in. (Mr. Wellborn stated that there are about 69 state banks in Florida that are eligible for admission). That a bank with discount powers was contemplated. Mr. Harding then outlined briefly the plan of operation of the Baltimore, Pittsburgh and Cincinnati Branches. Mr. Wilson stated that he did not regard the discount privilege as essential, that a bank along the lines of the Baltimore, Pittsburgh and Cincinnati Banks would be satisfactory. That the Jacksonville banks paid 2 to 3% on bank deposits; 3% being paid on more or less dormant accounts. Mr. Harding then

called attention to the fact that these rates of interest add to the cost of money, and are not helpful from a national standpoint at this time. Mr. Wilson stated that they would be delighted with having an opportunity of lowering the rates; that the 3% rate was maintained in order to keep business which would otherwise be attracted to other cities. That the establishment of a branch in Jacksonville would add to the prestige of that city as a banking center. Mr. Harding then asked Mr. Wellborn the rate of interest paid by Atlanta banks on bank deposits, to which Mr. Wellborn replied, 3%. Mr. Harding asked if the Atlanta banks had this question put to them from a patriotic standpoint, as to the effect of these high rates on the financial condition of the country, might they be induced to lower their rates. Mr. Wellborn replied that if Mr. Harding would go there as he did to New York, then they would reduce the rate, and that he would have the backing of five banks. Mr. Harding stated, "I wish you would say to those banks that this matter was discussed while you were here, and the Board feels very strongly that they ought to minimize their interest rates." Mr. Wilson stated

that suitable quarters could be found. Mr. Harding stated the proposition had been made by cities applying for branches, that the local banks would guarantee expense of operation for a period of one year, but that he felt safe in saying the Board did not propose to approve such a plan. Mr. Wilson stated that the population of Florida was about 40% colored, and 60% white; that the white population is divided into a fair percentage of nervous people. Mr. Wellborn then called Mr. Wilson's attention to the fact that his bank was paying 4% on bank balances in some cases, to which Mr. Wilson replied that such rate was paid only on a dormant account. Mr. Wilson stated that Jacksonville banks would be willing to take some general action with the banks in Birmingham, Nashville, and Savannah, looking to a uniform adjustment of interest rates. Mr. Wilson was then excused.

Mr. Howell, representing Nashville, Tenn., stated that, - The first consideration of the banks in Nashville, was whether their motive in applying for a branch was a patriotic one, and that if a branch bank at Nashville could not be operated for the benefit and welfare of the System, they did not want it. In re-

sponse to a series of questions, Mr. Howell stated that the population of Nashville was about 125,000; that he regarded his city as being a banking center for Southern Kentucky, Southern Alabama, and all of Northern Georgia. Mr. Harding then called attention to the fact that Southern Kentucky, West Tennessee, and Northern Mississippi, are in the St. Louis District. Mr. Howell continuing, stated, that banks in Nashville would be willing to make an agreement to hold interest rates down, and would be more than willing to do so if they could get influence from the Comptroller's office to bear upon certain banks; that the rate paid now is 3%. That a branch in Nashville would make it easier for the Nashville banks to urge eligible state banks to come into the system. Mr. Howell stated that a bank operated on the same plan as the Baltimore, Cincinnati and Pittsburgh Banks, would be satisfactory. That their payrolls and currency shipments (including money paid over the counter) for the last 7 months, amounted to over \$25,000; that for 9 months in the year currency is in demand. For the remaining three months exchange is in demand. That Atlanta was Nashville's main source of currency supply. Mr.

Howell further stated that Nashville is a great educational center and that the foreign population is small. The distances between certain points and Nashville were then discussed as well as the banking relations between Louisville and Nashville, and Memphis and Nashville. Mr. Howell stated that suitable space with excellent vaults in the building formerly occupied by the American National Bank, could be obtained. Mr. Howell called attention to the powder plant being built near Nashville in connection with which the present payroll is about \$500,000 weekly. That the business of Nashville would not be affected by the establishment of a branch at Memphis.

Mr. Oscar Wells, representing Birmingham, Alabama, stated that the Birmingham application for a branch bank was based on the assumption that the time had come when, in the interest of the development of the System, perhaps it was wise to grant such applications and establish more branches, and that a branch at Birmingham, with the branch at New Orleans, would fairly well cover the volume of business of the Sixth District. That by time and railway schedule, Birmingham is closer to Nashville than Atlanta is.

In response to a series of questions, Mr. Wells stated that the Birmingham banks agree with the Board's views as to a 2% rate; that the demand upon the Birmingham Banks for currency, is seasonal only to the extent that they enter into the handling of cotton and that other requirements for payrolls are about the same the year round. That the average monthly payroll in the Birmingham District is something over \$2,000,000, and that there are a good many foreigners in the coal and ore mines and industrial plants. That there are two state bank members at Birmingham, and the existence of a branch in Birmingham would serve as an excellent example to other state banks, and be the means of drawing other banks into the system. The population of Birmingham is about 200,000. That they would be glad to have a bank with the fullest powers, but that they would defer to the judgment of the Board. That satisfactory quarters with excellent vault facilities could be obtained. The distances between Birmingham and Atlanta, and Birmingham and Nashville were then discussed. Mr. Wells stated that currency requested by telegram from Atlanta early in the morning could not be received the same day, that it was in over-

night proposition. In response to the question, whether a branch at Birmingham would stimulate business and interest in the Federal Reserve System, Mr. Wells stated that his answer would be based largely upon the experience in New Orleans; that that branch made an excellent record after it once started. Mr. Harding then asked Mr. Wellborn as to whether banks in New Orleans, Nashville and Birmingham used the discount facilities of the Reserve Bank. Mr. Wellborn replied that the banks in New Orleans and Nashville did, but that the banks in Birmingham did so very seldom. Mr. Wells stated that his bank had had no occasion to discount in recent years.

The hearing then adjourned at 1:15 P. M.

APPROVED:


Chairman

Acting Secretary