

121. Hennings MS

HEARING
BEFORE
FEDERAL RESERVE BOARD

REXFORD L. HOLMES
SHORTHAND REPORTER
522 SOUTHERN BUILDING
WASHINGTON, D. C.

121.
poker

B E F C R E T H E F E D E R A L R E S E R V E B O A R D .

IN THE MATTER OF THE PETITION OF BANKERS IN NEBRASKA
AND WYOMING ASKING THAT THE TERRITORY COMPRISING
THE SAID STATES BE TAKEN OUT OF FEDERAL RE--
SERVE DISTRICT NUMBER TEN AND BE ANNEXED
TO FEDERAL RESERVE DISTRICT
NUMBER SEVEN.

-o-

Washington, D. C.

--o--

February 3, 1915.

X X X X X

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

The Governor of the Board: Gentlemen, I suppose the petitioners, being the moving party, will have a right to open and close. If there is no objection to that course of procedure, we will call on the counsel for the petitioner.

Mr. Francis A. Brogan, Counsel for the States of Nebraska and Wyoming: We have, I understand, an hour on each side?

The Governor of the Board: I believe that is the limit we usually fix.

Mr. Brogan: And we may divide that into opening and closing?

The Governor of the Board: Yes.

Dr. A. C. Miller: We should not object if you abbreviated the time limit.

ARGUMENT BY MR. FRANCIS A. BROGAN, OF COUNSEL FOR NEBRASKA
AND WYOMING.

Gentlemen of the Board: I appear for Judge McHugh, who prepared the brief for the petitioners. This is the petition of substantially all the member banks of Nebraska and Wyoming to be transferred from the Kansas district to the Chicago district. It was, perhaps, a little unfortunate that practically all the information that was furnished with any degree of earnestness to the Organization Committee on the hearings was on behalf of cities which were seeking the location of the regional banks, and it is especially unfortunate in this instance that at the

hearings in the West this part of the country that I now represent, had two candidates for regional banks, Omaha and Lincoln, and naturally much of the effort that was put forth to present facts and statements and opinions before the Committee was confined to a showing as to the claims of those two cities. I have no doubt the Committee itself sought and obtained information as to the needs of this territory, independent of the ambition of one or two of those cities, but on behalf of the banks themselves there was no earnest committee procuring and furnishing information and presenting pressing reasons as to where this territory ought to go, after the decision was made that there should be a bank at Kansas City, Minneapolis and at Chicago. Those are the three banks that might have been concerned in this territory.

I think it is perhaps appropriate to call your attention to the difficulties which the Committee itself found with this territory in the explanatory statement made by the Committee on April 10. In a letter addressed to the Senate of the United States, I find at page 369 their discussion of the Kansas City district, and the reasons for locating the bank at Kansas City, and I want to say that with that we have now no dispute whatever.

After disposing of the claims of Omaha and Lincoln and Denver, the Committee says:

Now just what it was, what were the circumstances, and what were the grounds on which that was deemed inadvisable, of course the Committee did not have time in that brief statement to explain fully, nor have they been explained, and we are somewhat at a loss except as explanations may suggest themselves in the argument here. It is suggested here, -- I do not know whether that was intended as the reason they include Nebraska and Wyoming in the Kansas City district rather than in the Chicago district, -- that after the district had been outlined as it was formed it was found ^a on/ poll of all the banks located in that district that the majority preferred Kansas City over any other location, that is, over Omaha or Denver. Now, of course it would be natural that a majority of the banks, if we include all of Kansas, Oklahoma, and part of Missouri, when put against the comparatively few banks in Iowa and Nebraska, would decide in favor of Kansas City as the location, and that may be used as an argument for that location. But on the other hand it may well be contended that, although fewer in number, still, as representing a large and important area covering the two States in question, the interests of the banks of Nebraska and Wyoming should be given most careful consideration, although they do not aggregate a large percentage perhaps of the entire number of banks whose votes were obtained for this large area; because, in the first place, the banks of Kansas and Oklahoma and the other portions have not expressed themselves as to whether Wyoming and Nebraska should

be included in that district, and have had no opportunity of doing so, and moreover would have no right to determine that. If that argument should be given any force whatever, it would be sufficient to justify any political gerrymander where the district is made up for the express purpose of securing votes, or favoring any action desired. So I think we are justified in not considering that as a real argument as to the question whether Wyoming and Nebraska should belong to this district, leaving it rather to the banks of that district themselves to decide the question.

Now I wish to invite your attention to that part of the United States which lies between the Mississippi and the Great Lakes on the east and the Rocky Mountains on the west. Of course, as you know, it is the great granary of the country, and I am dealing now only with that part lying north of Texas, between Texas and Canada. It is cut up arbitrarily into state lines, of course, but natural trade conditions have divided it into three great zones, or trade routes. They converge at Chicago, but west of Chicago they divide themselves naturally and in the regular course of business into three great trade routes, -- one through the gateway of Minneapolis westward, and having as tributary territory, Minnesota, North and South Dakota, and Montana, and to a large extent Washington on the Pacific coast. There is another one on the south, passing through the gateway of Kansas City, and having as tributary territory Kansas, Oklahoma, parts of Colorado, New Mexico,

and running through to Arizona and Utah and the Coast. A central route begins at Omaha as a gateway, and includes Nebraska and Wyoming. These are not only trade routes for trans-continental traffic, but they are also natural zones for trade that originates in that territory, and so we have three parallel routes conducting their business and having their activities entirely distinct, independent and separate from each other. It is probably a little difficult for one not visiting or living there or going back and forth in those States to realize the extent to which they run along parallel lines, without intermingling. There are variations; there are exceptions to this; there are sporadic cases of traffic that crosses this line, but the fact remains that the great bulk and quantity goes east when we deal with the products of that region, and goes west when we deal with the imports into that region.

There is one other feature of that region that I wish briefly to refer to. Probably there are but few parts of the world as compared with Nebraska alone in which there is as great a volume of export and import trade relative to the transactions as in Nebraska, that is because, -- and I might as well include Wyoming in this statement, -- because Nebraska and Wyoming are exclusively agricultural and pastoral, more so in reference to Nebraska than any other part of the United States. Nebraska produces nothing except the products of the soil; the great wealth, amounting in exports to hundreds of millions of dollars each year, comes from the soil. Nebraska.

produces nothing else for its own consumption except from the soil; everything of a manufactured article that is consumed,-- substantially everything, -- it imports. The statistics will show very handsome manufacturing products at Omaha, but outside of one smelter which happens to be located there--because it seeks a lower level, I am told, -- there is no ore produced in Nebraska outside of that. The manufactured products are simply those which consist in a partial preparation of the agricultural product for exportation elsewhere. For instance, the packing houses in South Omaha simply turn the live stock and hogs into meat, but not for consumption into Nebraska, but for trans-shipment east; and that is true of everything.

Now it is obvious that if conditions, -- that is, if the restrictions of the law upon which these regions were formed, had permitted them, the logical and natural solution of the situation, would have been the creation of three districts corresponding to these three zones that I have described, with Omaha as the center for one, Minneapolis for another, and Kansas City for the third. A little study of the claims, however, of these three cities will make it apparent at once that when it was -- that even when it was decided to make twelve districts instead of eight, it was impossible for all three of them ^{to} have a bank, because there is not tributary to them the banking territory that would justify it, and we concede -- I live in Omaha, and I am willing to concede freely -- that because of the greater preponderance of Kansas City and

Minneapolis, if there are to be but two banks in this region that I have described, those two cities were entitled to them, and the controversy as to whether Omaha should have a bank is entirely out of this matter, and it must be, because there is no room for a bank in Omaha, with the conditions prescribed by law, when there is a bank in Minneapolis and Kansas City, so we come simply to the question of what ought to be done with Nebraska and Wyoming as territory tributary to some other bank.

Now I think I am stating a mere truism, that is assumed throughout this entire discussion, that bank exchanges exist only because of trade. If Nebraska consumed all it produced, and produced all it consumed, I can imagine no reason for bank exchanges anywhere outside of the State. It is because of trade between States and countries that bank exchanges exist. They are concomitant; they follow the existence of trade relations; and I think this is true as to bank exchanges for the greater volume, for it greatly predominates over others. There are no bank exchanges between communities that have only occasional trade transactions. For instance, there is some traffic between southeastern Kansas and Omaha, because of products that are not produced in Nebraska, but there are no bank exchanges between southeastern Kansas and Omaha business men in that part of Kansas. They may have transactions with merchants in Omaha, but the banks located there would not think of keeping an account in Omaha. For that reason they would naturally observe the course of business where the volume of

trade had naturally led the bank exchange.

Now there is some minor dispute here as to the extent to which Nebraska's traffic is east and west. It is pointed out in the argument that there is some shipment of cattle from the southern part of Nebraska into Kansas City and into St. Joseph which lies between these two cities on the Missouri River; it is also pointed out somewhere that there is actually considerable traffic in milk and eggs from Nebraska and Kansas to Denver; and some other matters of that kind may be pointed out; but the fact remains that the great preponderating volume of the traffic is directly east and west, because not only is that country cut up into these zones that I have described, with all its traffic running east and west, but Nebraska is likewise cut up into three parallel lines by three great transportation systems that handle practically all its traffic. In the center is the Union Pacific, running from Omaha and Cheyenne, and connecting with Chicago by means of traffic arrangements through two or three of the trunk lines between Chicago and Omaha, and naturally furnishing traffic to all of them. North of them the country is occupied by the Chicago and Northwestern, which enters at Omaha, and also north of Omaha at a junction, and goes through Wyoming, and handles products from Wyoming through northern Nebraska and Chicago south of that. This furnishes the only modification of the broad statement I have made. South of that is the Burlington system entering at Omaha, and also at a junction south of Omaha, and going across the entire state to

Denver, with numerous branch lines, and a connection to St. Joseph on the river, and through St. Joseph to Kansas City. Now that one line of the Burlington -- it has two or three lines -- one line runs through along the state line. In fact it is only a few miles from the Kansas line, and serves the towns in the southern tier of counties, and there is some traffic, I concede, between that one part of Nebraska and Kansas City. It divides that traffic with Omaha, but the fact remains that a large part even of that minor traffic goes through St. Joseph, and on east, instead of to Kansas City, -- probably divides in some respects. Well, then, the question is, how can the facilities which these banks were intended to furnish the local banks best be furnished the banks in this territory?

I want to call attention here to the two maps that were presented on behalf of Kansas City and Minneapolis in the hearing before the Committee. The Kansas City bank map is found on page 175 of that report, and the Minneapolis map is found on page 235 (produces maps before the board). They are rather significant on this question. The Minneapolis claim, you will see, recognizes the existence of this zone, -- of one of the three zones -- that I have described. It makes its claim for a district with Minneapolis as the reserve center near the east, running clear across to the Pacific. Kansas City makes its claim for a district somewhat similar to the one allotted to it, but it runs it along the same general theory, although it does not make it as elongated as the other. It must be remembered that both of these maps -- both of these claims --

were presented at a time when it was not known whether the Organization Committee would form eight districts or twelve districts, or some intermediate number, and both of these claims were on the theory that there might be only eight banks, and that each might be entitled to one of the eight, and naturally they claimed a larger territory than they would have claimed had they known that twelve banks would be established. Minneapolis claims clear across to the Pacific, including Washington. I think the Committee cut that down when they decided to form twelve banks. Although the district allotted to them has something like five and one-half million dollars capital of its banks, yet it would have had over nine million dollars capital if it had got what it claimed, -- but that is a minor consideration. They prepared this map, pressing their claim for one of the eight banks, and also included this information evidently from the bank accounts in the territory carried in Kansas City banks. They have made up this description of the relation of the county to Kansas City, and have dotted the territory that they claim with the location of banks that carried on business with Kansas City banks. You will see while they absorb all the banking business of Kansas City, and do considerable in western Missouri, and practically dominate in Oklahoma, and reach into Texas, New Mexico and Colorado, they only claim to do business with a small portion of southeastern Nebraska, and make no claim as to Wyoming, and do not include Wyoming in the circle of the proposed district when they were claiming to be one of the eight districts, showing as to more than five-eighths of Nebraska

there was absolutely no banking business carried on with Kansas City at the time this claim was prepared.

In the discussion also in the brief presented by Kansas City, it was intimated, while they were claiming to be one of the eight banks, that if the Committee should think wise to locate Omaha in some other district, -- it could not be assumed that Omaha would have the bank, but that Omaha should be located either with Minneapolis or Chicago. Then the applicants for Kansas City conceded they would only claim the southern half of Nebraska, but even that would include a great deal of this territory in which they had at that time no banking business whatever.

Now there was no similar map prepared for Chicago, but from figures we submit here it is evident if you show the relation of Chicago to the territory west of it in the same manner that the Kansas City relation is shown by these dotted maps, you will find Iowa and Nebraska and considerable of Wyoming dotted over with local banks that carry accounts in Chicago and carry on regular business there, and did so all through.

Now I do not need, I think, to take up with counsel here a discussion of the minor questions arising in controversy as to whether trade in Nebraska flows east and west; that is so well known and so well established that one could almost take it for granted, -- as we say in court that the court would take judicial notice of it, -- but perhaps we do not need to do that, because on page 370 of the report made by the Organization Com-

mittee, in discussing this very situation, and the reasons why Kansas City should have the bank and Denver should not, they say, the great preponderance in the movement of trade in District Number Ten is to the east. Of course, they are merely stating a condition known to everyone familiar with trade conditions in the United States, and connected by these lines of railroads.

Counsel presents here an extract of the testimony given in Lincoln, when Lincoln was giving proof in support of this claim for the bank, that trade will flow north and south when the canal is opened, that the products of Nebraska will go south to go through that canal. I do not know where they would go, nor what they would do with them. They are shipped into the eastern part of the United States and to Europe, and no place else is there a demand for the products of Nebraska except in the great centers, where food stuffs are not produced to the same extent to which they are consumed. It has been a dream of that part of the country for some time that north and south traffic could be developed in some forced way. Everyone familiar with conditions there will recognize that attempts have been made to organize north and south railroads. Efforts for developing barge traffic on the Missouri have been developed, but as a matter of fact any puny efforts of that kind always have been and will be ineffectual, because trade moves towards causes that are greater and independent of any artificial conditions, especially a trade of this kind where the product is almost wholly exported and the consumption is almost wholly imported.

Now we have presented some figures here; I wish to refer to them briefly, because counsel makes the point that they ought not to be considered; but they merely illustrate the proposition that I have been presenting, and which is established from so many independent sources.

In the preparation of this brief a compilation was made from the cards carried by the banks of Nebraska and Wyoming in the Bankers' Encyclopedia, a recognized authority published in New York City, and the computation made up is as follows: That of the 220 national banks of Nebraska 136 list a correspondent at Chicago, 194 a correspondent at New York, 199 a correspondent at Omaha, 39 at Lincoln, 36 at Sioux City, 17 at St. Joseph, Missouri, 11 at St. Louis, and 10 at Kansas City. Now of the 32 national banks in Wyoming, 20 list a correspondent at Chicago, 31 at Omaha, 29 at New York, and 1 in Kansas City. It is conceded however, that there is some other business with the banks. They may carry accounts for the purposes of collection, but these are the listed advertised banking relations as pointed out here, and we think it is significant as showing that the banks throughout these two States understand and believe and expect they will be called upon to furnish exchange and banking facilities directly east of them, because of the flow of trade, and will very seldom be called on; only a few of them in one part of the territory will be called on -- to furnish facilities in Kansas City which is outside entirely of the zone.

There is also a compilation of a large number of the banks, but not all of them in Nebraska, made up during the past year,

showing the number of items handled in the course of the business. The volume is very large east, and almost none north and south.

Counsel complains of them that it admits a small part of Washington.

Judge Goodrich: Practically all.

Mr. Brogan (continuing): Practically all of that tier of counties I have described as having a railroad which connects with St. Joseph and through there with Kansas City.

Judge Goodrich: Three railroads.

Mr. Brogan (continuing): Oh, yes; there are two other railroads. One is the Missouri Pacific, which has a few lines in southeastern Nebraska in this territory that could be considered as common; it is about one-sixth of Nebraska, and because it is seeking north and south traffic. It is a well known fact that the statements furnished by the Missouri Pacific to the Railroad Commission in Nebraska show that its revenue from that part of its line does not pay operating expenses alone, to say nothing of returns, and the same is true of any line that attempts to go counter to the natural flow of this trade. The north and south line, the entire trade of that country west of the Missouri or west of a line half way between Missouri and Mississippi, will get no traffic, or not enough to pay operating expenses, but assuming that this statement as to the items handled in and out of the banks does not include that portion, that strip of counties along the south of Nebraska, yet it shows that as to all the rest of this territory there

is practically no business whatever transacted with Kansas City, and all the business comes east or goes west.

Now there is one other proposition that I want to urge here, and I think it is very important and very significant that of the 218 banks in Nebraska that have joined this association, -- this bank, -- 203 have signed this petition, and have asked to be transferred to Chicago. Of the 30 banks in Wyoming, member banks, 28 have signed this petition. In other words, out of the total of 248 in that territory 231 have asked to be transferred. I assume that these banks that are there to serve the trade, there to serve the public with banking facilities, and who have been trained all their lives to know how the public required to be served, and how it must be served, in banking business is to flourish, that they know where their business must be done, and where they ought to be located, and to what bank they ought to be related. No other reason can be suggested for their joining in this petition except the conditions as they find them, and as they believe this is no longer now the question of an ambition of the particular city or anything of that sort, -- nothing like that can enter in here; and it seems to me the remarks of the Committee in dealing with one other controversy were very pertinent here, and I want to read them. In disposing of the claim of New Orleans for a regional bank, the Committee says, at page 368:

"New Orleans selected a district-extending from New Mexico to the Atlantic Ocean, including all of Texas, Louisiana, Mississippi, Alabama, Florida, Georgia, and that part of Tennessee south of the Tennessee

River."

Now the Committee proceeds to deal with the objections that arose from that territory by New Orleans:

"It was represented by Texas that it would do great violence to her trade to connect her with New Orleans. It was claimed, and evidence was submitted in support of the claim, that her trade was with her own cities or with Kansas City and St. Louis. In a poll of the banks of Texas made by the Comptroller of the Currency, 212 banks expressed a first choice, 121 a second choice, and 30 a third choice for Dallas. No bank in Texas expressed a first choice for New Orleans, only 4 a second choice, and 44 a third choice. The whole State protested against being related to New Orleans."

That was considered a proper element to take into account in deciding against the claims of New Orleans that the territory they must include was protesting, and showed its business currents flowed in another direction.

"The banks of Alabama generally desired to be connected either with Birmingham or Atlanta, only 3 expressing a first choice for New Orleans. The banks of Georgia desired to be connected with Atlanta, none expressing a first or second choice for New Orleans, and only 12 a third choice. They represented that it would do violence to them to be connected with a city to the west and claimed that their relations were mainly with Atlanta or cities to the northeast."

And so with Florida. The banks of that state apparently felt that if related to New Orleans they would be doing violence to the trade currents, and so would Tennessee.

"Generally speaking, the only banks which desired to be connected with New Orleans and expressed a first preference for her were 25 of the 26 banks reporting in Louisiana, and 19 of the 32 in Mississippi. On a poll made from the comptroller's office of all banks expressing their preference as to the location for a Federal reserve city, 124 expressed a first preference for Atlanta, 232 for Dallas, and only 52 for New Or-

leans. The views of the bankers were supported by chambers of commerce, other business organizations, and by many business men.

"It will thus be seen that if the committee was to give weight to the views of business men and bankers in the section of the country affected, to consider the opposition of the States of Texas, Alabama, Georgia, Florida, and Tennessee, and to be guided by economic considerations, it could not have designated New Orleans as the location for a reserve bank to serve either the western or the eastern part of the district that city asked for. The course of business is not from the Atlantic seaboard toward New Orleans, nor largely from the State of Texas to that city, and if Dallas and Atlanta had been related to New Orleans a better grounded complaint could and would have been lodged by them against the committee's decision than that made by New Orleans."

Now I think that is an important consideration, that whether you are dealing with the question of locating a bank at a certain city, and the necessary territory you would have to give it in order that it might have a bank, or whether you were dealing with the question whether a particular territory should remain in the bank to which it was assigned, or should be transferred to some other district, the wishes of the bankers, based upon the substantial ground that trade currents flow in the direction to which they wish to be related, is the most important consideration that could be presented to this Board.

Now I do not know any reason why this should not be done, The representatives of the Bank, in their brief give no reasons, except they dispute the completeness of our statements; they dispute our statements as to the totality of the flow of trade east and west, and as I say, we show that in minor points

there are variations and concede that there is a little territory along the south line of Kansas that is disputed ground, you might say, as to the traffic from Omaha and east of Omaha and Kansas City and St. Joseph, but it does not at all modify the main idea that the great volume and bulk of the business goes that way, that the great volume and bulk of the proper bank exchanges ought to go with the trade.

There is only this one additional suggestion to make in that respect, and that is as to what effect this will have in the Kansas City bank itself. I apprehend that the mere selfish desire of a bank, as a local entity, to have as large a holding of stock and as large a business and be as prosperous as possible, should not weigh for a moment against the needs and welfare of a particular territory, because that was not the purpose of the organization of these banks. It was primarily to serve the public through the establishment of a new method of bank exchange to the banks of the country. But we only take out of the Kansas City bank about a million six hundred thousand dollars of banking capital if the entire States of Nebraska and Wyoming are transferred from Kansas City to Chicago.

The Governor of the Board: What would that leave the capital at Kansas City?

Mr. Brogan: Close to four million.

Judge Goodrich: The basis of national banks would be only about three million, nine hundred thousand.

Mr. Brogan: Yes, but with the additional subscriptions,

it runs a trifle over four million, and I want in that connection to call your attention to a petition by certain banks in southern Oklahoma to be taken out of the Dallas district and added to Kansas City, because they say their business is largely with Kansas City rather than in the direction of Dallas. While it is not proper for me to offer any suggestions as to whether that matter will be decided in favor of these petitioning banks or not, still this Board will necessarily consider the two petitions together, and if found that upon a showing in this matter that a large part of Oklahoma, -- that part which Kansas City showed was directly within its sphere in this map, -- you will see their claims for all kinds of bank business runs down to Oklahoma.

Now the petition is to take not quite all; leave a little corner here at Dallas; and they claim between that and the present line which will add a banking capital of three hundred and sixty or eighty thousand dollars to the Kansas City bank. I submit that that question of the sufficiency of banking capital is a question to be determined independent of the question where Nebraska and Wyoming should go. Surely it is not to be contended that an intermediate territory like Nebraska and Wyoming is to be sacrificed in its banking and business interests, in order simply to secure the success of a system. If the problem arising in connection with Kansas City and Dallas and St. Louis cannot be otherwise worked out than by sacrificing Nebraska and Wyoming, then there is something wrong down there that should be adjusted. What it is is not for us to say, but

the difficulty ought not to be saddled onto Nebraska and Wyoming. It is right and proper that Omaha should be denied a bank in view of that situation, because a claim of a particular city to a bank is not a claim entitled to any consideration on account of its interests in it, but a claim of a territory to bank service is entitled to the first consideration.

Now just a word about the powers of this Board. I assume you will take counsel with your legal advisers on that question, but we note the rather extraordinary claims made here in the brief that this Board is without power to take this action unless it is charged in our petition and proved by our evidence that the action of the Organization Committee was due to some fraud or gross abuse of power.

Judge Goodrich: Hardly a fair statement of what our brief contains. If you will read it, I will have no objections.

Mr. Brogan: I will read it; it comes very close to that, if we do not state just that. However, if you wish to disclaim it --

Judge Goodrich: I do wish to disclaim it in the language you used.

Mr. Brogan: All right, let us see. (Reads:)

"The rule ordinarily applying to the review of the action of Boards similar to the Organization Committee should be applied in this matter, and the action remain undisturbed unless it clearly appears that its decision was so arbitrary as to be palpably in disregard of the evidence, or was not made in good faith, or was the result of fraud."

Now that is the claim.

Judge Goodrich: Yes, sir.

Mr. Brogan (continuing): and I take issue with that proposition. That is a total misunderstanding of the language of this statute. Section 2, providing that the Organization Committee shall organize these districts, states:

"The determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized."

Now the district thus created might be re-adjusted by the Federal Reserve Board.

"Provided, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all."

Why I think it is fair, and I have no doubt the legal adviser of this Board will so advise you that this is an original grant of power, that so far as legal powers are concerned you have precisely the same power in readjusting these lines that the Committee had in making them. You are given -- you get direct from the act of Congress power not just simply to sit as a reviewing court with narrow technical powers, but to do exactly what the Committee ought to have done, and to do it on your independent judgment and on the situation as presented here. I do not think there is any room for dispute about that.

Now there is one other point I want to call your attention to, -- the language of this act. It would not be advisable for me to attempt any broad statement as to the purpose of the statute, but so far as concerns this case itself, perhaps it

is absolutely concluded by the language of the statute:

"The determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized: Provided, That the districts shall be apportioned with due regard to the convenience and customary course of business. * * *."

That is a mandatory provision of the statute; it was mandatory on the Committee. It is mandatory on this Board, that these districts, -- both the location of the cities and the fixing of the boundary lines of the districts, -- the assignment of territory should be with due regard to the convenience and customary course of business. In other words, it was not intended, as Kansas City is bound to argue, that a new relation can spring up, that a new course of business may be artificially created by the location of the bank at Kansas City. That was not intended; Congress has forbidden that, and has expressly declared it and has declared it emphatically. It is put in here as a proviso, -- provided that the district shall be apportioned "with due regard to the convenience and customary course of business." Now if it is impossible to do that in cases of small particular pieces of territory, why of course that is one of those things that must be disregarded as minor matters always are, but here is a territory comprising two hundred and eighteen banks, with, as I have pointed out, an immense traffic in proportion to its wealth and population, an immense traffic due to the fact that it exports practically all of its imports and exports, practically all it consumes, and that all its export traffic is gathered to the Missouri River by these three great systems of railroads, and carried along east from

there, generally converging in Chicago. That is the condition of things, and that's the customary course of business which the Organization Committee and this board is commanded to have due regard for in the fixing of these lines.

ADDRESS BY JUDGE GOODRICH, OF ROBINSON AND GOODRICH,
COUNSEL FOR THE FEDERAL RESERVE BANK OF KANSAS CITY, MISSOURI.

Gentlemen of the Board: Mr. Brogan apparently misconceives the point made by counsel for the Federal Bank of Kansas City in the brief, with reference to the manner in which this matter is to be considered by this Board. As we interpret the provisions of the act creating the federal reserve system, Congress did delegate to the Organization Committee the duty of dividing the entire country into twelve or less districts. It enjoined upon them the limitation that they should apportion the country with due regard to convenience and the customary course of business. It did not enjoin upon them the sole duty of apportioning the country with reference to convenience, nor the sole duty of apportioning the country with reference to the customary course of business, but instructed them to take into consideration both of those factors. Now the terms "due regard" are terms that have well defined legal significance, and as I find them to be defined, they mean that it was the duty of this Organization Committee to have a just and fair regard for all of the facts that appeared before them at the time of their respective hear-

ings, of all facts of which they could take judicial knowledge, and of all facts which they themselves knew.

Now this proceeding is in the nature of an appeal from the decision and finding of the Organization Committee. These gentlemen come before you as the final arbiters, and they say to you that you ought to disarrange this district as created, that you ought to segregate a part of the territory from it and put it elsewhere, because the lower or subordinate body, whose action you are reviewing, was guilty of a violation of the duty enjoined upon them. Therefore, I say to you that the rule promulgated by this Board on the 28th of August, in which you outlined the system of procedure in a case of this kind, was a fair one, and it contemplates that you gentlemen, in considering this matter, simply review the record as made before this Committee, as an appellate court would review the testimony of an inferior body. And I say that when you examine the record, you are bound to reach the conclusion that the Organization Committee discharged its duties well and wisely.

The Organization Committee has told you the formula or the plan whereby it attempted to perform its difficult task of dividing this entire country into twelve separate and distinct districts. That appears in the letter of April 10, and I need just to call to your attention, for fear that you may have forgotten, the summary that I have made on page 14 of this brief, as to the factors that they say they took into consideration in arriving at this apportionment. They say that they first took into consideration the ability of the member banks within the

district to provide the minimum capital. They took into consideration, second,

"The mercantile, industrial, and financial connections existing in each district, and the relations between the various portions of the district and the city selected for the location of the Federal Reserve Bank.

"Third. The probable ability of the Federal Reserve Bank after organization to meet the legitimate demands of business.

"Fourth. The fair and equitable division of the available capital of the Federal Reserve Banks among districts created.

"Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy connection between the Federal Reserve Bank and all portions of the district.

"Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past, and its prospects for the future.

"Seventh. The Committee endeavored, as far as practicable, to follow State lines."

I want to call attention also to the fact that the Comptroller of the Currency for the past eighteen years has classified Nebraska along with Kansas, Oklahoma, Colorado, Wyoming and Montana as the "western states." It's a natural classification. It's one that's based upon the prevailing industrial activities of those states.

Now we find that this Board was beset with applications from thirty-seven different commercial centers in the United States, each one clamoring for its place as the appropriate location of a federal reserve bank. We find that in this identical territory the banks of Colorado came forward with Denver as a candidate. The banks of Nebraska were divided in

their allegiance between the city of Lincoln and the city of Omaha, and Kansas City was put forward as a candidate. Not one word was said before that Organization Committee by anybody who appeared before it from the State of Nebraska saying that the state of Nebraska ought to be linked with a federal reserve bank at Chicago. Not one word was said by anybody who appeared before that Committee at that time claiming that Nebraska would be outraged or its commercial industries ruined if it were not linked with Chicago. When the vote of all of the banks in this territory was taken, only nine banks in the whole District No. 10 voted for Chicago as their first choice, and four of those banks were in the State of Missouri, and five in the State of Nebraska.

Mr. Brogan argues for Wyoming. At the hearing in Denver the Wyoming bankers were there in force, and they contended to a man that Wyoming ought to go to Denver.

There is another very significant thing that I desire to invite your attention to before I go to the consideration of some of the facts that are pertinent to that controversy. The Comptroller's report for the first of January, 1914, which is set forth in a letter to the Senate, on page 365, gives a list of the location of the discounts made by a large number of the national banks of this country, and classifies them by States. It shows the discounts made, for instance, in the New England States, in what was termed the eastern States, in what was termed the southern States, and what was termed the States in the middle West, and the western States and the Pacific States.

As I have said before, the Comptroller of the Currency has classified Nebraska as being in that group known as western States, and Wyoming, Colorado, Kansas, and Oklahoma, are likewise classified --

Mr. Brogan (interrupting): And Dakota also.

Judge Goodrich (continuing): Yes, the two Dakotas, and Montana, also Missouri is classified as a middle western State. But these statistics show that on January 14 Chicago had loaned to the western States about -- the Chicago banks had loaned to the western States about -- eleven million dollars of its capital, that Kansas City had loaned to the very same States twenty-one million dollars of its capital, and Omaha twenty-eight million dollars of its capital, which shows conclusively that at that very time the banks of Kansas City were supplying to the people of this territory twice the amount of money that was being then supplied by Chicago banks.

Now it is hardly worth while for me to argue to you gentlemen relative to the natural resources of the territory embraced in District No. 10. Mr. Brogan attempts to indicate that there is some dissimilarity in the natural industries and the activities that are being carried on by the people in this territory. If there be dissimilarities in this territory, those dissimilarities do not exist between Nebraska and Missouri, nor do they exist between Nebraska, Kansas and Oklahoma, because the States of Nebraska, Kansas, Oklahoma, and that part of Missouri included

within the federal reserve District No. 10 are identically similar. It must be conceded by everybody that the industries of those localities are those of farming and stock raising. It is true that in Oklahoma and Kansas, by reason of the recent discovery of oil and gas, there has sprung up in that territory other business activities, but taken as a whole, these territories are alike in their natural resources.

Mr. Brogan asks me why I have not pointed out in the brief how Kansas City would be hurt by this change. I ask him why he has not told you gentlemen how the State of Nebraska would be hurt by being compelled to stay in this district. He has talked about generalities, he has talked about the course of trade, but he has not given you one example, or one instance, or one argument, that ought to be sufficient to satisfy your minds that a single bank in the State of Nebraska would suffer any injury whatever if compelled to remain in this district. The brief prepared here indicates that the bankers in Nebraska have heretofore had their business affiliations and associations with the banks in Chicago, and therefore if a Nebraska banker desires to discount his paper or negotiate a loan, he will be known to the Chicago bankers, and will get more favorable and more expeditious treatment; but Mr. Yates, whose name appears upon this brief, the President of the Nebraska National Bank, at the time of the hearing in Lincoln, when interrogated by the Secretary of the Treasury, who suggested that he was pursuing a line of argument that might cause the whole thing

to go to Chicago, used this very pertinent and significant language:

"If we should go to Chicago, what would Chicago know about Nebraska or Kansas or Colorado or Montana or Wyoming? It would know nothing, while almost any Nebraska banker would know a great deal about it."

Now I say to you, in this connection, if I may be permitted to go outside of the record so far, that it is notorious that the bank in Kansas City are officered by men recruited from all of that western country; there are many officers in Kansas City institutions who have received their banking experience in the State of Nebraska. And I undertake to say also that if a vote could be taken upon the proposition, it would be found that more bankers in the State of Nebraska are acquainted with Kansas City bankers than are acquainted with Chicago bankers.

Now for some of the facts showing that Kansas City does have in fact very substantial relations with the State of Nebraska. Mr. Brogan would have you believe that Kansas City is a sort of terra incognita to Nebraskans, that it is almost an alien country; but I undertake to say that this record justifies the statement that the south thirty-nine counties of Nebraska do more business with St. Joseph and Kansas City, which are to the southeast, than they do with Missouri or any other locality.

I undertake to say that this record shows that though the Organization Committee had the benefit of a great deal of data which is only condensed in a letter to the United States Senate, this data was supplemented by very elaborate maps, copies of which are on file with the report of the Organization Committee.

I am going to go through this matter very briefly, because it contains some very pregnant and some very significant data.

You will remember that when the Committee having in charge the claims of Kansas City set out to secure a federal reserve bank for that place, they did not claim the entire State of Nebraska; they claimed only that territory lying south of the Platte River. This was upon the assumption that Omaha itself would be a candidate for the location of the bank, but in the face of the fact that Omaha was an aspirant and seeking to have located within it a federal reserve bank. The Kansas City banks were willing to debate with Omaha the question of whether or not the south thirty-nine counties in the State of Nebraska were Kansas City territory or Omaha territory. The facts shown before that Committee showed that thirty per cent of all of the live stock produced in the State of Nebraska went to Kansas City markets, -- thirty-per cent of it; and that, in spite of the fact that there are many local packing houses in the State of Nebraska, and that Omaha itself is the third largest place as a packing center in the United States. It showed also that Kansas City did during the previous year with Nebraska a jobbing business of seven million dollars, and that these little dots that you see on the map here (indicating), -- each one of those dots which is in the territory south of the red line, indicating the south thirty-nine counties, indicates one hundred thousand dollars' worth of business. At each one of those spots in the State of Nebraska, each one of those dots (indicating) indicates places in the State of Nebraska at which

the lumber industries in Kansas City sold one hundred thousand dollars' worth of lumber in the previous year. This map that was sent out at the same time shows the nature and extent of the motor car industry carried on in Kansas City, and it appears from this map that the business transacted with Nebraska during the year of 1913 in motor cars and motor car accessories, aggregated \$1,980,000, and that the places where it was done were substantially throughout the entire State.

Now coming back to the facts that they are asking you to consider in this instance, I want to call your attention also to what appeared before the Committee with reference to Kansas City's banking activities. It appeared that at the time of the hearing in Kansas City, Kansas City had regular correspondents in Nebraska of fifty-two -- fifty-one national banks and seventy-eight state banks, and the map that you will find at page 175 of the letter to the Senate shows the location of towns in the State of Nebraska in which Kansas City banks at that time had correspondents (produces map).

Now these gentlemen contend that you ought to attach a great deal of importance to the statistics which they compile from the Bankers' Encyclopedia. They say that the Bankers' Encyclopedia is used by people generally, and that the fact that 158 Nebraska banks had Chicago correspondents, while only some 10 or 12 had Kansas City correspondents, is a very significant factor in determining this controversy, and that it very clearly shows the customary course of business, and the course of trade. We say in that connection that if that factor

is to be determinative, then from their own record it shows that the course of business is not to Chicago at all, but the course of business is to New York, because 223 Nebraska banks had a New York correspondent, while only 158 had a correspondent in Chicago.

We say furthermore, in this connection, that the question of exchange, or the question of a foreign bank for exchange purposes, is not a factor to be considered in determining this matter, when it is considered that the purpose of the law makers in creating this new system was to break up the existing order of things, and to create a new system. We say that the fact that a small bank in Nebraska has heretofore had an account in New York or has heretofore had an account in Chicago for exchange purposes, is not to be considered in determining this question. I was fortunate enough in my earlier career to be associated with a national bank in a smaller community, and in a strictly agricultural and stock-raising community, and I know the habits of the small country banker. I know how he looks upon those things, and I venture the assertion that few banks in Nebraska, outside of Lincoln and Omaha, have any personal relations with the Chicago banks whatever. They use their Chicago banks and their New York banks simply for reserve purposes, because the conditions existing have heretofore required that they have available for the use of their customers drafts that will pass at par in those places. Under the new system a draft drawn by the Nebraska bank upon its correspondent in Omaha, or a draft drawn

for a federal reserve bank in Kansas City, will pass par throughout the entire country, and there is no occasion any longer for the small bank in Nebraska having its New York correspondent, nor is there any occasion for the small banker having his correspondent in Chicago.

I want to call your attention to the testimony that actually appears in this record with reference to the course of business in Nebraska. I might sum it up in a nut-shell by saying that it shows in the first instance that the man who actually raises the wheat and the corn, the man who fattens the stock; disposes of that either to the local dealer in his home town or ships it to Kansas City, St. Joseph, or Omaha, and the local dealer who buys it markets it in either Kansas City, St. Joseph or Omaha. It is apparent from this record that so far as the producer is concerned, he has nothing whatever to do with the marketing of that product, after it reaches the Omaha market. In other words, the transactions on the part of the producer in the State of Nebraska are carried on entirely within rather than without the district, and it amounts to this: It is true that a large part of the surplus product of Nebraska does go to the eastern markets; it is likewise true that a large part of the surplus products of Missouri goes to the eastern market; it is likewise true that a large part of the surplus product of Kansas ~~city~~ and Oklahoma and all this territory that lies east of the Rocky Mountains goes beyond Kansas City and St. Joseph and Omaha to the eastern markets; and if your argument be right,

then you could never have a federal reserve bank in any territory that produced more than it consumed, where the course of the surplus product was away from that territory.

Now these gentlemen have not been entirely fair in their statistics compiled as part of one of their exhibits. In exhibit D I will first call attention to the statistics that they compile with reference to the items handled by Kansas City. It appears on page 7 of their brief that they got a list of the items drawn by 150 of the 218 national banks in Chicago or in Nebraska upon Omaha, Chicago, and Sioux City, and upon Kansas City, and also a number of items represented in those various transactions; and then they give some other details as to drafts and checks drawn and forwarded. Now it is very significant in this connection that when you examine the names that appear upon this petition, and you examine elsewhere the list of all of the national banks in the State of Nebraska, that these gentlemen, whether by accident or design I do not know, have omitted every non-petitioning bank in the State of Nebraska except one. They have omitted the banks in Lincoln which admittedly have large business transactions in Kansas City, and the non-petitioning banks or bankers that have not joined in this petition, and these are almost entirely the bankers that are in this southern territory of Nebraska. I say it is hardly fair to compile these statistics and ask you to draw this conclusion and eliminate from their compilation that territory which is the natural business territory of Kansas City.

Now they have some further statistics here with reference to the volume of business handled by the Union Pacific Railroad during the year of 1913, and I myself discovered for the first time this morning that these statistics do not purport to be statistics with reference solely to the States of Wyoming and Nebraska. I made the mistake of assuming in my brief that they did, but by reference to Exhibit D it will be made apparent that the statistics as given by the railroad officials had reference to the grain originating, not in the States of Nebraska and Wyoming, but the grain originating in the States of Nebraska Wyoming, and Colorado.

Mr. Brogan: It so states.

Judge Goodrich (continuing): I say it so states, but it makes this all the more significant. In other words, for some purpose which is entirely foreign to this controversy, they want to tell you about the grain that originates in Colorado.

Mr. Brogan: That happens to be the statistics.

Judge Goodrich (continuing): I understand, but you have linked there with the states of Nebraska and Wyoming the grain and live stock originating in the State of Colorado. You have not attempted to segregate the two, so they have no significance as to the figures that are produced here. It does not show what part, for instances, comes from Nebraska, Nor what part comes from Wyoming. Consequently, they cannot have any significance under the situation here, and it is

notorious that so far as Nebraska and Wyoming are concerned, very little of the products will be transported by the Union Pacific that would naturally reach Kansas City. The Union Pacific, running through Wyoming and Nebraska, is a natural feeder to Omaha, and does not go directly to Kansas City. The Union Pacific facilities for Kansas City traverse the State of Colorado, and do not touch the State of Nebraska at all.

Now that document contains statistics compiled by some one in behalf of the Omaha banks, which show the transactions had over the Burlington Railroad during the same year. Now from these statistics it appears that during the year 1913 the Burlington road transported 21,410 cars of live stock to Omaha, and 14,288 cars of live stock to Kansas City and St. Joseph; those are their own figures; and that during the same period, 14,141 cars of grain went over the Burlington to Omaha, and 9,016 to Kansas City and St. Joseph. In other words, ~~out of the 35,000~~ -- out of the total cars of grain and live stock transported by the Burlington Railroad in the year 1913, originating in the States of Wyoming and Nebraska 35,000 of those cars went to Omaha, and 23,000 to Kansas City and St. Joseph. And yet this gentleman has the temerity to come before you and insist that Kansas City has no business or trade relations whatever with the State of Nebraska, and that these gentlemen who spent so many months in the very arduous and onerous task of trying to make an apportionment

of the territory in the United States which would be fair and just, have failed properly to discharge their duties.

Now as to convenience, I think that is a very essential factor, and it is one that should have been given, and doubtless was given a great deal of weight by the Organization Committee. My opponents beg that question. They tell you about all of the through trains that traverse the State of Nebraska on their way to Chicago, but they fail to call your attention to the fact that Kansas City is three hundred miles nearer any part of Nebraska you want to pick out than is Chicago, according to the ordinary routes of transportation. Let us see: Say that the banker out in Wyoming or the banker anywhere in the State of Nebraska desires to go to Chicago, and there confer with the Federal Reserve authorities; in order to reach Chicago he has got first to go to some Missouri gate-way point. He may go to Kansas City. A great many Nebraska bankers, if they wanted to go to Chicago, and took the most natural and the shortest route, would go by way of Kansas City. When the banker goes to Kansas City -- this Nebraska banker would be as near Chicago as Omaha is; when he got to St. Joseph, he would be four hundred miles nearer to Kansas City than to Chicago, and when he reached Omaha he would be three hundred miles nearer to Kansas City than to Chicago. Yet these gentlemen say that we are going to cause them a great deal of inconvenience.

The average running time of the trains between Chicago and Omaha is thirteen hours and a fraction; I cannot give you the exact number of minutes, but it appears in the statistics compiled by Denver; you will find it there now. The Nebraska banker, if he wants to go to Chicago, as I said before, must first go to Omaha. So nothing can be said from the standpoint of convenience, because it appears from this record that the Missouri Pacific Railroad and the Burlington Railroad have frequently trains serving Omaha, so that any Nebraska banker who has occasion personally to visit a federal reserve bank, can go directly from Omaha to Kansas City, and save three hundred miles in distance, and about five hours each way in time.

When a Nebraska banker wants to telegraph to Kansas City it is all in favor of Kansas City as against Chicago.

The Governor of the Board: What is the time between Omaha and Kansas City?

Judge Goodrich: I think it is about six hours.

Mr. Brogan: Yes; it takes all night, just the same as to Chicago, -- a little shorter yet.

Judge Goodrich (continuing): That shows the character of reasoning. It makes no difference to Mr. Brogan, but to some country bankers there is something more than the mere expenditure of time involved; and it strikes me that these frugal-minded country directors would very much prefer to send their officers on a journey wherein they might save

six hundred miles in distances, and possibly fifteen dollars in transportation, even though it did take the same amount of time. That is a factor.

But as to the telegraphic rates, there is no point in Nebraska, as I said before, that is nearer Chicago than Omaha. The primary rate from Omaha to Chicago of a telegram is forty cents, and to Kansas City is thirty cents.

Again, the telephonic rate between Omaha and Chicago is \$2.75 for the first three minutes, whereas it is only \$1.00 to Kansas City, and the proportions for any additional minutes spent in conversation are the same. In other words, it costs one-third more to telegraph to Chicago than it does to Kansas City, and it costs three times as much to telephone to Chicago as to Kansas City.

Now, these gentlemen have also omitted all mention of other lines of railroad. It is doubtless known to you gentlemen better than to me, because I am not especially familiar with it, that the Burlington Road goes up to Omaha, that the Missouri Pacific goes up to Omaha, and that the Burlington and the Missouri Pacific both have lines that go up in the region of Lincoln; but in addition to that, the Rock Island Railroad starts out at St. Joseph, and traverses the whole southern tier of Nebraskan counties, -- some eight or ten counties, -- and traverses, I might say, the most densely settled portion of Nebraska. The richest, the finest, the most productive part of Nebraska is the territory south of

the Platt River. That's the most thickly populated, it's the oldest, and it's the country that has the largest towns in it. The Grand Island Railroad originates at St. Joseph, and traverses for some distance the southern part of Nebraska and finally reaches its ultimate destination up in Grand Island, up about the middle of Nebraska. Now, they have not given you a single statistic with reference to what is done by those railroads. Yet they stand here, almost contending that we belong in an entirely different class.

(To the Governor of the Board): How much time have I taken?

The Governor of the Board: You have taken about forty minutes.

Judge Goodrich (continuing): I do not think, gentlemen, that under these circumstances I ought to weary you much longer, but I do want to call your attention to the fact that it may be contended here that all these twenty through trains that they have to Chicago afford very much better mail facilities, and I went outside the record a few days ago so as to procure information as to just how Omaha is served from Chicago and from Kansas City, from the standpoint of mails. These facts appear on page 36 of the brief. It will be shown there that there go each day from Omaha to Kansas City seven mails, and they go at very seasonable and convenient hours: for instances, eight o'clock in the morning; 8:45 in the morning; 1:30 p. m.; and on up to 11:35 midnight; and the times they

are received in Kansas City -- the mails are received in Kansas City -- are seven. Now the mails from Omaha to Chicago are only six. In other words, there is one more mail each day going from Omaha to Kansas City than there is going from Omaha to Chicago. We suffer a little bit on the other route, but on the mails that come from Chicago and come from Kansas City to Omaha, they have nine and we have seven.

These statistics here in these reports show that a large part of the business in the extreme northeastern part of Nebraska is done with Minneapolis; these statistics here show that in western Nebraska its transactions are naturally in large measure with Denver; and the statistics here show almost conclusively that Wyoming has heretofore done substantially all of its business with the State of Colorado. That's very evident. Cheyenne and Laramie are the largest centers in the State of Wyoming, and they are both practically within one hundred miles of the city of Denver.

Here is another significant fact that you gentlemen would be justified in taking into consideration in the consideration of this matter. Everything that these gentlemen are saying, if true, could be said with much more force by Denver. If what they say is true, Denver could likewise make the self-same complaint, -- but Denver and Colorado are not here complaining.

There is one fact that I omitted, that I think has very direct bearing, both on the question of due course of

trade, and the question of convenience. You gentlemen are doubtless aware -- familiar with the great mail order houses of Montgomery, Ward and Company, and Sears Roebuck and Company. They have, for many years had their headquarters in the City of Chicago. About four or five years ago the Montgomery-Ward concern changed its manner of handling its western products, and established its mail order house in Kansas City, in order to serve this western country, and the statistics compiled by that concern, and heard before the Organization Committee, showed that 12.3 percent of the entire business done by that Kansas City house was done with the State of Nebraska, and those figures become very significant when they are put against the figures that only 12.9 percent of its business was done in the State of Missouri. The testimony there shows also that Kansas City does business way up into Iowa. Its trade territory embraces this entire country.

The Committee acted wisely, and in my judgment, it could not have made a more logical selection, and for you gentlemen now to overturn their action, and set aside what they did, would be to refuse to have due regard for the convenience and customary course of business.

Dr. A. C. Miller: I would like to ask counsel whether he has considered -- and I will ask also Mr. Brogan -- the way in which this district will be affected in the matter of clearings by either its retention within the Kansas City district or its transfer to the Chicago district.

Judge Goodrich: It is to this extent, of course, -- the making of this change would reduce the capital of the federal reserve bank of Kansas City below the minimum, but I undertake to say that so far as the Nebraska banks are concerned they will continue to clear their affairs primarily as they have heretofore. The testimony here shows that all the smaller banks throughout the State of Nebraska have kept their accounts in Chicago and in New York only for exchange purposes, and that their primary transactions have been with the larger banks either in Lincoln or Omaha, and that they keep their reserves there. It is possible that in order to afford them ultimately all the facilities they want, there ought to be a branch bank established at Omaha, but I might say this in connection with that, it is a very significant thing that so far as the present experience of the federal reserve bank of Kansas City is concerned, the Nebraskan individuals have taken a pronounced liking to it, if results are any indication. Of the discounts that have thus far been made by the federal reserve bank at Kansas City, and those that remain on hand at this time, fully sixty-five percent are from the State of Nebraska; and I understand that at all times more than fifty percent of the loans that they make have been made to the State of Nebraska; and I understand furthermore from the evidence that they have yet the first complaint to hear from any banker in the State of Nebraska as to any inconvenience he has suffered in the matter of procuring his loans. Is there anything else? Does

that answer your question?

Hon. Paul M. Warburg: Are you familiar with the aggregate loans of Kansas City?

Judge Goodrich: I beg your pardon?

Hon. Paul M. Warburg: Are you familiar with the aggregate loans of Kansas City?

Judge Goodrich: I have not the information at this time, but they are exceedingly small, -- about \$90,000.

Hon. Paul M. Warburg: Sixty-five percent of that will be \$45,000. That will not be complete proof as to business in Nebraska.

Judge Goodrich: But it is significant that they have experienced no inconvenience in having their transactions there, but in many parts of Nebraska a local banker can leave home after breakfast, have several hours in Kansas City after the transaction of his business, and be home at a reasonable hour in the evening.

Dr. A. C. Miller: Prior to the establishment of the reserve bank in Kansas City, did any of the banks in Nebraska -- were they not in the country clearings system having headquarters at Kansas City?

Judge Goodrich: I do not know just how those matters were handled. I know we are counsel for the Bank of Commerce in Kansas City, and I know they had substantial transactions with banks in the larger towns of Kansas, and I apprehend there was some system whereby those accounts were handled in

Kansas City at par. I can find out about that.

Dr. A. C. Miller: It would be interesting; you might do so.

ARGUMENT IN REBUTTAL BY MR. FRANCIS A. BROGAN, OF
COUNSEL FOR NEBRASKA AND WYOMING.

Gentlemen of the Board: I just want a few words; and I want to say I do not think there is enough difference between us as to the ultimate facts to justify any charges of misrepresentation or charges on either side. The matter on which we differ is rather as to the analysis of admitted figures than anything else, because there is no dispute as to actual facts.

One point I want to clear up without any delay: There is no doubt in the world, and I think I tried to state that in my opening, that all this territory from northern Texas -- I might say from central Texas -- to Canada is equally alike in its products and its wants and its needs, and that is precisely why it does not tend to meet in one common center, because its traffic all flows east and west, and naturally distributes itself in zones, just as I have contended for, and there would be just as much reason for contending that the Dakotas ought to go into the same territory with Kansas City as that Nebraska ought to, because their products are identical. It is that that separates them into these parallel routes.

Now, one other possible misunderstanding I thought to correct was this: It was said that at the hearing no one

asked that this territory be put into the Chicago district. Doubtless there was no one there furnishing a brief and asking for that. As I pointed out in my opening statement, that was one of the unfortunate conditions, but the Committee itself sought to correct that short-coming by asking for a statement as to the preferences, so as to include other cities as well as those that were prepared to ask for particular territory. They called on all their banks to give the first, second, and third choice, and although there was no active propaganda, yet they got the actual wishes of those banks in the matter.

On page 353 of their report they show how the Nebraska banks voted in response to that request, and I think this is very significant. It is true only five banks named Chicago, because there was active propaganda in behalf of Omaha and Lincoln, and Omaha got, and Lincoln got, and Kansas City got, eight votes for first choice. That accounts for that small group in the southeastern corner of Nebraska, which I concede is debatable territory between Omaha and Kansas City. As to the second choice, it becomes more significant, because Chicago had 110 votes. A majority of the banks of Nebraska voted for Chicago as second choice, and only nine voted for Kansas City as second choice. For their third choice 54 voted for Chicago, and 49 for Kansas City. So that you have a total first, second and third choice of the Nebraska bankers, of about 170, and Kansas City received about, I should say, 68, first, second, and third choice votes. When we turn to Wyoming, it is not

correct that Wyoming was unanimous for Denver; it was almost evenly divided between Denver and Omaha, in recognition of the fact that its traffic is generally eastward, although Denver is nearer to it, and perhaps more evenly situated by train service as to large parts of Wyoming. Yet there were ten banks voting for Omaha, and twelve for Denver and Chicago; so as to the second and third choices, Kansas City was not the first or second choice of any Wyoming bank, but the third choice of three. So counsel was mistaken when he said there was no expression before the Committee as to the Nebraska and Wyoming banks. On the contrary, there was a very emphatic expression that if they could not get Omaha or Lincoln, they wanted Chicago as third choice, and that that was the proper place with which to relate them if they were not to have the bank in their own State.

In line with that very thing I have no doubt that Mr. Yates appeared at that meeting and said that as between Omaha and Chicago the Chicago banks would know relatively little about conditions in the Nebraska banks, but his talk was entirely with relation to Omaha and Chicago. It does not follow that Kansas City would know any more or as much about conditions in the Nebraska banks as would the Chicago banker.

^{not}
I do/think counsel can be correct in saying that thirty percent of all the cattle shipped out of Nebraska came to Kansas City. I personally - -

Judge Goodrich: The testimony shows it.

Mr. Brogan: I understand. There is a mistake somewhere, because it could not amount to that. Now, we have some figures here that I think overturn it completely. It could not be possible. I think it is not even thirty percent out of that portion which runs along the southern part of Nebraska. Let me show you these very figures which he read from our brief. They would indicate a different condition of things. On page 58 of the certificate of Mr. Holcomb, who was not representing a bank, but is the traffic manager of the C. B. & Q. Railroad Company, he states:

"Mr. H. W. Yates,
President Nebraska National Bank,
Omaha, Nebraska.

Dear Sir:

"In accordance with your request of even date, I wish to advise that the following is a statement of cars of the commodities named, handled by the Chicago, Burlington & Quincy, having origin in the States of Nebraska and Wyoming . . . "

Only the Union Pacific did not confine it to this, but the Burlington statistics are confined to Nebraska and Wyoming, and

"having destinations Omaha and east, St. Joseph and Kansas City for the fiscal year ending June 30th, 1913."

as follows:

(This letter, which was dated Omaha, November 11, 1914, gives the totals for live stock, grain, gravel and sand, dairy products, hay, and feed, for Omaha, St. Joseph and Kansas City, as 50,764, 11,103, and 12,269, respectively.)

Now, all that live stock alone as against St. Joseph and Omaha, and business from Nebraska and St. Joseph, is on its way east. It reaches Chicago, and therefore, so far as the

Nebraska banker has to do with it, he is entirely in the Chicago bankers' hands, but if you put these two together, of the thirty thousand cars of live stock shipped on the Burlington system alone, it is, we will say, better than one-third of Nebraska's. The three great systems, the Northwestern, the Union Pacific, and the Burlington, practically control that traffic. There are others there, -- the Rock Island sends trains through, and the Missouri Pacific is struggling with the problem, and the Grand Island is in court, but these are the three great systems that handle the traffic, and this is the statement that of the thirty thousand cars handled by Omaha and St. Joseph, 4,500 were handled by Kansas City. I fail to see where they will get thirty percent of even the one-third to Omaha and St. Joseph together. Kansas City would have nothing to do with St. Joseph traffic and shipments, and this is not an argument as against Kansas City for Omaha, but of all the traffic which goes through Omaha and Kansas City, and of the 30,000 cars, only 4,500 were handled in Kansas City, so the statement that only thirty percent of the cattle produced and shipped out of Nebraska will go to Kansas City can not possibly be sustained.

I do not think counsel meant to say that the purpose of this act was to break up the existing order of things. I understand it was to distribute some of the congested reserves; I understand that to be the purpose; but to say that generally speaking it was to destroy the existing course of business, or

even the existing course of bank exchanges, certainly must be a misinterpretation of the act, because Congress was careful to avoid the possibility of such an interpretation of this act by providing that the districts should be apportioned with due regard to convenience and the due course of business, and that does not mean that customary conditions should be allowed to continue, so far as a change might be necessary to carry out the purpose of the act, which was to distribute the reserves in the great reserve centers.

As to the statement concerning collections, this I do not think involves clearings, but collections handled otherwise, including clearings. Perhaps there is no basis for the criticism of counsel that this certificate shows in the printed brief just what banks and just what towns have contributed to this information. Obviously, it does not include all of Nebraska, because it includes only 153 of the banks, and their names and locations are given here, so there can be no misunderstanding as to what information was said to be furnished here, but they show the remarkable fact that excluding large centers of South Omaha and Lincoln, of the banks of the lesser class throughout the State, 153 show practically no business whatever with Kansas City, and especially from the large business with Omaha they show a large business with Chicago.

Now, that's what this is for. We are conceding, and have throughout, that there is a small corner or strip, if you please to call it, of Nebraska, trading generally and shipping

more to St. Joseph than to Kansas City, yet it has some relations with Kansas City, and if the Board thought that there was a reason because of that fact or because of the necessity of retaining sufficient capital -- banking capital -- in Kansas City, if those things were important enough to justify breaking the state line, there would be no serious objection on our part to a few of those counties being left in the Kansas City district; -- not of course half of the State, as claimed here, because that would be doing violence to the wishes of nearly half of these petitioners, but probably four counties, -- five or six at the outside, -- in the southeastern corner of Nebraska, could be left in the Kansas City district without doing any great violence to their business, but that itself is not an argument for continuing the inconvenience as to the rest of the State or as to Wyoming. Now, my understanding is that the rest of the banks all clear through Omaha, -- substantially all, -- that their business is there. Just how they will be affected by this arrangement I do not profess to be able to discuss, because I lack the technical knowledge of banking, but I know their banking relations are with Omaha.

Now perhaps I should refer to one other feature. Counsel discussed the fact that so far as the individual who produces the product of the farm, and as far as the small country bank is concerned, they have no direct relations with the ultimate purchaser of the product, or with the final bank where the exchanges are carried on; and that is true; but the various

transactions are related to each other. The farmer sells his cattle to the buyer in the village, and gets a check on the local bank, but that dealer ships to the nearest point, Omaha or Lincoln, or some other towns in Nebraska that carry on shipping business, and there he may sell or ship to Omaha or Chicago, and he receives something in exchange, which ultimately comes from the purchaser in Chicago, and so there has to be a bank exchange carried on, and affecting ultimately the farmer who grows the crop and the small banker who first holds the check that pays for the cattle and the grain. You can not separate the interests of a State, merely because those relations will exist everywhere, and I fail to see the bearing it has whatever.

I was not able to discuss the statement of the sixty-five per cent of the loans from Nebraska, but the question asked by a member of the Board of course disposes of that. The loaning is not sufficient in any part of the district to warrant any attack on it, and yet we have not been told what effect the change of this district to suit the convenience and earnest desires of Nebraska and Wyoming would have upon the Kansas City bank, What harm would it do? Would it do any harm to Kansas and Oklahoma and other portions? Obviously only as it affected the bank itself. What harm would it do the bank if you take away this \$1,600,000 of capital, and if you wish to protect it by leaving a half million or so in the southeastern corner, and if you find it advisable to add three or four

hundred thousand dollars from the Oklahoma counties petitioning to get into the district, you would leave a capital between four and a quarter and four and a half millions. Minneapolis has only four and three-quarter millions, and but one or two of the other banks have a little over four million; so it can not be said that the desire of the management of the Kansas City bank to retain as large a capital and as large a territory in which to do business as possible is a factor to be taken into account in this matter at all, because it was not the purpose of the location of banks to benefit the city where the banks were to be located, nor the banking business in that city, except as all banking business in the locality would be benefited.

And in conclusion I want to say that the unanimous petition of substantially all the banks in Nebraska and Wyoming is an important factor, and not to be overlooked in this consideration. They know and ought to know whether it is more convenient for them to do business with Chicago or Kansas City, and they know or ought to know whether the purpose for which they exist will be better achieved by joining them with Chicago or Kansas City.

The Governor of the Board: Gentlemen, we will take this under advisement.

Mr. Brogan: May I make this request? This brief was prepared by Judge ^{Mc}Hugh and Mr. Yates, who was chairman of the committee, has died recently. On account of some important

matters which kept Judge McHugh away, he is not able to be here, and I want to present some different points in my arguments. I would like the privilege of filing an additional supplemental brief along the line which I have discussed here.

The Governor of the Board: How much time do you want?

Mr. Brogan: I will do it promptly.

The Governor of the Board: How much time would you suggest?

Mr. Brogan: Two weeks, if that is not too long.

The Governor of the Board (to Judge Goodrich): Then you want an opportunity to reply?

Judge Goodrich: This situation of course is one that needs to be determined as speedily as possible, because it leaves the situation in a state of uncertainty.

The Governor of the Board: Would it not be possible for you within two weeks to send brief and reply?

Mr. Brogan: It takes three days to get home.

The Governor of the Board: Of course counsel may mutually agree to extend the period to a reasonable extent; I would suggest ten days or two weeks as the time if possible for the preparation of your brief and your counterbrief.

Mr. Brogan: May I ask if the Oklahoma petition has been postponed?

The Governor of the Board: It will be on the twenty-fourth.

Hon. Paul M. Warburg: The twenty-fifth.

Mr. Brogan: I should like to have our brief in by that time, because I think you will find it desirable to consider them both by that time at least.

The Governor of the Board: We will leave it with that understanding, then, that counsel will agree to send their brief and counter-brief within the time suggested.

(Whereupon the hearing was adjourned.)

121.
Packet

B E F O R E T H E F E D E R A L R E S E R V E B O A R D

*

I N T H E M A T T E R O F T H E P E T I T I O N T O T R A N S F E R A P O R T I O N O F
S O U T H E R N O K L A H O M A F R O M F E D E R A L R E S E R V E D I S T R I C T N U M -
B E R E L E V E N T O F E D E R A L R E S E R V E D I S T R I C T N U M B E R T E N .

W a s h i n g t o n , D . C .

-O-

F e b r u a r y 1 0 , 1 9 1 5 .

-*-

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

(The hearing was begun at 11:08 o'clock, a. m.)

The Governor of the Board: Gentlemen, this is a petition of certain banks of southern Oklahoma to change the lines of Districts Nos. 10 and 11. Under the practice of the Board the petitioners will have the right to open and close, and we now call on the petitioners to present their case.

ARGUMENT BY MR. W. B. HARRISON, SECRETARY OF THE OKLAHOMA BANKERS' ASSOCIATION, OKLAHOMA CITY, OKLAHOMA.

Gentlemen of the Board: I would like to state first of all that the reply brief of the respondent was only filed within the last ten days, and it was impossible for us to have more than a day or two to look at it before we left home. However, we have been able to bring out some facts in connection with that brief that I am sure the Board will be glad to consider.

The first statement on which respondent contends seriously is that our petition does not have the required signatures of two-thirds of the banks in the petitioning territory, and as it is conceded that we would have no standing here unless we had the two-thirds signatures, which are contained on the last page of our petition and brief combined, alphabetically arranged, I would like to discuss first the sufficiency of the petition itself.

Our petition shows 128 banks in this territory, of which 104 have signed the request for a change, while the respondent's

brief shows 136 banks in the same territory, -- a difference of eight banks; but the respondent has used statistics more recent than those used by us, as our petition was prepared and filed before the Dallas bank was organized. Our petition was filed September 6 -- October 16th, rather. It is a fact that there are 135 banks in this territory, but not 136, as respondent contends. But eight of these 135 banks are new institutions formed and chartered since the Organization Committee determined the regional bank district lines. Respondent has erroneously included one bank, the First National of Broken Bow, in the list as being located in Tulsa County. This bank is located in McCurtain county, and is not included in the territory asking to be changed, nor for that matter is Tulsa County so included. This pardonable error illustrates the unfamiliarity of respondent with Oklahoma's affairs. Tulsa County and McCurtain County are three hundred miles apart and neither is in this territory. But the most important feature regarding the eight new national banks we did not include in our list of petitioners is that six of them are converted state banks with the same officers they formerly had, and there is now on file as a part of our petition exactly the same protest signed by an authorized officer of each of these six banks, requesting this change.

I call your attention to the paragraph in small print on the last page of our petition, where it says:

(The original signature of each of the following banks to the above petition, signed by a duly authorized officer of the bank, is on file with the Federal Reserve Board. The same petition has been signed by

178 State Banks in the territory asking to be transferred, and the original signatures of these banks are likewise on file with the Federal Reserve Board but none of the State Banks are included in the following list of petitioners.)

Six of those state banks are the ones to which I refer that have since become National banks, and all of those six signed this petition and those slips were signed by an officer of the bank and now on file with the Board. Our list of petitioners should therefore be increased from 104 to 110. These six banks are: Merchants and Planters National Bank, Ada; American National Bank, Dustin; Farmers National Bank, Hammon; Farmers National Bank, Holdenville; First National Bank, Wilson; and First National Bank, Ringling. The remaining two of the eight additional banks respondent wishes added to our list, the First National, Talihina, and Farmers National, Tupelo, are new national banks with which we have had no opportunity to communicate regarding this petition. The First National Bank, of Talihina, Oklahoma, for instance, was organized December 20th, I believe, --at least late in December,--three months after our petition was filed. Even if these two are conceded to be with the respondent, which is probably not the case, the total number of non-petitioners is only twenty-six, while the total number of petitioners is 110. We therefore have a majority of twenty above the requirement of ninety claimed by respondent, as contained in the respondent's brief, --a majority of twenty-two of our petitioners have withdrawn their request for a change; and letters purporting to establish this claim are contained in Exhibit A of respondent's brief. We will not take

the time to go over all of them, but call your attention to the following:

Exhibit A, to which I would like now to refer, --all of the letters in Exhibit A in respondent's brief, twenty-two in number, are signed by officers of banks which are attached to our petition. I might state here that these are the only letters of all the compilation in the back part of this book which are signed by officers of banks that signed our petition; also that only seven of these letters, if you look through them,-- of the twenty-two only seven are addressed to the Federal Reserve Board. Fifteen of them are addressed to individuals in their private capacity, and were not intended for use on this occasion, and we will prove to you within the next few minutes that if it had been known that they would be used for any such purpose as this, they could not have been secured.

Letter No. 2 -- I skip letter No. 1, which is a straight retraction, because this bank, the First National of Atlanta is owned by what is known as the Adams Syndicate of Texas, intended -- that gentleman evidently wants to be in the Dallas District. Letter No. 2, signed by J. T. Wood, president of the City National Bank at Altas. Here is a letter from Mr. Wood dated February 4, just the day before we left home, mailed to me here addressed to Charles S. Hamlin, Governor of the Federal Reserve Board. I have a carbon copy of the letter now on file with the Board, and signed by the president of the bank. Kell is a director in the Dallas bank, I might say:

"Dear Sir:-

"Some weeks ago Mr. Frank Kell phoned the writer asking if we would write a letter stating that we desired the district lines unchanged for the present time.

"Mr. Kell's explanation of this was that the Dallas Board wished to get things running smoothly, also that this letter would not prevent us from later on trying to effect a change to the Kansas City district.

"Now we wished to be placed on record as favoring a change to District number ten.

"Fully 90% of our items are handled thru Kansas City and it is not at all convenient for us to be placed in the Dallas district.

"Trusting that the Board will make this change as I feel that it is but justice to a large majority of Oklahoma banks, I am,

"Very respectfully,

(Signed) J. T. Wood,

President."

It might be well to call to your attention that by looking at the map you will find Dallas is in the extreme southwestern portion of the State, near the Texas line, so if ninety per cent of their items are handled through Dallas, it is very evident that the larger per cent will be handled the same way.

Mr. Huff: You mean the Kansas City district?

Mr. Harrison: The Kansas City district ~~will be~~ handled through the Kansas City district.

Mr. Huff: Is it in the county?

Mr. Harrison: Yes; it is as far south as a county can be

in Oklahoma and not be in Texas.

Letter No. 3, written by W. T. Clark, of Apache, is in no sense a retraction. It is a personal letter not intended for any such use as that made of it, in which the writer tries to compliment the recipient and express as little dissatisfaction as possible with present conditions. At the same time the letter plainly shows that the writer is still anxious for the change. We submit herewith another letter from the same party, issued within a week of this date, which I desire to read into the records. This letter is dated February 3, and is addressed to the Secretary of the Federal Reserve Board at Washington, and reads as follows:

No. 7127
FIRST NATIONAL BANK

Apache, Okla., February 3rd, 1915.

"Secretary, Federal Reserve Board,
Washington, D. C.

Dear Sir:--

"My attention has been called to a letter written by me to Mr. Oscar Wells, Governor of the Federal Bank of Dallas, Texas, under date of August 31st, 1914. It appears that the letter has been filed with the brief in the case of transfer of certain member banks in southern Oklahoma to the Kansas City District. Regarding this letter permit me to say that it was written by me to Mr. Wells as a friend of long standing, and I felt like making my opposition to the lines of the District as light as I could on account of personal relations between us. However, if this letter is to be used in this contest, I wish to say that I am unalterably opposed to remaining in the Dallas District for the very good reason that banks in this section have no business with Texas cities. We feel that it would be a great business misfortune to us if we are to remain in the Dallas District for the reason that has been stated over and over, viz:--we have no business connections with the Texas City.

"When I wrote the letter mentioned above, a copy

of which is with the brief in your hands, I was not aware that an effort would be made to have the federal banks clear items for country member institutions. If this practice should be taken up we would certainly be placed in a very awkward position; we would be proceeding backward all of the time.

"The sum total of the business is no banks in this part of Oklahoma have much business to transact with Texas points, but we go naturally to Kansas City and St. Louis, This condition is not of our making or choosing, but has come about naturally during a business experience of this section covering a period of many years. I doubt if we can ever change it.

"This is the reason why we should have never been placed in the lower district, and the very good reason why we should be placed where it would be to our best interests.

Very truly,

(Signed) W. T. Clark,

President."

If you will notice the letter to Mr. Wells is addressed to him at Houston, Texas, and not at Dallas, before he took his official position. It appears that the letter has been filed.

THE FIRST NATIONAL BANK.

Apache, Okla., Aug. 31, 1914.

"Mr. Oscar Wells,
Houston, Texas.
Dear Sir:

"I have your letter of the 29th instant, relative to the matter of making any changes in the present boundary lines of the Dallas Regional Bank.

"I would be very glad indeed to favor you personally in any way that I could, but we feel in Oklahoma that our State should not be divided, and since we have, most of us, dealt principally with

P.61 Brf.

Kansas City, we naturally look that way for our banking connections. I like Texas and her people, but I would have to get acquainted down there. Naturally, we are in close touch with Oklahoma City bankers, and they are very anxious to get the lines changed. I have not heard lately of any action being taken in the matter.

"In our dealings with a Regional or Reserve Bank, I do not see that it can make very much difference whether the Bank is located in Dallas or Kansas City; however, as stated above, our business relations with Texas points have been very limited.

"Our business outlook would be very good only from the fact that the cotton market is unsettled.

Very truly,

(Signed) W. T. Clark,

President."

That is from one of the persons that the respondent relies upon to substantiate their petition.

Letter No. 3 is by Harold Wallace, of Ardmore, cashier of the State National Bank, and is, to say the best, a neutral letter, and could not easily be construed in any other way. I might add that a large number of Mr. Wallace's stock-holders -- practically all of them -- are Texas men, and if it had not been for strong business associations which compelled his business to go the other way, he would certainly have been in favor of the Dallas Bank.

Letter No. 6 is neutral, and not a retraction. It is signed by T. H. Dwyer, President of the Chickasha National Bank, at Chickasha, Oklahoma. Mr. Dwyer appeared before the Organization Committee in the hearing at Kansas City, and gave testimony decidedly for his part of the State to go to the Kansas City bank.

I have here another letter written by Mr. Dwyer, addressed to the Federal Reserve Board, Washington, D. C., and dated February 4, 1915:

"As you will shortly consider the application for change of boundaries of the Eleventh Reserve District I simply wish to impress on your board the fact that fully ninety nine per cent --

He repeats that in figures, to make it emphatic.

(99%) of our business goes to Kansas City, and that point is the natural out-let for us and this southwestern part of Oklahoma, and urgently ask that practically all of Oklahoma be placed in the Kansas City District.

Yours very truly,

(Signed) T. H. Dwyer,

President, Chickasha National Bank."

Letter No. 8, from the Oklahoma National Bank, Chickasha, Oklahoma, purporting to be a retraction, is signed by an inactive officer of that bank, whereas the original protest and petition on file in this Board is signed by an active officer, and has not been withdrawn.

Letter No. 9, from the Oklahoma State National Bank, is not a retraction, and at best can only be interpreted as an acquiescence in a postponement.

Letter No. 11 is from the First National Bank, Elk City, Oklahoma, signed by A. L. Thurmond, Cashier, and dated December 24, 1914, and contains this statement: "We would prefer being in the Kansas City District, * *." Furthermore, that bank is represented here in person by Mr. E. K. Thurmond, who is also

interested in the Fourth National and those state banks placed in the Dallas district under this ruling. Mr. Thurmond has come four thousand miles to tell this Board their interests lie entirely with the Kansas City district.

We also have a letter from the same officer of the bank from whom they secured a letter through personal relations. He says:

"Federal Reserve Board,
Washington, D. C.
Gentlemen:--"

This letter is dated February 4,

"Some three or four weeks ago I wrote a letter to the Federal Reserve Board, Dallas, Texas, in which I stated that we preferred to be placed in the Kansas City District, but that we were willing to wait until the Federal Reserve Banks were in due running order, or words to this effect.

"It is our desire at this time, and has always been, that we should be placed in the Kansas City District, since practically all of our business comes through that point.

"We believe that matters have adjusted themselves in the past thirty days so that we could be changed to the Kansas City District, and we do not want our former letter to be misinterpreted to the effect that we do not want in the Kansas City District, and just as soon as we can get there.

Very truly yours,

(Signed) A. L. Thurmond,
Cashier."

Letter, No. 12, from the American National Bank, of Holdenville, Oklahoma, is signed by the president of the bank. The original slip, I may say, was signed by the cashier of the bank, but, since both officers are active in the bank, I will submit

herewith another letter under date of February 4, 1915, addressed to the Federal Reserve Board, Washington, D. C.

"Gentlemen:-

We desire very much to be transferred from the Dallas Reserve District to the Kansas City Reserve District, for the reason that ~~nine-tenths~~ of our business goes either through Kansas City or St. Louis. We have been a member of the Federal Reserve Bank at Dallas since its organization and have never yet sent an item through the Federal Reserve Bank at Dallas or received one from them. We can account for this only for the reason, as I said in the outset, that most all of our business goes either through Kansas City or St. Louis. I have just talked to the First National Bank of this city and they also inform me that they have never sent an item, or drawn an item on Dallas. Therefore we urgently request that you transfer us to the Kansas City District, and oblige,

Yours very truly,

(Signed) L. T. Sammons,

President, American National Bank, Holdenville, Oklahoma."

From another one of the gentlemen depended upon to substantiate their petition,--Letter No. 13, from the National Bank of Commerce, at Hollis, is not a retraction, but an agreement to postpone, evidently given under pressure.

Letter No. 14, from the State National Bank of Hollis, while a retraction, contains a statement too misleading to be overlooked. The writer of this letter, Mr. ^{W.S.} Cross, states that this bank is located forty-eight hours from Kansas City. We will admit that Hollis is the farthest point in Oklahoma from Kansas City, being at the end of a branch line of railroad in the extreme southwestern portion of Oklahoma, but the actual

running time of trains between Hollis and Kansas City is eighteen hours. It so happens Hollis is located so that they must change trains at Altus and Lawton before they can go to Kansas City. In the same way a number of inland towns in Oklahoma would take forty-eight to fifty hours to get to Dallas. It is not a fair illustration of the difference between Kansas City and Oklahoma, or Dallas and Oklahoma.

Letter No. 17 -- it is stated to be from the First National Bank at Marlow, but should be from the National Bank of Marlow, of which Mr. Wadd, the party given, is cashier. It is a personal letter, evidently not intended for use as a retraction.

I have here a letter dated February 6, which came to me since arriving at Washington, addressed to the Federal Reserve Board, bearing the seal of the bank.

THE NATIONAL BANK OF MARLOW.

Marlow, Okla., Feb. 6, 1915.

"To the Federal Reserve Board,
Washington, D. C.
Gentlemen:

"My letter to Mr. Ben O. Smith, of Fort Worth, Texas, dated August 29th, 1914, was not written with the idea that it would be used as evidence that I favored the present division of the State of Oklahoma, in the Reserve Districting proposition.

"I have always been of the opinion and desire, that Oklahoma should be in the Kansas City District, and if my letter was used otherwise I did not so intend. It is but natural that bankers of the smaller cities should try and remain in favor with their friends in the Reserve Center, and perhaps there are others who have written letters similar to mine, with no idea they would be used as evidence before

your Board."

Gentlemen, there you have the key to all these letters. I will read that sentence again:

"It is but natural that bankers of the smaller cities should try and remain in favor with their friends in the Reserve Centers, and perhaps there are others who have written letters similar to mine, with no idea they would be used as evidence before your Board.

"I will be glad to see the South part of our State placed with the North in the Kansas City District.

Very respectfully,

(Signed) Tom Wade,

Cashier, The National
Bank of Marlow."

There is also another letter from the State National Bank at Marlow, contained in their brief, letter No. 18. Without commenting, I would like to read the following letter, under date of February 6, to the Federal Reserve Board, Washington, D. C.; from the State National Bank, Marlow, Oklahoma:

"Gentlemen:

"On January 9th I wrote you a letter in reference to the placing of certain parts of the State of Oklahoma in the Dallas Reserve Bank district. I would refer you to that part of my letter wherein I stated that for the present I would withdraw our protest. After a careful consideration of the matter, and with especially the interests of my bank and the people of this vicinity in view, I deem it best to inform you that I now have as an earnest wish, that this part of Oklahoma at least will be transferred to the Kansas City district.

"We deeply appreciate the honor that was conferred upon Oklahoma by having a banker from our State on the Dallas Board, and trust that our action in this matter will in no way affect his standing or position. In writing my former letter, I was

considerably influenced by the natural desire on my part, and which was doubtless the case with others of this same part of Oklahoma, to advance one of our home people, and to aid him along all consistent lines.

"We are very grateful for the kind treatment received at the hands of the Dallas Federal Reserve Bank, and regret that we do not find it consistent with our views to desire to still remain in that district.

Respectfully,

(Signed) O. R. McKinney,
Cashier."

Mr. B. A. McKinney, of Durant, Oklahoma, was elected a director in the Dallas Reserve Bank. I can not say whether there is any relationship between the gentlemen or not; the names are the same.

Letter No. 20, signed by J. A. Gilbert, Cashier of the Farmers and Merchants National Bank, Roff, Oklahoma, under date of August 25, 1914, addressed to the Reserve Bank Organization Committee, Washington, D. C., is a carefully worded letter, apparently given at someone's urgent request, containing this prophesy as a preliminary to any retraction:

THE FARMERS AND MERCHANTS NATIONAL BANK.

Roff, Okla., Aug. 25, 1914.

"Reserve Bank Organization Committee,
Washington, D. C.

Sirs:

"We understand that there is a move on foot to place the entire State of Oklahoma in the Kansas City Reserve District.

"If the Dallas District will be as able to take care of our needs for funds as the Kansas City District, — "

It is evident the writer was in doubt as to the service he could get from Dallas, or he would not have written thus. (Continues reading:)

we prefer that the districts be left as they are, for the reason that we are a cotton growing section and our needs are identical with most of the banks of the Dallas District.

"We are not in favor of any move that will delay the completion of the organization of the reserve banks.

Yours very truly,

FARMERS & MERCHANTS NATIONAL BANK,

By (Signed) J. A. Gilbert,
Cashier."

These are all the letters we have to present from the twenty-two they have placed in that exhibit, but I think the tenor of those will show the personal letters were not intended to be used here, and that the twenty-two named in the defendant's brief, are not to be considered as retractions.

With these remarks in mind, a careful perusal of the letters in Exhibit A, which are the sole basis of respondent's contention that many of petitioners have changed their minds, will show that only ten, at the very outside, of these communications can reasonably be construed as retractions. Some of them are to Mr. Oscar Wells, at Houston; some of them are to Mr. Smith at Fort Worth, who seems to have acted as a sort of "decoy duck" for the directors; others are addressed to members of the Dallas bank personally. I might say, in that connection, I have one of Mr. Smith's letters here, an original letter, to show how he got these signatures. This is addressed to Mr. Tom

Wade, at Marlow.

FARMERS & MECHANICS NATIONAL BANK.

Fort Worth, Texas, August 25th, 1914.

"Mr. Tom Wade, Cashier,
Marlow, Oklahoma.
Friend Wade:

"It has recently been brought to our attention that there may still exist some opposition to southern Oklahoma remaining in the Eleventh Regional Bank District.

"Do you happen to be familiar with the situation, and what influence, in your opinion, will that opposition be able to exert with the Department. In view of the fact that a great majority of the Texas banks were so enthusiastic in electing an Oklahoma man as one of the directors, we sincerely hope that there is nothing in this report. --"

Now here is the part to which I wish to call your attention:

"A contest, even though it might be unsuccessful, I am afraid would result in lessening the prestige of the Oklahoma director, and inasmuch as southern Oklahoma is, to a great extent, a cotton producing section, it occurs to us that it would be much better for them to remain with banks that are familiar with the cotton situation, rather than go to Kansas City.

* * * * *

Very truly yours,

(Signed) Ben C. Smith,

President."

Of course our boys did not feel like going up against a proposition where they thought the director's influence would be destroyed if they tried to get out of the district.

The fact that all of these efforts have been made with sp

little result indicates the strength of the movement in Oklahoma and the justice of the cause here presented. Out of 110 petitioning bankers not more than ten have evidenced even under pressure what can reasonably be construed as a retraction, and this leaves the petitioners with ten more than the maximum number which respondent claims is necessary to sustain our petition.

It may be well here to refer to a statement on page 47 of respondent's brief where it is claimed that it would be impossible to secure 309 signatures from banks in southern Oklahoma. I have already stated that in our list of petitioners are included 178 state banks. We did that, not because we thought the state banks were entitled to a Board hearing at this time, but in order that you might judge of the sentiment of the banks in that section, and those 178 are included in the 309 which respondent says it would be impossible to get without duplicating the number.

Respondent in his brief attacks the committee presenting this petition as unauthorized. This committee was selected unanimously at a meeting attended by a representative of practically every bank in the territory asking to be changed, and was requested and directed specifically to prepare and file this petition. Particular stress is laid in a number of places in respondent's brief on the fact that one member of the committee lives in Oklahoma City, which is outside of the territory asking to be changed, and he repeatedly refers to this fact. This member of the committee is secretary of an association of which

every petitioning bank is a member, and he lives in Oklahoma City because it is more convenient to transact their business from that point. I might say that at the time the Secretary of the Association appeared before the Organization Committee in Kansas City and gave the same evidence that is being given now, he did not live in Oklahoma City. He is paid by them to look after their affairs. It is well to note that all of the non-petitioning banks in southern Oklahoma are also members of the same association, and that if the sentiment were not overwhelming in favor of a change, their secretary would not be here taking part in such a contention.

The other members of the committee and of the delegation present today are bankers actively engaged in that business in the territory asking to be changed. If they have not a right to appear here, who would have? Such objection is trivial and not worthy of consideration.

It is true that this petition is not presented by such eminent counsel as represents respondent. In preparing for this hearing, the petitioning banks have frequently stated that they believed your body would care less for legal technicalities than for plain facts embodying banking principles and common justice. We have no oratory to offer, no fine technical points for which to contend, and no hairs to split with legal verbosity. We are not here as lawyers, but as business men representing a cause we believe to be just and right, and willing to submit our case to a tribunal we believe desires only authentic information on which to arrive at a fair conclusion.

In the brief which has been on file with your Honorable Body practically four months, we have set forth in a manner which can not be successfully disputed that southern Oklahoma had at the time the regional district lines were formed practically no banking relations with Texas, and especially with the city which has been designated as the center of District No. 11. Respondent has not attempted to offset this showing but has resorted to many less important assertions which bear only indirectly and remotely on the main point.

On page two of our brief we make this statement in italics, speaking of the exchanges for the month of April between the two cities:

"Figuring percentages upon these items shows Kansas City to have handled 93.2%, Dallas 0%, and other Texas cities 6.8%."

We elaborate on that considerably in the brief, which I have not time here to present, showing that all the banking business is with Kansas City or the northeast. Respondent has not attempted to offset this fact, but passes it over in his reply brief as facts abundantly known to the Organization Committee at the time the districts were outlined. If they were abundantly known to the Organization Committee, they must have been passed over without consideration at that time, because nothing could be more significant than that not less than ninety-five per cent of the territory that asks to be changed went to Kansas City and the northeast at that time, and does today.

The Federal Reserve Act provided in specific terms that the district lines should be formed with due regard to the natur-

al course of business. We do not blame the Organization Committee for making a mistake in our case because they probably did not have the facts before them on which to base a fair conclusion. It was not to be supposed that some mistakes would not occur even in the case of such an able-body of men as the Organization Committee. But when it is shown, as our brief clearly shows, that the banking relations of southern Oklahoma with Dallas were practically nothing at the time these lines were formed, we think the mistake made becomes apparent. A letter from the Comptroller of the Currency is herewith submitted which shows that only four national banks in the territory asking to be transferred carried accounts in Dallas prior to April, 1914.

I would like at this time to read here a letter from the Comptroller of the Currency to substantiate the facts which we have presented in our brief and argument. This letter is dated April 24, 1914, addressed to Hon. Robert L. Owens, United States Senator, Washington, D. C.

"My dear Senator:

"In reply to your letter of April 20, you are advised that there are five banks, among those in Oklahoma allotted to the Dallas District, which reported accounts in Dallas on March 4, the date of the last call. These banks, together with the depository banks, are as follows:

First National, Ada, Nat'l,, Dallas.	- Am. Exchange
Chickasha National, Chickasha, Nat'l, Dallas.	- Commonwealth
First National, Kōowa, Dallas.	- City Nat'l,
City National, Madill, Dallas.	- " "

First National, McAlester, - Am. Exchange
Nat'l, Dallas.

"There are also some twenty-three banks reporting reserve balances with FORT WORTH banks, and a few keeping their reserves in HOUSTON banks.

"It is possible that other banks on this list actually have balances in Dallas, in State banks, or in national banks which they have not requested this office to approve as reserve agents.

Respectfully,

(Signed) Jno. Skelton Williams,
Comptroller."

Of those five national banks four are located in that territory which is asking to be changed. One of them is located in one of the counties which is excluded from this petition. Of the four national banks, the First National Bank at Ada carries a cattle, oil, and cement account, which requires a Dallas correspondent. The Chickasha National Bank at Chickasha carries a heavy grain account, which requires a Dallas correspondent. The First National Bank at McAlester is located in the coal district, and every week has a pay-roll from Dallas which requires a Dallas account to handle properly. So that in three out of the four cases, some specific reason enters into why that bank carried a Dallas account. In other words, there was absolutely no business of a regular character at Dallas at the time these banks were organized.

Senator Robert L. Owen: The cement plant is located at Ada?

Mr. Harrison: Yes, the cement plant is located at Ada,-- a large one.

Also regarding the accounts at Fort Worth, it is a large packing center. Oklahoma raises many cattle, and those accounts are handled at Fort Worth for the purpose of taking care of the cattle accounts which naturally go to Dallas.

If, as respondent claims, the natural course of business and banking is toward the south, why is it that in the years preceding 1914 only four out of 135 national banks had discovered this to be the case, and these four carried only a fraction of their reserve balances in Dallas? Such a contention is too absurd to have any weight. The fact is that in spite of its geographical proximity, southern Oklahoma is not and never has been in close commercial or banking relation with any part of Texas. It is true that the five counties in the southeastern part of Oklahoma which have been excluded from our petition are connected by a special line of railway with Dallas, and have what may reasonably be called close Dallas relations; but outside of this small area, and perhaps one adjoining county, southern Oklahoma is as far removed commercially and financially from Dallas as it is from San Francisco or Philadelphia.

From a banking standpoint the situation is much worse than the geographical position would indicate. As is contended by respondent, the main crop in Texas is cotton, and the same is true of southern Oklahoma. Cotton begins ripening and is shipped to market from southern Texas sixty days before the Oklahoma crop is ready for shipment. This period gradually shortens as one moves from southern Texas to northern Texas, but the ef-

fect of this condition on the banking business is that the banks of Texas, which are very heavy borrowers in the cotton season, exhaust their loan resources before the Oklahoma crop is placed on the market. Their loans are made first in southern Texas and gradually move northward, as the crop ripens. By the time Oklahoma cotton is harvested, Texas banks are loaded with cotton securities, and Oklahoma borrowers are at a great disadvantage compared with the borrower in southern or even central Texas.

It is very easy to look at a map and say, well, here is Dallas-or Oklahoma located right at the door of Dallas, as respondent says in his brief, but cotton begins ripening in southern Oklahoma sixty days after it begins ripening in southern Texas. The respondent makes the contention that Dallas, being a cotton bank, and southern Oklahoma being largely a cotton producing territory, therefore the two should be in the one district. Cotton begins ripening in southern Oklahoma sixty days before the Oklahoma crop is placed on the market.

Mr. Huff: In Texas.

Mr. Harrison: In southern Texas, down near the Mexican line. The time shortens gradually as you move northward across Texas, Southern Oklahoma is the farthest northern region of the cotton crop. The result of this is that the banks of Texas which are admitted to be very heavy borrowers at the cotton season exhaust their resources before Oklahoma is reached, and by the time southern Oklahoma has reached its borrowing stage, the banks of Texas are obliged to go east for their resources,

and Oklahoma is obliged to go the same way, and at the very best all that southern Oklahoma could get from the cotton bank in Dallas would be the ragged end of the borrowing, when, according to our petition, showing they have borrowed on re-discounts upward of \$23,000,000 in one year, as shown in the Comptroller's report, and if to those are added a large amount of re-discounts which, as you well know, is the practice of many bankers, to use them, placing it on their regular statement,--if, after that is added, some twenty-or thirty million dollars, you can see the position Oklahoma is in to obtain loans from the Dallas banks at the end of the cotton season, when the Texas cotton borrowers have been supplied first with the money and the resources have been exhausted.

Senator Robert L. Owen: Mr. Chairman,--pardon me just a moment. There is a call to the Senate which will require Senator Gore and myself to leave now. I am very sorry we can not continue to be here while this hearing is going on, but I wish to ask permission, on behalf of the Oklahoma delegation, that I might be given an opportunity to address the Board with regard to this matter at the first convenient moment,--perhaps this afternoon, as soon as this vote is over. They are going to take some vote at twelve o'clock. There is something going on up there! (Laughter.)

The Governor of the Board: The Board will be very glad to hear from you at any time, Senator. There may be a little doubt about this afternoon, but there will be no trouble about it.

Senator Owen: I wanted to give as little inconvenience to those representing the Dallas district as possible, and that is the reason why I suggested this afternoon.

The Governor of the Board: Oh, well, there will be no trouble about it.

Senator Owen: The pairs are being broken at twelve o'clock, and so it will necessitate the presence of both of us on the floor of the Senate at that time.

The Governor of the Board: If you can come, any time ^{that} will be agreeable to you.

Senator Owen: Our State is very deeply interested in this matter, which accounts for our presence here this morning.

The Governor of the Board: Senator Gore, would you like at some future time to address the Board?

Senator Thomas P. Gore, of Oklahoma: I should not desire to address the Board at length, certainly, but --

The Governor of the Board: It will be understood that -- Senator Owen, we will expect you at three, subject to your pleasure.

Senator Owen: If you please; I will telephone as promptly as I know, Governor.

Mr. Harrison (continuing argument): Speaking of ~~the~~ southern Oklahoma being a cotton section and Texas a cotton section, which is dwelt on very largely in the arguments of respondent, and also in the arguments before the Organization Committee, claiming that Oklahoma being a cotton, and Texas a cotton, district, they should be in one district, it should not be overlook-

ed that there is a large amount of cotton, about one-third of the total Oklahoma crop, grown in the counties which are already in the Kansas City District. Therefore, the Kansas City banks are, and must continue to be, thoroughly familiar with handling this crop, as well as the extreme southern Oklahoma crop, which they have heretofore financed. Hence the claim of respondent, on page 54 of its reply, that the Kansas City bankers are not competent to finance the Oklahoma cotton crop is founded on a false supposition.

I will say the gentleman - the respondent - stated they did not say they were not able banks, but said their experience was not sufficient in cotton to handle this class of paper.

Now, Mr. Miller, the federal reserve agent at Dallas, a member of the board of directors, born and raised in Texas --

Mr. Huff: Kansas City.

Mr. Harrison: Kansas City - excuse me if I make a misstatement - born and raised in Texas, been a cotton banker all his life, knows, or did before he became federal reserve agent, a large number of cotton banks, and certainly knows the cotton business as well as any banker in that section of the country. He is one of the directors. Mr. A. C. has spent all his life in the cotton regions of Mississippi, Alabama, and other southern points. Mr. L. A. Williams, another director in the Kansas City bank, has had fourteen years' experience in banking, all of it in the cotton district, and under these circumstances, it is absurd to say the directors in the Kansas City bank are not qualified to handle that situation.

The Kansas City bankers have done it in the past successfully, in open competition with Texas banks, and our bankers and merchants are not so ignorant that they need the paternal club of government force to compel them to learn where it is best to finance their crops.

It is well known that Kansas City is the center of a great wheat, corn and live stock producing belt, and it is the money from these sources that has heretofore financed the Oklahoma cotton crop, and will do so with ease and satisfaction in the future if permitted. As shown on pages five to eight of petitioner's brief, the ability of Kansas City banks to finance Oklahoma's products is immeasurably superior to that of the Dallas banks. And this accounts for the fact that such financing has always been done in Kansas City or some other northern or eastern point in the past.

Take the question of re-discount, to which I referred a few moments ago, it is true at certain periods of the year the Kansas City banks -- the total they had was about two and one-half millions in 1914, but those re-discounts were out of the way before the Oklahoma cotton crop came on the market. The re-discounts of the Dallas bank are at the highest point when the Oklahoma cotton crop comes on the market.

It is on this unquestionable showing that your petitioners also base their claim that the natural course of business can not in any sense be said to be followed in the present division.

In an effort to offset these clearly apparent facts, respondent sets forth statements as to the direction in which cotton, grain, lumber and some other products raised to a very limited extent in southern Oklahoma move. This argument is contained on pages 37, 38 and 39 of respondent's brief, and can be answered by a single statement; respondent has confused the case of certain lines of commerce with the course of banking. Your petitioners are representing a banking proposition, and while it may be true that some of the products to which respondent refers move southward to the Gulf before moving eastward to European markets, the financing of these crops is all done from the north and east and the Gulf movement of freight in no way decreases the grounds for contending that petitioners banking relations are with Kansas City and farther east.

For instance, the respondent in his petition refers to the case of the Kemp & Kell Grain Company, one of the largest buyers in the Southwest. They have a number of mills over that country. Now, the wheat taken out of Oklahoma - five-sixths - is purchased by two firms, either Rosenbaum and Company, of Chicago, or Armour and Company, of Chicago, and all the financing of that crop comes from the north and east.

Respondent quotes on page 36 a statement from the Senate record that banks will not be prohibited from doing business with their previous correspondents, no matter in what district they are located, but it is well known that the keeping of a reserve balance in a regional bank almost always carries with

it the necessity of a balance in a bank in the regional center.

Re-discounts - I secured this morning a statement of the capital stock and deposits of the Dallas banks, compared with Kansas City, the Dallas banks have approximately seven and one-half million capital and twenty-five million surplus; Kansas City national banks' capital and surplus -- and I included the surplus in the Dallas statement -- of fifteen million dollars; deposits of one hundred and five million dollars. Kansas City deposits run seven to one of their capital and surplus; Dallas deposits run three to one of their capital and surplus.

Respondent says, on page 46, that petitioners "have the temerity to propose to further reduce the resources of the Dallas bank, and by so doing, the claim is put forward that this action would help both banks." The fallacy of such a criticism does not need explanation to any banker when it is remembered that southern Oklahoma, like Texas, is a heavy borrower at certain seasons and at the same seasons as Texas. While the change asked by petitioners would slightly reduce the capital of the Dallas regional bank, it would in much greater degree reduce the demand upon that institution for loans and therefore make its position stronger.

That is a quotation from the respondent's brief. The fallacy of this does not need explanation to bankers. It is true if our petition is granted, the capital of the Dallas bank will be reduced to about \$386,000, but while that is true, the calls on that bank for loans will be reduced all out of proportion to the reduction of capital, so the position of the bank will be

strengthened instead of weakened. The Dallas bank, with the territory which we ask to be changed would still have more than one and one-quarter millions above the required capital for a federal reserve bank.

Respondent's brief is largely devoted to technical matters of no vital significance or import to this proposition, such as the formation of this committee, the form of the petition, whether it was signed by all the banks individually. Now the way we got up our petition, -- and we tried to get it up as soon after the Organization Committee got up its decision as possible -- we sent out slips to the banks, identically the same slip with the place for the officer of the bank to sign, a copy of which appears on the petition, and the original of which is with the Board in every case.

We put it in as brief language as we could for your convenience, to cover the grounds which are contended for in this case. If we had done, as respondent shows we should prepare a petition and send to every bank to have signed, it would be necessary to take a year at least to get this petition around to the large number of banks before we could have presented it to the Board, and then in the identical language as presented, and nothing would have been gained, because every bank has signed the same worded petition in this case.

Respondent's brief is largely devoted to technical matters. If you will look at it you will find it is a lawyer's brief, voluminous, verbose, and replete with matters that are not vital to this question at issue. I suppose that if we were lawyers, and as eminent coun-

sel as represented by the respondent, we would probably declare this to be immaterial, unnecessary, and not responsive to the question asked; but the fact remains that a large part of the brief is not in response to the vital point put forward by us in this case: Where have the banks in the petitioning district been accustomed to transact their business, and what is the most convenient and best arrangement for them? That is what we have been trying to get at.

Insinuations are many times thrown out that this is a movement on the part of Oklahoma City, and not by the banks in question. Such an assumption gives too much credit to the ability of Oklahoma City bankers to force into line 110 national banks and 170 state banks scattered over a wide territory, many of which banks have no financial connection in the metropolis of our State. To claim they could force into -- well, 110 out of 135 national banks, and 178 state banks in the same district, many of which have no financial connections at all with Oklahoma City!

Oklahoma City is the natural center of the district asking to be transferred, even if it is beyond the border of that district, and if Oklahoma City bankers have taken any part in this movement it has been because the petitioning banks naturally looked to them for support in every movement in which they are interested. If the relations of these southern Oklahoma banks with Dallas were such as is claimed by respondent, it would be utterly impossible for Oklahoma City to have any influence upon them, and it would be likewise absurd to charge

such influence.

Dallas carries 28,820 mercantile accounts in Oklahoma. I found this statement since coming here to Washington, and in looking in Bradstreet's I learn that the total number of all mercantile accounts in Oklahoma City is a little less than 122,000, and including all of Oklahoma, and yet these respondents claim they carry 28,820 mercantile accounts in all this portion of Oklahoma.

Mr. Huff: The statement is not that that many accounts in southern Oklahoma, but that many accounts in Oklahoma as Dallas had made the district.

Mr. Harrison: I stand corrected. I thought it was southern Oklahoma. And that statement is made in the Senate record also. We still have 8280 to the good after giving you all the merchants in Oklahoma. Such a statement, that Dallas carries 28,280 accounts in Oklahoma, and only five bank accounts, is a story that needs no refutation. It would be utterly impossible.

We are glad that Dallas secured the bank. We believe that the great Empire of Texas alone and unaided is sufficient in financial and commercial importance to warrant the location of a regional bank somewhere in that State when there were to be twelve such institutions established. We are not trying in the least to injure the Dallas bank, but only contending for our own rights.

When it is considered that if all of the territory which we ask is transferred, the Dallas bank will still have more than a million and a quarter capital above the amount required by law, we do not see how a reasonable objection to the transfer can be

made. When it is further considered that we have excluded from our petition the only section of Oklahoma which is in any reasonable degree related by business associations to Texas, and that a large per cent of the non-petitioning banks in the territory asking to be transferred are located in the counties immediately adjoining the five which we have excluded, and that only one county outside of those we have excluded has asked that it also be included, Johnson County, which immediately adjoins the county of Bryan,--the sincerity of our position should be clearly seen, and our efforts to act in harmony with the best interests^{both} of Texas and Oklahoma apparent.

We ask therefore that in considering our petition you remember that it represents under any showing a margin of ten above the two-thirds requirement claimed by the plaintiff, as shown by a fair examination of Exhibit A. Further, I ask you to bear ~~mark~~ this point in mind, while there are a lot of letters in the back of this brief, none of the letters contained in Exhibit C, and purporting to represent the feeling of bankers in southern Oklahoma, are from bankers whose names are attached to our petition,--not one of them,--and that all of the letters contained in Exhibit F, again purporting to represent the feeling of bankers in Oklahoma,--the petitioning territory,--are from territory that is excluded from our petition, and have no more right to appear here as an argument against us than would letters from bankers located in some point in Texas, because they are conceded to the Dallas bank.

In justice to the banks in the petitioning district, which

feel that their business relations have been unintentionally outraged by the present district lines, we ask you to re-district that territory so that their interests will be better served, and the federal reserve system will not be handicapped by unwarranted artificial barriers raised against its proper development.

Gentlemen, that is our position. We are ready to answer any questions. We have some bankers here from the petitioning territory, who can speak for themselves, and we are at your service. I thank you.

ARGUMENT OF MR. CHARLES C. HUFF, COUNSEL FOR RESPONDENT,
THE FEDERAL RESERVE BANK, OF DALLAS, TEXAS.

Gentlemen of the Board: I feel rather alone in this distinguished congregation today, with the great number of sixteen inch guns being trained upon me. I feel that if I could not say, in the words of the Kaiser, that I had the right and God Almighty with me, I would probably go down in defeat. But gentlemen, this law is on trial; this is no bankers' law, yet they stand up here and say what the banks want! This law has not been passed at the instance of the banks, but it was passed over the protests of the banks. You know the discussion that took place when this law was first proposed. The bankers were against the law; the bankers did not want this law. A healthy public opinion whipped this law onto the statute book. When the banks found out the law was going to be passed, then they came in for the first time and asked to be permitted to make suggestions, and they did perfect the law, and made it, in my opinion, one of the greatest pieces of constructive legislation ever placed on the statute books. But this law was not passed, may it please the Board, at the instance of the banks alone; but it was passed to correct some evils that had grown up at the hands of the banks themselves; it was passed in order to give stability to the financial system of this country; it was passed in order to keep the reserve centers in the East from corraling

H-b

all the money at the time of short crops and depression.

The gentleman says that my argument in the brief is largely technical. Well, now, of course, that is a good deal in training. You have, as members of this Board, made some rules which you have said were going to be followed in appeals of this kind. One of the rules was that a petition must be signed by two-thirds of the member banks. Now those rules were promulgated on August 23, 1914. My objection was,--and it's technical, but it goes to the very foundation of this proceeding, if the rules have been made,--my objection was that this petition was not founded upon a petition prepared in accordance with these rules, but shows that after the Organization Committee's report of the lines was made public, that banks, at the instance of Mr. Harrison, sent in protest slips. Now, let's see if that is not correct, as found in Mr. Harrison's own letters, away back in April.

Now, the first one is this:

"THE OKLAHOMA BANKERS ASSOCIATION
Office of the Secretary

Oklahoma City, April 7, 1914.

"TO O. B. A. MEMBERS IN DALLAS DISTRICT.

"Gentlemen:

"Without presuming in the least to dictate in the matter of the regional reserve bank districts, we feel that another letter at this time will be welcomed by you, in view of the many urgent letters and telegrams we have received."

H-c

Now that is on April 7, 1914.

(Continues reading:) "The writer has much information which it is impossible to convey in a letter, but the main point is: After communicating with Senators Owen and Gore, all Oklahoma's Congressmen, and after consulting with bankers in Kansas City personally and canvassing the situation as thoroughly as time has permitted, we are convinced that there is a reasonable chance, by proper activity, to get Oklahoma placed in one regional district.

"As for a branch bank, the administration forces are inclined to adopt the policy of placing branches only where there are not overnight facilities for handling business. Under that policy, and the Districts as now framed, every city in Oklahoma is barred from obtaining a branch.

"Our information is, that 95% of the Oklahoma banks that have been placed in the Dallas District are very much opposed to this arrangement. We ask that any bank that is contented to remain in that District, please write us at once. All others should fill out the enclosed form AND RETURN TO THE WRITER. (Do not mail it to Washington.) This is VERY IMPORTANT AND SHOULD HAVE YOUR IMMEDIATE ATTENTION.

P. 73
Brf.

"Further suggestions will follow developments.

Very truly yours,
(Signed) W. B. HARRISON,
Secretary O. B. A."

Now, that's the first letter. That was before the rules were promulgated.

Here is the second letter, just a week later:

"THE OKLAHOMA BANKERS ASSOCIATION
Office of the Secretary

Oklahoma City, Okla.,
April 13, 1914.

"TO THE BANK ADDRESSED:

"We have not asyet received from you one of the signed slips like the enclosed which we mailed you a week ago and asked to be returned immediately. This is exceedingly important, and we can not put too much stress on

P. 74
Brf.

H-d

the necessity of hearing from every Oklahoma bank in the Dallas District at once definitely. If you want to be in the Dallas District, please state that plainly. If you do not, sign this slip today, and mail to us, unless you already have one in the mail.

"We admit that there is only a fighting chance to get the District changed, but we have good reason to believe it can be done. Today we have received from Washington a signed statement by a high government official, whose support means as much to us as that of any other man, saying he thinks this change can be made if the banks will all sign the protest.

"It is very important to not only send this in, but to wire your Congressman and Senators, unless you have already done so. Let them hear from you direct in protest against the lines as at present formed, if you feel that way about it. . . ."

(The letter was signed by W. B. Harrison, Secretary, O. B. A.)

Now, the point I make is this, that these protest slips were not made and not filed in response to this procedure, but were made and filed immediately after the announcement of these lines. I do not know what the procedure was at that time. I can not understand it. They were urged to "see your Congressman and to wire your Senator." I suppose at that time the Board had made no regulations with reference to the matter, and yet certainly those slips which were sent in to be directed to the delegation in Congress and Senators were not made as a protest to base a petition on thereafter, because that was two, three, four months before the rules were promulgated, upon which this petition could only stand. Now, my position is that under this procedure laid down by you, that this petition has never been filed in accordance with your rules.

Now, another position I take with reference to this mat-

H-e

ter is that, under the statute, under the law creating these banks and this Board, this matter could only come before the Board as a review,-- a petition for review. Now, of course they may say I am technical. Yet the well recognized rule of law is that where you are simply reviewing the action of some other tribunal, that you can not change it, except on an error of law, or where the finding upon the facts was so erroneous as to result in a miscarriage of justice and fraud.

Now, it says that "the determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized . . ." -- no other tribunal could review it, and the Board could only review it as a question of review of the finding of the Organization Committee, upon the testimony taken on the hearings. Now, gentlemen, I will submit to you that in this entire brief filed by the gentlemen from Oklahoma, there is not one reference to one line of testimony taken upon the hearing before the Organization Committee. The Organization Committee did not send any boys out to transact this business. The Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency went themselves in person to every district in this United States. They saw the people; they came face to face with them; they got their opinions; they had the hearings; they saw the conditions upon the ground; and after seeing those conditions they made these findings, created these districts as they are now, and under the law, -- while it may be tech-

H-f

nical, yet under this very law this Board, as a legal proposition, has no right to upset the finding of that Committee unless there be an error in law or unless the finding of the Committee is so erroneous as to amount to a fraud upon the district as formed.

I do not believe any gentleman following me will controvert that well-known proposition of law.

Now they say "You are technical." Well, now, if I am, you permitted it; you invited it. The regulations say "At all hearings hereunder, all questions of fact, including jurisdictional and powers of the Federal Reserve Board, may be urged." Now that may be technical; but, gentlemen, when you come to consider it, you are an appellate court; you simply have to take the testimony as introduced on the hearings. All of these letters from banks in Oklahoma, about the conditions of business,--all of those letters amount to nothing if you are going to try this case according to your own rules. That whole brief, when you consider it, has to go out, because none of it is founded upon a single syllable of testimony taken at these hearings. It is not a trial de novo, but it is an appeal; it is for the purpose of determining whether or not the first -- those three gentlemen who went into every part of this country, and who saw and heard every word of testimony, who made maps, who got the opinion of the people on the ground, for the purpose of seeing whether those gentlemen made such a serious error of fact as to warrant you in saying that this finding of fact they made as to these districts was so very erroneous that we will have to over-

H-g

turn it, because it amounts in the final analysis to fraud upon the district as formed.

Now, gentlemen, another thing: When these protests were first filed, it was said that they were being filed because the State of Oklahoma was being divided. Now listen here: This is what Mr. Harrison himself says:

(From letter written by W. B. Harrison to O. B. A. Members in Dallas District, dated Oklahoma City, April 7, 1914:)

" . . . we are convinced that there is a reasonable chance, by proper activity, to get Oklahoma placed in one regional district. . . . "

P. 73
Brf.

Now, the point I make is this, that when they sent out these protests from Harrison's office in Oklahoma City, to be signed by these banks, the point they had in mind then was that all of Oklahoma was to be transferred to Kansas City. Now let's see why that was not done. There are thirty banks in the five counties that they have excluded from this petition. On file with this brief are letters from twenty-six of those banks saying that they want to be in the Dallas District. Since that time there have been letters sent in from a bank in Hugo to the Federal Reserve Board, a copy of it being sent to Dallas; another letter addressed from the First National Bank of Durant, making twenty-eight of those banks in those five counties that said they did not want to be in Kansas City, but they were where they wanted to be. Now, is it not absolutely as apparent as the nose on your face that when these gentlemen got to feeling around down there for the purpose of getting up a petition, they ran across five counties that they could not

H-h

jar, and they said "We will exclude you gentlemen, and we will divide the State of Oklahoma ourselves in another way than the division of the Organization Committee." Now, they say to you, the very first try out of the box, "We want to get all of Oklahoma into one district"; yet, gentlemen, when they went up against the five counties down there where there were twenty-eight banks in favor of Dallas, those banks said, "Oh, no; we don't want to go to Kansas City; you can not transfer us across Kansas into Missouri. We want to stay in Dallas." Then they did some dividing themselves. They made another division of the State of Oklahoma, and they pay a very nice compliment to Mr. McKinney in their brief, because they say "He is down there, and we don't want to transfer him or this territory away and therefore cause him to lose his job." Well, the law takes care of him. There was no reason for doing that, but the point I make is this, that on file with this Board are twenty-eight letters from banks in those counties which absolutely say they do not want to go to Kansas City, and they are not going to Kansas City, if they can help it.

Now, gentlemen, if they had included those thirty banks and tried to get a petition, that gentleman knows, they all know, that you could never have, by any kind of figuring, scared up your two-thirds. Now, let's see: He says a list of these banks was found in the back of his brief; I got it from the books in the Federal Reserve Bank in Dallas; but there are 166 banks. Now, thirty-four of them admittedly, by their own pe-

petition, never did file any protest; thirty of them are excluded, making sixty-six; twenty-two wrote letters either saying that they did not want to be transferred or that they felt that no action should be taken now, which would make eighty-six out of the one hundred sixty-six, which would show that one-half of the banks down there really were not behind this movement.

Now, he says, gentlemen, that some of those banks have since written other letters. Well, all I can say is they saw them last, since we did. These letters, he says, we ought not to use them. I do not know. I do not think there is any breach of faith. Mr. Wells wrote them, and said he was interested in knowing the feelings of these men, and the letters were in reply to those letters of inquiry.

Now, he takes up Mr. Wood's letter,--Mr. Wood, of Altus. Here is what Mr. Wood said just on December 24th:

(Letter signed by J. T. Wood, President of the City National Bank, Altus, Oklahoma.)

"Regarding proposed change of Southern Oklahoma banks into Kansas City District:

"I deem it unwise at this time to make any change; in fact, we are very well pleased with Dallas. Should a majority of Southern Oklahoma bankers favor Kansas City, the change could be effected at some future time. . . ."

That is what he said just on December 24th. Here is what this man from Apache says,--and right here I will say I have seen another letter from him, and he does not want to be in any district; he does not want any reserve bank. He says in the last letter I saw from him that he did not want to be a member of

H-j

any reserve bank any place. Now, let's see what he says:

(Letter addressed to Mr. Oscar Wells, Houston, Texas, signed by Mr. W. T. Clark, President of the First National Bank, Apache, Oklahoma, dated August 31, 1914.)

P. 61
Brf.

"I have your letter of the 29th instant, relative to the matter of making any changes in the present boundary lines of the Dallas Regional Bank.

"I would be very glad indeed to favor you personally in any way that I could, but we feel in Oklahoma that our State should not be divided . . . "

Now that's the way the Organization Committee divided it, but they contend it should not be divided that way, but that it is all right to let Harrison divide it. It is all right for Harrison to make the division if he wants to, but the Organization Committee, that made it their duty according to the terms of this law to pass on it, can not divide it; but let Harrison divide it for us! (Continues reading from above letter:)

"I would be very glad indeed to favor you personally in any way that I could, but we feel in Oklahoma that our State should not be divided, and since we have, most of us, dealt principally with Kansas City, we naturally look that way for our banking connections. I like Texas and her people, but I would have to get acquainted down there.

P. 61
Brf.

(Laughter.) -- (Continues reading:)

Naturally, we are in close touch with Oklahoma City bankers, and they are very anxious to get the lines changed. I have not heard lately of any action being taken in the matter.

"In our dealings with a Regional or Reserve Bank, I do not see that it can make very much difference whether the Bank is located in Dallas or Kansas City; however, as stated above, our business relations with Texas points have been very limited. . . . "

Now that, gentlemen, is a letter that he wrote on August 21st, in response to Mr. Wells' letter.

H-k

Now the letter from Mr. Thurmond of December 24th speaks for itself. Mr. Thurmond simply says he did not think they ought to have any change. Now, he has since written a letter; when he found out his brother was coming up here, he had to write another letter, being cashier of the bank that his brother is president of, and his brother coming up here to get something done, he could not have a letter like this outstanding. And they say we over-reached them, but I say they over-reached us, because they went and got a later letter; and within a period of thirty days Thurmond has changed his mind about the whole thing, and something has happened within thirty days that makes him think it is all right to go ahead.

Now, the gentleman in Holdenville wrote in August, and this is what he said:

(Letter from Mr. L. T. Sammons, President of the American National Bank, Holdenville, Oklahoma, dated August 31, 1914, addressed to Mr. Oscar Wells, Vice President, First National Bank, Houston, Texas.)

"In reply to your letter of August 29th, will say that as far as I am concerned now, I had just as soon be in the Dallas District as in the Kansas City District, for the reason that I think the Dallas District will understand this cotton condition better than any other. I think the Dallas District will fully realize what we are up against in this cotton section, and will understand how to handle the situation better than if we were in a grain or any other territory. Therefore, I am perfectly content to remain in the Dallas District."

Now that is from Mr. L. T. Sammons, written to Mr. Wells on August 31st.

Here is a gentleman, Mr. Cross, President of the State National Bank of Hollis. He says:

P. 67
Brf.

(Letter from Mr. W. S. Cross, President of the State National Bank of Hollis, dated Hollis, Oklahoma, January 15, 1915, and addressed to Federal Reserve Board, Washington, D. C.)

"In regard to the proposed change --"

This letter can not be subject to any objection because it is not even directed to anybody in Dallas, but is directed here and filed here. I assume, therefore, this one will pass without any criticism.

P. 68
Brf.

"In regard to the proposed change in this Reserve District, we prefer to stay in the Dallas District, on account of the distance and connections which the mails make. We are only twelve hours from Dallas and about forty-eight hours from Kansas City."

Now, gentlemen, here's a letter I want to call your careful attention to, because it says that this man has, while he started out thinking he ought to be in the Kansas City District, thought the matter over and looked at it and feels he ought to let it alone. He says:

(Letter from Mr. Tom Wall, Cashier of the First National Bank, Poteau, Oklahoma, dated January 12, 1915, and addressed to Mr. B. A. McKinney, Federal Reserve Bank, Dallas, Texas.)

"In these days of agitation, financial and otherwise, I am becoming convinced that to 'Let well enough alone' is a good axiom.

P. 70
Brf.

"The strenuous effort to effect a change in Federal Reserve District No. 11, adding Oklahoma to the Kansas City District, seemed to me to be a proper procedure and for the best interest of all of we Oklahoma bankers who petitioned; and, not to be contrary, I signed the petition for this bank, like a majority. Since the matter will soon be heard by the Federal Reserve Board, I have given the question of changing more thought than heretofore -- at least more intelligent thought -- for the reason that I now know more about the Federal Reserve banks and their functions than heretofore, and I imagine this is true of the most of the bankers.

H-m

"Take the individual case of this bank. After summing it all up, I find our mail service to Dallas is a few hours shorter than into Kansas City. The SERVICE of one Federal Reserve Bank appears to be about the same as the other. So far as I know, the discount rates are the same. Items for credit and balances to check against seemingly are just as convenient for us as they would be in Kansas City or St. Louis. A few weeks' operation of the banks has changed my ideas concerning them.

"I do not want to be put in the position of going back on the petition I signed along with the other Oklahoma bankers, but thought would drop you a line to say that since finding out more about the modus operandi of Federal Reserve Banks, that it makes no difference to me if the District remains like it is. In fact, I believe I prefer it now, as it is.

"I have felt that the strong effort being put forth to change the boundary lines would naturally cause you to take a keen interest in the matter from a personal standpoint, and I wanted, in this letter, to express my 'honest convictions' that perhaps a lot of us had rushed into something that we really didn't know whether we wanted it or not."

That's written on January 12th, from the First National Bank of Poteau, Oklahoma.

Now, those letters are all in the brief. I will not rehearse those; in the brief are twenty-six letters from bankers, I have told you about, in the five counties they have excluded. There are twenty-two letters from banks listed as petitioning banks, some of which have taken back what they wrote. There are also letters from other banks not listed as petitioning banks. Now, those letters are all there. I will not take the Board's time to go into the question of letters any further.

Now, let's consider the question -- they say the "vital question" in this case. This Act says these "districts shall be apportioned with due regard to the convenience and customary

H-n

course of business, and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all." Now let's see, what does that mean? That does not naturally mean--necessarily have to mean the banking business; it means that the States - that the lines must be so arranged as not to disturb the trade relations, not the banking relations. Now it can not be denied, gentlemen, that practically ninety per cent of the products of Southern Oklahoma pass into Texas and Louisiana. Say what you want to about it; but it is a cotton, corn and wheat country. Its commerce does not go north; it does not go east. Their own brief says that it goes southwest. But they said that is not in the direction of Dallas. All right; let's see. It is not in the direction of Dallas, but southwest is in the direction of the Gulf, and that entire commerce passes right down through the State of Texas and its Gulf ports.

Now the banking business they say goes to Kansas City. If it does, it takes an unnatural trend and it does not follow its commerce. But there is a reason why banking business in Oklahoma first went to Kansas City. Under the old law, as you gentlemen well know, St. Louis was a reserve city; Kansas City was another. That condition prevailed for a great number of years prior to the establishment of any reserve cities in the State of Texas. Of course, that gave Kansas City and St. Louis

H-o

a great benefit over the other sections of that country, because the Oklahoma banks had to keep a part of their deposits in those reserve cities. Therefore, naturally, the business was started to Kansas City and St. Louis by reason of this local advantage they had on account of being reserve cities, and this condition prevailed for a great number of years prior to the establishment of any reserve cities in the State of Texas; so that when Texas became a State with reserve cities, Kansas City and St. Louis had already gotten the trend of the banking business. But now that business did not follow its natural trend. It did not follow the course of business. The bankers' business went in a different direction from everybody else's business, and yet they come up here and say to you that because, forsooth, they have carried some balances in Kansas City, they would have you transfer ~~them~~ from the very door of the Dallas bank territory across the State of Oklahoma and the State of Kansas into Missouri, because, forsooth, they had carried some accounts in the banks up there, and in hard times they had gotten some concessions there. But, gentlemen, what does the law mean? It means that the course of trade, that is, the course of commerce, must not be disrupted by this division. Is it a hardship to say that a man can get paid for his product where it is sold; that a man can ship his cotton, his grain, and his products into Texas and Louisiana down by the Dallas bank and be paid for his products where they are sold, is that a hardship, and does that divert the course of

H-p

business? It can not be insisted, and they wont attempt to tell you; they wont attempt to tell you that the cotton, the grain, the corn, the surplus raised in Southern Oklahoma, does not pass into Texas and into Louisiana, and out through the Gulf ports. They will not contend it, but they lay their case wholly upon the question that the bankers, the chosen class, must be favored to the disadvantage of everybody else!

Now, let's see the result. These banks have been in operation less than three months. They were opened on November 16, 1914. Next week they will be in operation three months. No man on earth can tell at this good day whether the conditions that they paint so horribly will come to pass or not, no man can foresee. It is highly speculative. To take any action now, however, would be a leap in the dark. Why the banks have not even reached half of their efficiency. Their capital is not all paid in. It will take those banks three years to reach the height of their efficiency, yet in less than three months after the opening of these banks these gentlemen ask you to tear these lines asunder!

Listen to them prophesy evil, as they as you simply to tear these lines to pieces and create some more! Now, gentlemen, of course you have the physical power to do it. You can sit down and write an order to do it. But where would that lead to? Suppose you were to say, "All right, Mr. Banker from South Oklahoma, although these banks have not gotten well started, although the Board has not even promulgated all the

H-q

rules with reference to them, although we have not even fixed it so the State banks could come in, and these banks are still in their infancy, yet, at your behest, at your request, and because, forsooth, if you put all the State of Oklahoma in one district, probably Oklahoma City would get a branch bank, we will cut these lines asunder, and we will put you in the Kansas City District." Well, now, gentlemen, I say you can do it, but where would it lead to? The very instant that thing was done, every dissatisfied community in the United States would be sending by wire petitions to get transferred. Oklahoma is not the only place in the world that feels that probably they ought to have been in some other district, or that they ought to have been in the center of some district. The practical result of overturning within less than three months the judgment of the Organization Committee would simply lead to an absolute disruption of these banks. Now why would you do it? Why would you do it? They do not say the Dallas bank is not taking care of the business in Oklahoma. They say that they are prophets, that they can see into the future, and they say "We believe that when they have a big crop, the Dallas or the Texas banks would borrow all the money, and leave the Oklahoma banks without any." Now can you see that? Do you see that? That's what they see. Well, now, suppose that were to happen! This law is framed just so it would cover a situation like that like a blanket. It says if one federal reserve bank has to, it can discount with another its members' paper, so that if this ter-

H-r

rible calamity comes to pass, if the Texas bankers were to go up there to Dallas and say, "Here, I want all your money to float our cotton crop," and if they were to get it all in August or September or October, and you came along in November and wanted some money, all in the world the Dallas bank would have to do would be to take your paper and go to some bank that was not very crowded and did not have all the business it could care for, and you would just be swimming like the balance of the bunch! Now, gentlemen, I can not foresee that terrible calamity that they do. I do not catch it at all. Of course my hindsight was always better than my foresight, but I do not believe I could see that even with my hindsight. But it may happen. But it is not going to happen while you and I live. It may happen some time.

Now that, gentlemen, is the gist of this petition.

Now, let's see; Mr. Harrison is a good letter-writer. He just writes lots of letters! When Harrison has not anything else to do he just sits down and takes a stenographer and writes some letters! Now, I do not mind most of the letters he writes, and have only taken exception to this one. This is dated January 13th. He says to the bankers in the Dallas District:

"At the request of several bankers who are anxious to have our petition granted, I am sending this letter.
. . ."

He did not say where those banks were situated, either. (Continues reading:)

H-s

"These bankers inform me that parties interested at Dallas are urgently requesting banks that have signed our petition to withdraw their plea and authorize Dallas representatives to state they wish to remain in that district. We do not know of a single bank that has complied with this request.
. . . . "

Well, since they have come up here, they have found some information; they have learned something, when they got to Washington, or when they got this brief they learned something, that some of them had taken such action, and had not gone back on it either! (Continues reading:)

"We do not know of a single bank that has complied with this request. We believe the bankers of Southern Oklahoma have enough good sense and stamina to keep them from being either weak-kneed or loose-jointed at such a time as this.

"It is apparent that Dallas is considerably worried by our petition. --- "

Well now, they may, but I had not heard it; there is no rumor like that down there. There may be an under-current that is depressed, but there is no stampede on account of your petition. They are still going on, and the bank is open. (Continues reading:)

"The truth is, that they were given until January 1st to file an answer, and that on January 8th no answer had been filed, nor do we think any has been filed since. No answer can be filed to our petition which would really be an answer, because it is unanswerable. --- "

Well, that's very nice to say about his own petition, and I am sorry I can not agree with him. He pleads guilty to having written a good one, and I will grant him that honor. (Continues reading:)

H-t

"We believe Dallas is depending on political support to offset incontrovertible facts, and while it is possible political support may win, we are very willing to leave that matter to the Federal Reserve Board. We have the promise of splendid support ourselves in high political circles, and that promise is in writing. . . . "

Well, that is kind of a reflection on the support, that it has to be in writing before they will count on it, but we will pass that. (Continues reading:)

"Our hearing will be held February 10th, and Messrs. Craig and Robertson and the writer will probably reach Washington Feb. 9. If any other bankers would like to go with us we would be pleased to know this. If any banks desire to contribute to an expense fund to provide additional representation, they may do so in any amount they see fit, and we will use the funds to the best of our ability. . . . "

I never saw them when they would turn that down. Even Texas bankers will take a little contribution to anything. (Continues reading:)

"The most important step is for every banker who is interested to write a personal letter at once to Senator Gore, Senator Owen and Representative Scott Ferris. It is being represented to these parties very insistently that the petitioning banks wish to withdraw, and such statements should be corrected in a positive manner. Please keep this office supplied with copies of your correspondence on this subject. Very truly yours, (Signed) W. B. Harrison, Secretary."

Well, now, I have often wondered why that was. If these gentlemen had a case in the Supreme Court, they would not be writing their representatives about it. What have they got to do with it?

Now, gentlemen, he says in this letter, and this is the thing I want to take issue with him about, that Dallas is dependent on political support. No man holding public office in

H-u

Dallas has been even approached or talked to in this contest. Dallas has never sought to put this bank into politics. No man, no senator, no representative, no man who holds a political office, has ever been approached concerning this contest, or talked to about this proposition.

Mr. Harrison: May I explain that point, Mr. Huff?

Mr. Huff: Yes; go ahead.

Mr. Harrison: The Dallas papers stated just before that letter was gotten out that Postmaster General Burleson had made a personal visit to Dallas, and was still there, and that they expected to have a friend at court, and that was why the letter was written.

Mr. Huff: Well, of course I do not know what a Dallas paper may have said, but I say to you gentlemen that when this matter was first turned over to me, I said, "Don't any man connected with this bank write any man in office about this petition. This bank can not afford -- this bank simply can not afford to go into politics, and to have any man in politics taking any action with reference to this matter." And, gentlemen, that has been the procedure.

Now the thing I am trying to explain is that this letter in stating that we were dependent upon political support is unfounded. We are not depending upon any support except the fact that the right of this contest is with the Dallas bank, and that the Organization Committee's action ought not to be overturned.

H-v

Now, gentlemen, in making this statement, I want distinctly to state I do not mean to reflect on any one. I know the gentlemen who represent Oklahoma, and some of them are personal friends, and I am quite sure that, while they may have been written to about this matter, that their interest in the matter is simply to present the facts to this Board just like it is being done in this instance, and I do not want to give an impression otherwise. But I simply want to correct the impression that has gotten around that part of Southern Oklahoma that the Dallas bank was trying to rush into politics.

Mr. Chairman, do you know what time I am to run?

The Governor of the Board: Twelve o'clock.

Mr. Huff: (Continuing) Now, gentlemen, Mr. Harrison says that on page 54 of my brief I said the Kansas City bank was not competent to take care of the cotton situation. Well, now, I am quite sure that he did not mean to put it in that language, because I know that he would not want to misquote me, or to put me in an attitude or position before this Board that would not be just correct, but here was what was said:

"It is therefore apparent that the Federal Reserve Bank of Dallas, managed as it is and as it necessarily will continue to be, by a Board of Directors who have an intimate knowledge of the cotton industry, can better serve the banks of Southern Oklahoma than the Kansas City Reserve Bank, which is operated by directors and officers who, though thoroughly qualified in a general way and properly disposed toward their member banks, cannot, of course, understand the needs of a bank in a cotton growing region."

Now, gentlemen, that was the statement I made. I do not say these gentlemen are not competent. I think they are com-

H-w

petent. But here is the situation. The Dallas bank is necessarily officered by men who have had their entire banking experience in a cotton country. They know the ebb and flow of the cotton business. They know that it is necessary to inflate the credits at a certain period of the year, and the point I attempted to make was that a bank not officered by men who had had the actual, practical experience in the cotton country, would feel like probably at times that the credits were going too far, and that they did not understand the cotton situation as a banker would that was situated and manned or controlled by gentlemen who had put in their lives in banking in the cotton States. And I had not criticized and do not mean to criticize the bank. I am quite sure that the Kansas City bank is -- has officers that can thoroughly take care of any business, but at the same time it does not necessarily follow that because they have good officers, that those officers have an intimate acquaintance with the cotton situation to such an extent as that they could render the same kind and character of service as a banker familiar with the cotton situation.

Now, gentlemen, there is another thing cropped out in this contest, and I want it distinctly understood that what I am saying now is not in the way of criticism, because I recognize that whatever action has been taken has been prompted by a desire to boost the home town, but you can not escape this thing, this one thing will stand out prominent in this contest, and that is, that Oklahoma City bankers have violated the instruction of President Wilson, and are not neutral. Now, of course, that being

H-x

true, necessarily it would become material to find out why it was gentlemen situated without this district, who apparently had no interest in the matter, would be unneutral, that they would not let the fight go on without taking part. Now, I do not say that they were taking part, but their own people say so. Now, here's a letter written from Kiowa, Oklahoma. This man -- they do not say this fellow at Kiowa is coerced, or anything of the kind; he says:

(Letter from C. W. Crum, Cashier of the First National Bank, Kiowa, Oklahoma, to the Federal Reserve Board, Washington, D. C., under date of August 14, 1914.)

"Referring to the effort of Oklahoma City to change that part of Oklahoma that is in Federal Reserve District Eleven, from the Dallas to the Kansas City District, we are pleased with the District as made, and feel that the business of Southern Oklahoma can be best handled through the Dallas District, and desire to protest against this change being made."

P. 77
Brf.

There is another letter from a bank at Tishomingo; another one from a bank at Durant; and they might say that Mr. McKinney, an officer in the Durant bank, was responsible for that letter. Here's one, however, from the First National Bank at Frederick:

(Letter written by Mr. J. B. Beard, Jr., Cashier of the First National Bank, Frederick, Oklahoma, to the Federal Reserve Board, Washington, D. C., dated January 8, 1915.)

"It is my opinion that this movement was instigated by Oklahoma City bankers, and is being pushed on account of interests of Oklahoma City parties, and not for the welfare of a majority of bankers in the District.

"We are highly pleased with the selection of Dallas as the reserve center of this District, and hope that no change will be made in the present District lines."

P. 76
Brf.

H-y

Now, there are five or six letters in this file to the same tenor, and therefore I say that I am not saying -- I am not making the charge that Oklahoma City bankers have violated the laws of neutrality, but the banks in this district themselves are making that charge.

Now, of course, this first letter of Mr. Harrison's, where it says there will not be any branch bank in Oklahoma unless all of Oklahoma is put in one district, would furnish a very patent reason as to why this condition existed.

Now, gentlemen, in concluding, I want to call your attention to one or two facts with reference to the proximity of Dallas to this territory. I am going to take a few towns on the main lines of the railroad which run both to Dallas and to Kansas City on the M. K. & T.: McAlester seems to be the farthest town from Dallas. McAlester is 201 miles from Dallas, and is 316 miles from Kansas City. From McAlester, the time to Dallas by rail is six hours, and the nearest -- closest time to Kansas City is ten hours. That's by the fastest rail. Going over on the other side, the Rock Island, Purcell is the first town south of the river.

Mr. Harrison: That's on the Santa Fe.

Mr. Huff (continuing): On the Santa Fe, yes; -- Purcell's distance to Dallas is 206 miles; Purcell's distance to Kansas City is 435 miles. On the Rock Island, Chickasha would probably be the farthest town north on that railroad, towards Kansas City. Chickasha's distance to Dallas is 211 miles; Chickasha's dis-

H-z

tance to Kansas City is 415 miles; Chickasha's train service to Dallas is eight hours and thirty minutes by one train, and seven hours by another, and its train service to Kansas City is fifteen hours by one train and twelve hours by the next. Elk City, where Mr. Thurmond's bank is located, is 304 miles from Dallas, and it is one of the extreme towns, and 472 miles from Kansas City. On the line of railroad running from Elk City towards Dallas will be found the towns of Mangum, Altus, Frederick, Grandfield, and several other towns, all of which would be very much closer to Dallas than to Kansas City. Going over to McAlester, between McAlester and Dallas, is found Durant, Colbert, and several other important towns that get nearer to Dallas and further away from Kansas City. Over on the Rock Island, Chickasha, between Chickasha and the Texas line, is Ardmore, Marietta, ~~xxx~~ Pauls Valley--

Mr. Harrison: You are mistaken; they are over on the Santa Fe.

Mr. Huff (continuing): Yes, I am; Rush Springs, Duncan, Comanche, Marlow, Ryan, Lawton, Marquette,--all of which would be closer to Dallas by a considerable distance than they would to Kansas City. Purcell is 260 miles from Dallas, and nearer than to Kansas City. Nearer to Dallas also would be even the towns of Pauls Valley, Ardmore, Marietta, and one or two others whose names I do not recall; but the point I want to show you is that you take all of that territory, over all of it, and you take the most extreme points,--indeed, practically all of them,--are about half the distance to Dallas that they are to Kansas

H-a'

City. You take the principal railroads that traverse that country, and that run into both Dallas and Kansas City, and those points on those roads, the farthest towns from Dallas are practically about half as far as they are to Kansas City. Now, gentlemen, they will not dispute that.

You take the time cards of the railroads. I have several; there in my grip; and you will see it takes about half the time to go from the extreme point in this territory from Dallas and to Dallas as it would to Kansas City.

Now, if this territory does not belong properly to Dallas, if this territory, situated within one-half the distance from Dallas as from Kansas City,--the farthest point,--and whose nearest territory is probably one hundred miles, if this territory does not belong in the Eleventh District, then where does it belong? If, in organizing these districts, the Committee made an error, which you are going to reverse, when they organized and established these lines; if they made an error in putting this territory right against the Dallas Bank in the Dallas District, what territories go into it, and how are you going to establish these lines?

Now, gentlemen, it is a matter of impossibility to please bankers. Why, there is not a man on earth, nor any committee of three men,-- I do not believe if the Saviour himself would come down here and lay out these lines,--that he would satisfy all the bankers. If it was not the Oklahoma City bankers,--and they are just as good as anyone,--if it was not for them, it would be somebody else. It is just the natural American in-

H-b'

stinct to kick! (Laughter) Now in Germany, you could not do that. You might go over there in Germany, and you could not get Harrison, even in the bosom of his family, to say what the Government did was not a good thing, and that its officials did right; but over here, every man feels it is his prerogative to kick at something that somebody else did, it is no trouble for a bunch of bankers to start up trouble like a hornet's nest in any part of the district; and they do it all over the country. I could go down in Louisiana and have a contest in a week; get New Orleans or somebody to start a row down there, and there would be a contest. And, gentlemen, if you put the stamp of your approval on this contest, if you take this territory situated right in the face, almost, of the Dallas bank, and transfer it across Kansas into Missouri, then, gentlemen, you have opened the flood gate, and you will never close these lines so long as the law is a law, and that is no mistake!

Mr. Harrison was speaking this morning about some dire conditions that he could see in the future, and I assume, therefore, that you, having heard him so patiently give you the evils that he can see,--that you will permit me also to do a little prophesying and a little soothe-seeing; and now, gentlemen, let me tell you, suppose you were to say, "All right; you all are good fellows; you have got good fellows with you," and you say, "All right, we will just tear these lines to pieces because you want us to, and we will tear up these districts." In two years there would not be any law. If you do that, if you overrule the

H-c'

Organization Committee on the finding made upon the testimony, on the facts which exist in this instance, if you should do that, why you would not even get to go to meals; you would have to sit here all the time and hear contests! There would be such a rush of hot air you could not cool off until the evenings! Everybody wanting to change their districts! Why, every city, every one of these towns that has not a bank would want one; and I would venture to say,--now, you understand, I am prophesying,--if you do that, in less than six months Harrison would be back up here saying that Oklahoma City ought to have either a bank or a branch bank; and in another eighteen months, he would say, "Let's move the Dallas bank up to Oklahoma City!" Gentlemen, you can not do it. This law is a practical law. In the opinion of thinking men, it is the best piece of legislation put on the statute books in the last fifty years; but it can be brought into disrepute so quickly! And the very people who ask you to do it would be the people who would bring the act into disrepute.

Now, one word as to the general effect of this law. Everybody knows that when this law is properly interpreted, and these banks are in good running order, that the conditions, such as we had in 1907, will fade as a mist before the rising sun. Such conditions are not possible. This law was enacted for the purpose of putting into these federal reserve banks the money that was properly tributary to the territory in which they were. It is very proper to keep from the eastern States a congestion of

H-d'

the money, and to let the money stay in the territory where the products were raised. Experience had taught that the custom that had prevailed in banking systems, and that the custom that had prevailed and had grown up under usages of the banks themselves, was not wise, and that in order to give relief to the entire people, some further legislation had to be enacted, and this legislation, gentlemen, was enacted as a result of this well matured public opinion, and this law was framed for the purpose of giving stability and of equalizing the banking facilities in the entire United States. Now you gentlemen are clothed with the authority; it is your duty to interpret this law, and to see that it does not get into disrepute. It's now backed by a healthy public opinion; everything is in its favor. But, gentlemen, these contests, if continued, if this digging keeps on, if nothing can be done unless there is an appeal, if the time of this Board is to be taken up by harrying of bankers coming on here and saying, "Because I kept a deposit once up here, five hundred miles away," therefore you must take me right out of the door of the bank I am in, and put me over four or five States into another bank; if that is going to keep up, gentlemen, it will not be long until your law will get into disrepute, and these "wise gentlemen" who are up here in the Capitol, who "make no errors", who passed this law, and who are now watching to see its good effects, if a turmoil comes up, if contests continue, if digging keeps on, they will say, well, we made a mistake about that; we will just wipe it off, and that will be the result; and that's sure to be the result if things should

H-e'

happen to take a turn in two years that some of us do not expect, and if some of our distinguished statesmen that now so eloquently defend their positions in Washington should lose out, and some of the other brand should come in, and this law is in disrepute; it is not their law anyway; they will say, we will wipe it off. Now, gentlemen, this law, in my opinion, and that of the press, and of thinking men -- of course when I say that, I just get in Harrison's class -- thinking men have pronounced this law as one whose benefits will be far-reaching and substantial. That of course means that the law is to be let alone. If you are going to tear down these districts in less than three months after these banks start, when are you going to put up the bars and keep them up? How can you tell within three months? How can you tell that these three gentlemen who went all over this country, and heard this testimony, are in error? Why, gentlemen, it occurs to me that the only thing that can be done is to postpone any action in this matter until these banks have been permitted to get on a firm foundation, until they are permitted to get the strength that the law authorizes them to get, so that you may intelligently pass an opinion, -- not dream conditions as they portray them to you in prophecies of dire evil that may come, but that you may determine by experience whether this committee, in its judgment, has committed an error.

And now, gentlemen, believing that this contest is not one of merit, and that this Board will commit a very grievous and far-reaching error if they should overturn the judgment of the Organization Committee, I submit this matter to you, firm in

H-f'

the belief that business men as you are, you will simply weigh these facts, and will not transfer out of the door of the Dallas bank territory, the greatest distance of same being less than three hundred miles, to a bank four or five hundred miles away; and I submit this case to you, gentlemen, in all earnestness, believing that the action of the Organization Committee was such as it should have been, that it was best upon a full and fair hearing upon the ground, that nothing has been shown to change those facts, and that if you try this case on the same facts that the Board tried it on, if you have before you and consider simply those facts that the Organization Committee considered, and as your rules say you will consider, you will then be compelled to say we confirm the judgment of the Organization Committee, and that these lines shall remain established until experience shall have taught us that the error has been committed, and we will not try to prophesy and foresee error in the future. I submit the matter to you.

The Governor of the Board: You have ten minutes, Mr. Harrison.

Mr. Harrison: I do not think it will require all of the ten minutes. I would like to explain first why in our brief we did not refer to the Organization Committee testimony. The testimony before the Organization Committee,--the only testimony submitted by Oklahoma bankers, was submitted at the hearing at Kansas City; the only testimony given in that case was in favor of placing all of Oklahoma in the Kansas City dis-

H-g'

trict,- not one word of contrary testimony. The respondent in his brief quotes a statement from Mr. Banks, made in that case, that Dallas was his second choice, but there was absolutely no testimony submitted before the Organization Committee, requesting that we be placed in any other than the Kansas City district. Of course, there were very kind suggestions and remarks and remarks thrown out by the Kansas City bankers to prove to the Organization Committee that we ought to be in Texas, but I am speaking from the Oklahoma standpoint; therefore, we felt it was unnecessary for us to review testimony which is absolutely all one way. Not only so, but Mr. Howard Ardrey, of Dallas, who was the chief witness of Dallas before the Organization Committee, made this statement, on page 3236 of the record. The Secretary of the Treasury asked the normal course of Oklahoma's business, and their exchanges is with Kansas City and St. Louis, is it not? Mr. Ardrey replied, "Primarily, yes, sir."

On page 3241 of the same record occurs this question by the Secretary of Agriculture: "Have you any communications on the part of Oklahoma people indicating their preference?" To which Mr. Ardrey replied, "No, sir."

What would be the use of our going into the testimony before the Organization Committee, when it is all one way? Our brief simply amplifies the testimony which we gave at Kansas City, and which we believed you needed to have expanded, in order to have a true estimate of this action.

H-h'

As to the political elements of this, our brief statement, we are willing to submit this matter to the Federal Board without regard to politics. I will state that the banks in Oklahoma are different from Dallas, which is a federal institution, and yet represented in Washington by no one. Those banks were represented by Senator Owen and Senator Gore and the congressmen referred to, and had a perfect right to see their interests were taken care of. We have never believed politics would ever enter into this case; if we had we would certainly not have been here.

In the gentleman's argument regarding the course of trade, he said "the course of trade for the South". He has only spoken of one side of it, and has not said one word about the imports into that country, practically all of which, except the small amount which comes from Texas,--all the rest comes from Kansas City, St. Louis, Chicago, and the Southeast. It is not correct that the course is the other way; the course of trade is from the north and east, but the large volume of exports of cotton and freight go by reason of freight resources to the Gulf and eastern ports.

He spoke about mail facilities, that it is two hours -- days -- from some points near Dallas to Kansas City. What difference does it make to a bank that posts its letter in the morning and the letter is delivered the same night, or whether it gets on the train immediately and reaches the bank the next morning? There is not a point in this territory where a letter

H-1'

posted in the afternoon will not be in Kansas City the next morning. It does not make any difference; over-night facilities are what we are after in the banking business.

I should have referred, in the course of the letters, to the fact that the First National Bank of Chicago, one of the twenty-two, is represented here in person by one of the directors, sent here for the purpose of speaking for that bank.

In going through the record of Exhibit A, I forgot to mention that -- I do not desire to detain the Board any longer -- we presented our argument without oratory, --no evidence to show you we could make a speech, or anything of the kind, but I do wish to say we believe we are entirely within the rules on this occasion. It seems to me it is somewhat out of line for the gentleman to come down here and say we have no right to present our petition when in the rules that are formulated by the Board it is provided that the representatives, that is, of the respondent bank, shall be given seven days in which to reply. Our petition was filed on the 22nd day of September -- or the 15th day of September. He had until the 22nd day of September under those rules to file the reply. He filed it on the 30th day of January. We have said nothing about it. We are willing to give them all summer, if necessary, to get up a reply; but when they get three or four months, in which to file their reply, and then come up here and say that we have not conformed to the rules, we feel obligated to call attention to their own failure to observe the terms of the rules of the Board.

H-j'

Mr. Huff: Mr. Harrison, the matter was not called to the attention of the Dallas bank until the first of January. It was our fault.

Mr. Harrison: I beg your pardon, but I have records from the Federal Reserve Board which show it was called to the attention of the bank on the 20th day of October, but we will leave that to the record, and I will not state that is a positive fact. The law itself states, -- I think I can understand plain English: "The districts shall be apportioned, provided,"-- this relative to the review, -- "the determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized: Provided, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States." We are here contending that it was not so formed; that it would be subject to review at any time under those circumstances; but are perfectly willing to abide by the rules of the Federal Reserve Board, because, under those rules the only testimony offered here has been under the contention of Oklahoma. If you can find one iota of testimony given at the Kansas City hearing -- and the Organization Committee notified them to appear there and show where they wanted to go --if you can find one iota of testimony given before the Organization Committee, which shows we wanted to go first to the Dallas bank, we are willing to withdraw our plea. Every man who went there made the contention we are making here today. Banking is not all our

H-k'

business; we have every other kind except export of cotton, and some of those products come from the east; and it was our natural location, and we should be permitted to go there. If this hearing is based on the testimony before the Organization Committee, as the gentleman contends, we are perfectly willing to have it decided on that ground, because every item of that testimony is in our favor.

I feel that our facts have been presented as facts, and there are a number of the issues which the gentleman presented which we do not think are pertinent or that this Board cares very seriously to consider; at least that is our opinion of them. We came here to present these facts. It is not a fact that the bankers of Oklahoma were against this bill. I call the gentleman's attention to the fact that the author of this bill is from Oklahoma, and is an Oklahoma banker. And the bankers of Oklahoma stood behind him in this move, and it is not fair or right to come here and contend that the bankers of Oklahoma were opposed to this movement, when we have done everything we could to have this bill promulgated, and put in force the proper way, and we believe today we are better friends of this measure because of trying to get these banking relations transacted through their natural channels than men who would ask the government to compel banks to place their balances where they do not and never can belong, and we believe the Federal Reserve Board has sufficient experience in the banking business to know these are facts and that they have been stated as facts and can not be controverted. I thank you.

H-1'

The Governor of the Board: We will adjourn until three o'clock, when the Senators from Oklahoma can be here.

H

(Whereupon the hearing was adjourned until three o'clock p. m.)

(The hearing was re-convened at 3:11 o'clock, p. m.)

The Governor of the Board: Gentlemen, I have just received word from Senator Owen that it will not be possible for him to be here this afternoon, so that the only thing to do is to adjourn this until such time as we hear from him. He said he would try and let us know when he could come. So that I do not know that all the gentlemen care to stay here, but of course the representatives of the two bodies would naturally want to be here, and hear what the Senator had to say.

Mr. Huff: Mr. Chairman, would it be possible for Senator Owen to put his argument in writing, and give us an opportunity to reply to it in writing?

The Governor of the Board: I think it is perfectly open for you to see the Senator; I have no doubt both of you could see him about the matter. I think he would be very glad to see you.

Mr. Huff: Of course, I have no disposition to want to cut the Senator off from being heard, but at the same time I have made a business engagement in Washington, Pennsylvania, tomorrow, making my presence there imperative. You will understand I am a good ways from home. I got here yesterday, and figured we would get through today. Not only that, but I made quite an important business engagement for tomorrow at Washington, Pennsylvania. As it is it will be a week from the time I leave here until I get back even at that, and I had just thought that possibly the Senator would not mind reducing his argument to writing,

and giving us an opportunity of replying to his argument by written argument.

The Governor of the Board: Well, now, could you possibly come back the day after tomorrow, or are you so tied up that you could not do that?

Mr. Huff: I have to be home Monday, and that is the only way I can do.

The Governor of the Board: Now, I suggest you go down and see the Senator, and let us know about that,--both of you go down.

Mr. Huff: I have in Washington, Pennsylvania, tomorrow, Mr. Harding (addressing Mr. Harding, of the Board), a very important business engagement.

Mr. Harding: Tomorrow is Thursday, you could leave there tomorrow, and get there Monday, could you not?

The Governor of the Board: Would there be any certainty that the Senator would come Friday? You all know the character of the engagement he has.

Mr. Huff: I suggested that he reduce his remarks to writing. Of course, I do not care whether that is finished in a week or ten days.

The Governor of the Board: I suggest both of you go down and see him.

Mr. Huff ; That will give me an opportunity to reply in writing.

The Governor of the Board: Of course I feel this,--and I think I express the opinion of the whole Board,--that you have

the right to be present when the Senator or anyone appears in this matter, and having been notified by us that two hours would be the limit, you come here in good faith; so in a sense we are bound to accommodate ourselves to your engagements, or any of the other counsel; so I think that is the best suggestion, if you will see the Senator.

Mr. Huff: Will you not agree to have the Senator reduce his remarks to writing any time?

The Governor of the Board: As far as that is concerned, we can have the Senator present.

Mr. Harrison: I would not care to speak for Senator Owen, because I do not know what argument he will make.

The Governor of the Board: I think it would be better if you both see him, so I think we can consider this is now adjourned until you see the Senator, and we can convene again tomorrow morning or afternoon.

Mr. Huff: I can say to the Senator, can I, that it will be perfectly satisfactory to you gentlemen to follow a written argument.

The Governor of the Board: I think we would not object to that, if the Senator cares to do that.

Mr. Huff: In a week or ten days.

Mr. Harrison: I think the chairman's suggestion that the stenographer be present and take it down would certainly meet that requirement.

The Governor of the Board: If you see him and let us know the result, I think we can arrange it in some way.

Mr. Huff: : Well, of course, if Senator Owen is to come in person and make argument, I feel the only way to answer that would be by an argument. I would be very glad to hear the argument, and I am extremely regret that I am tied up this way, so, under the rules, under the papers, I knew any kind of an argument would get through in one day, and therefore I made this engagement that I have.

The Governor of the Board: You have acted in perfectly good faith throughout, and we will try in some way to accommodate you, but if you will see the Senator, I feel sure you will be able to straighten that out in some way.

Mr. Huff: All right, sir; I thank you.

The Governor of the Board: We will now adjourn.

(Whereupon the afternoon session of the hearing was adjourned, to re-convene at call of the Governor of the Board.)

(The hearing was resumed at 3:15 o'clock, p. m., February 11, 1915.)

The Governor of the Board: Senator (Hon. Robert L. Owen), we will be very glad to hear from you. Let me read, before you begin, this communication from Mr. Carter, a member of the House:

"February 9, 1915.

"My dear Sir:

"Herewith I hand you a number of letters received by me on the question of the division that now exists in the State of Oklahoma with reference to the Federal Reserve Bank Districts.

"You will note that a large majority of them favor a change being made so that the entire State might be placed in one District, and I am inclined to think that it would be better for our State.

Very truly yours,

(Signed) C. D. Carter."

"Chairman,
Federal Reserve Board,
Treasury Department,
Washington, D. C."

ARGUMENT BY HON. ROBERT L. OWEN, UNITED STATES
SENATOR FROM OKLAHOMA.

I think the letter of Mr. Carter was simply written in an off-hand way, and did not intend to mean that if it might be thought judicious to place some of his account with the Dallas district, that it might not be wisely done.

When the Organization Board was charged with the duty of dividing the nation up into twelve districts, and determining what city should be the habitat of the proposed federal reserve bank of that district, it brought up a great variety of acute situations in which the ambition of States and the ambition of cities were involved, and was an extremely difficult problem for the Organization Board to work out. I was of course intimately aware of the difficulties they were meeting, and when at last they made these divisions and it was submitted to my attention that this proposed line had been drawn through Oklahoma, while I very keenly regretted it, still the Organization Board had done the best they could with an extremely difficult and involved situation, and for that reason I stated to them at the time that I would not at that time raise any issue about it, but would let the matter rest and come up in regular order before the Federal Reserve Board. It now comes up in proper order. My purpose in that delay was not because of any indifference to the matter, nor because I did not appreciate what the wishes of the people of Oklahoma were, but because if that demand had been pressed, urging the Organization Board to reconsider their view at the time, it would have made a

precedent for a great many other demands made by various cities, such as Pittsburgh and Baltimore and others that felt that they should have had a bank location, and the question of these lines would have been brought forward, and I thought it better for the existing good order not to raise the issue.

Oklahoma was settled in large measure from the north and east; first, from St. Louis. St. Louis was the first important wholesale center, and their traveling men were the first ones to come into Oklahoma in any considerable numbers, and afterwards Kansas City became an important - and a very important - distributing center, -- so much so that an observation of the map shows the connections between Kansas City and Oklahoma, beginning with the railroad just on the edge of Oklahoma, which passes back and forth across the State line at various points, the road running from Kansas City to the Gulf, the so-called "Pittsburgh and Gulf," then comes in the Frisco Railway, the Kansas City, Oklahoma and Gulf, the M. K. & T., the Santa Fe, the Rock Island, and a number of other lines, making eleven different connecting lines running into Kansas City from Oklahoma. Of course, those lines connect with various cross lines, binding them together, so that more recently Kansas City has gradually been receiving a more and more important part of our business, both commercial, financial and social. For that reason, and because the extension of commerce has been first from St. Louis, and from Kansas City, the merchants throughout our State have established their accounts in that district. The

last fifty years it has been gradually growing more and more closely connected with St. Louis and Kansas City, and latterly still more strongly with Kansas City, because of its very close proximity to our State. It is for that reason that these facts have transpired to which Mr. Harrison has called the attention of the Board, that in Kansas City you will find all the banks of Oklahoma, almost without exception, have an account. They use it as a reserve city. They find it convenient to go there, because of the interchange, --commercial, financial, and social. It has gotten to be a business center for our State. We have very pleasant relations, too, with Dallas, but they are relations more of a social character, due to the fact that many citizens from Texas, as Oklahoma was opened up, come in to find land in Oklahoma. We have several hundred thousand people who at one time or another lived in Texas. So our relations are very friendly indeed with Texas, but the financial relations with Dallas at all events are very small, except some banks established by citizens who live in Texas, and who established several small banks on the southern border of Oklahoma because they thought it would be profitable.

Now, Mr. Harrison has laid these figures before the Board, and I wish to say this to the Board, that, looking at Texas as almost a mighty empire -- it is bigger than the German Empire, -- and I think it is more fertile naturally -- it has perhaps greater natural resources, because nearly all of the land of Texas will be abundantly available for agriculture. There have been discovered in recent years, due to the activity of our govern-

ment, many drouth resisting plants, that is causing that land, even on the far west, to have great value, and those values will steadily enlarge, so that the time will come when, in my judgment, all of that land heretofore known as "staked plains" will be extremely productive. They have found the Kaffir corn and milo-maize and feterita all of which resist drought in a wonderful fashion, standing quietly by when there is no rain-fall for six weeks, and then suddenly reviving. These plants are entirely different in charater from Indian corn, which when once shocked by severe drought, does not recover. These plants will hold their own against severe drouth. Their nature is such that they do not discharge moisture within the body of the plant, but hold it firmly, and when the rain does come, immediately they spring forward and deliver the grain. It is very good corn, too, making often forty or fifty bushels to the acre.

That is a very important consideration, because it means that this vast empire of the southwest will grow larger and larger and more important in its production of great agricultural values and therefore of all commercial values, and therefore of all financial value. So that Dallas, starting out as it does with approximately five millions of capital, may expect, within a comparatively few years, to get larger and larger, and more and more important.

When we look at the public utility banks of Europe we find that there are about twenty of those banks. Even little Holland has one, and Belgium has one, though very small, not much bigger than a county in Texas ; and I call attention to that

because there might be an idea that Dallas was going to suffer some harm from allowing these clearings of Oklahoma to be taken through a central point of Oklahoma. Under the Federal Reserve Act it was provided that there should be branch bans. The State of Oklahoma, having its capital at Oklahoma City, almost in the exact physical or geographical center of the State, a city which has sprung to a population of seventy thousand people. Now with a very large commercial and financial business, with somewhere about 350 bank accounts in the various banks in the State centered at Oklahoma City, would naturally like to be allowed to clear through a city belonging to the State. They get together, -- the bankers of Oklahoma do -- in the state banking association, and these same men who are engaged in banking as directors and officers are engaged also in other business for which for their natural convenience they get together in Oklahoma City. It is a social center as well as a commercial and financial center, and these people all know each other, and they naturally feel that if there is a value to the clearings of a local character, -- a commercial value to them, an industrial or a financial value to these clearings, that Oklahoma might be permitted to have the values which their own people create, rather than to transfer one-half of the State to Dallas and another half of the State to Kansas City; and then on the theory that there is no center to the State, deprive the State of a branch bank.

I do not think it is an improper ambition at all for Oklahoma City to desire whatever of value there might be to the

local clearings created by the values within the confines of that particular State; much less is it an improper thing for the banks of the State, whose clearings are involved, to desire to have those clearings through a central point, when they are in the habit of meeting together in social interchange or business interchanges at the conventions that are constantly taking place in Oklahoma City throughout the year.

So that I think the action of the Board is a very wise one, in laying down the question, How do these banks stand about this? What do they say about it? They are intimately acquainted with every detail. They know where their exchanges go. They know where they would like to have their clearings take place. And as they have the knowledge affecting this matter in their hands, in their minds, their view ought to carry great weight; and so when the Organization Board made the first line, and I called their attention to the desire of the people of Oklahoma that these clearings should be through a center in Oklahoma by a branch bank at some time, the suggestion was made before the Board itself was organized, I believe, that the proper step to take was to ascertain what the banks felt about that, and if they preferred to go to Dallas, they should have that right; if they preferred to go to Kansas City, they should have that right. It was left in a way to them, not entirely perhaps, but their view was to be very specially considered, and therefore I advised them that the proper thing to do would be to ascertain what the banks themselves desired about it, so the voice was taken, and a

very large preponderance of them, -- three-fourths or more -- expressed themselves favorably to having the State of Oklahoma go to Kansas City, looking forward, of course, to the clearing through a branch bank at some point in Oklahoma.

Now, as far as the argument goes that Dallas could not extend the financial accommodations to the banks in southern Oklahoma that Kansas City could. I think there is great force in the argument made by Mr. Huff that Dallas, in such a contingency, might borrow money from banks in the north, where the wheat crop had been harvested, where they were collecting this money. I think there is also force in the fear that Oklahoma banks might suffer from lack of accommodation, since the cotton crop does mature, beginning on the Gulf, a good many weeks in advance of the crop in Oklahoma, where the north edge of the line of cotton producing exists. I think there is some force in the contention that it would not be so convenient for the Dallas bank to furnish this accommodation to the banks of Oklahoma as Kansas City, but I do not think that is of sufficient importance to make a very great point about it. But I think the matter of state pride is a matter that deserves great consideration. I do not think that should be disregarded entirely, and especially where there is an actual financial value involved which is created within the confines of the State itself.

Now, it is shown by the records that the great volume of our business goes through Kansas City, that all of our banks have these accounts in Kansas City. Some of the banks in Oklahoma have two accounts in Kansas City, with two different re-

serve agents, so that Kansas City shows a very great preponderance, in our banking business over Dallas. I do not suppose that any of the banks in Oklahoma keep reserve accounts in Dallas, because Dallas has not been looked to as a supporting financial center of our section. We have a good many connections by rail with Dallas also, -- probably four or five, but about double the number with Kansas City.

The argument as to the over-night mail would apply almost equally as well to Dallas or to Oklahoma City, because it is only one night to either Dallas or Kansas City. Leaving the central part of Oklahoma where I live, at Muskogee, we can leave there at very late at night, and get to Kansas City the next morning, and in fact we can leave Oklahoma City on the five o'clock train, the M. K. & T., and be in St. Louis the next morning, which is several hundred miles further than Kansas City; and our people have just naturally cleared through Kansas City, because of its convenience, and because a mere matter of over-night was not of great importance. The items come up over night, and they get the credit without correspondents, and that's the end of it. The correspondents get the returns the next day, and the day after.

Now, I think that's about all the argument there is in it.

In the act itself there was provision that the natural convenience and course of trade should be considered, and I think that the evidence is very conclusive with regard to that. The course of trade and the convenience of the State has been emphasized by the evidence submitted here as showing that Kansas City

was our natural center. People seek the place of their own convenience, and the fact that they have gone there is a final answer to whether it is convenient or not. The fact that they have gone there proves that it is the most convenient place. If Dallas had been the most convenient place, they would have gone to Dallas. If Dallas had been the line from which they would naturally send their financial business, they would have gone to Dallas. They have not gone to Dallas. They have gone to Kansas City, and that's an answer that in my judgment is conclusive.

It of course is true that our cotton bales physically go largely by these roads running to the Gulf, via Galveston, and New Orleans because it is a shorter line to tide water, but the financing of cotton shipping goes to New York, via Kansas City east, because the purchase of cotton is generally through New York, and the exchanges go through Kansas City.

I have received a great many letters from Oklahoma bankers relating to this matter, favoring Kansas City, and I have sent them all -- at least I instructed my secretary to send them all -- to the Board for the information of the Board. I hardly assume that you gentlemen would have time to read that volume of letters coming in in that way, because you have other cares besides the reading of these letters, but they unanimously -- I do not recall any letters I received favoring Dallas.

Now, I do not think there ought to be any pride of opinion about these districts. The Federal Reserve Organization Board had an awfully difficult problem to solve, and they did it the best they could, and when they made that decision, I acquiesced

in it without any delay, giving them to understand I would bring it up in an orderly way, and I am very sure they have no pride of opinion about this. I do not think they care one way or the other about it. I do not think it will do Dallas the least harm, because the Dallas district is a gigantic district any way geographically, and it is a district which more rapidly than other part of the United States is developing. All that country down in the extreme southwestern part, down in that Brownsville country, on the Rio Grande, is one of the most magnificent productive domains in the world, not only by the irrigation that is possible from the Rio Grande, but there is underground water there that sweeps in from the latitudes above, and gives artesian water over much of that country; and it is a very rich soil, worth three or five hundred dollars an acre any time.

So Dallas has an imperial domain of its own, and there need be no jealousy on the part of Dallas, as she will never the less have a very great bank, and which will grow greater as the years go by. The Dallas bank will be as great as the people of Texas could desire.

Now I do not think of any other thing I should take your time to present. In brief, the people of Oklahoma have showed by their acts that the line of business convenience for them has taken them to Kansas City, because their accounts are with Kansas City, and are not with Dallas. The course of trade is shown to be with Kansas City, and not with Dallas, and as the purpose and spirit of the law are to be observed, I think that our claim is very strong that the people of the State should be permitted to go ^{to the} to go/City where they have already been accustomed to go, and that

they should be allowed to have a situation where the contemplation of the reserve act for a branch bank might be carried out as to the State of Oklahoma, because if one-half the State goes south, and one-half the State goes north, obviously there would be no sufficient justification to demand a branch bank in the State at all.

Now I thought in the drafting of the federal reserve act that in reality it was not originally meant to follow those state lines, that the question of convenience of trade should be the controlling factor, rather than state lines, and I think so now. I think those fifteen or twenty banks,--whatever the number is that desire to go to Dallas -- I see no reason on earth why they should not be permitted to go, nor do I see any urgent reason why county lines should be divided because under the system as it has existed all these years in America, the First National Bank of Muskogee, for instance, has a reserve agent in New York, and the Arundle National Bank has a reserve agent in Chicago, and the Commercial National Bank an agent in St. Louis, the Third National in Kansas City, the Reserve National and other banks the same way. They take their reserve agents where they please, and nobody's disconcerted by it. You take the banking encyclopaedia here, these correspondents of every single bank running down the page,--it does not create any confusion. The bank ~~itself~~ does as it pleases, and there is no difficulty about it at all, so that if these counties are cut out, just by county line, we have no objection to that especially, but I think that this dividing line ought to be made in ac-

cordance with the overwhelming wishes of these people, and I thank you gentlemen for the courtesy of your attention.

The Governor of the Board: Senator, I was asked by a member of the Board to ask you as to what in your opinion is the meaning of that clause in Section 2, "The determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized." That is the word,—"review." Does that mean that we are to review a record of the Organization Committee, or does it mean that we are to take up the matter entirely anew, as if we were a separate organization?

Senator Owen: My interpretation of that language is that it is to review the action and not the record, because nobody knew where this line was until announced. How could there be any primary presentation of evidence upon a situation that was not known until after it was determined? And when you consider the task that the Organization Board had before them to draw these lines and to draw them rapidly, because they had to go all over the United States, three thousand miles long, and fifteen hundred miles across, it was obviously impossible for them to put a microscopic examination on the evidence as to proposed plans here, there and yonder. They did very well indeed, to get out of it alive! (Laughter) And evidently a review must mean a review of their action, not a review of the evidence, because you can not submit evidence on a case not known. If Oklahoma had known that that line was proposed, and Oklahoma had presented this evidence, and had had a hearing upon such a division, then it might be, properly contended that Okla-

homa should be committed to the original record, but to confine Oklahoma to a record which is impossible to be made, is asking the impossible, and no one, I think, will really wish to do that.

I will be glad to answer any questions any of you gentlemen may care to propound.

The Governor of the Board: Does any one care to ask any questions?

Mr. Harding: The cotton crop in Oklahoma is largely exported, is it not?

Senator Owen: I do not know. I think much of it goes to North Carolina, but am not quite sure of that.

Mr. Harding: Does the transportation of that cotton south through Texas -- is it just a matter of convenience to Dallas or other points?

Senator: No. Well, I thank you gentlemen.

Mr. Delano: I would like to ask a question: The act shows this language: "The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all."

Senator Owen: Yes.

Mr. Delano: You understand that leaves it discretionary with this Board to determine how extensive these readjustments might be?

Senator Owen: I think it does.

Mr. Delano: Suppose, for instance, we chose to make dif-

ferent alignments other than suggested? For instance, in this case, on petition, would we have the authority to do it?

Senator Owen: You would have the authority.

Mr. Delano: On our own knowledge of the conditions?

Senator Owen: Or any other district. The intention was to give the Board the power of the government itself in dealing with this system, and so far as it would be expedient to do, and as the law indicates.

The Governor of the Board: That is the general power of re-districting would point to the future?

Senator Owen: Yes.

The Governor of the Board: -- whereas the power to review would refer to the past?

Senator Owen: Yes, sir.

The Governor of the Board: So **ten** years in the future, if we want to redistrict, we may?

Senator Owen: Yes; you would still have the right in the future to change these lines.

Dr. Miller: Would that extend^{to} the power of reducing the number of districts?

Senator Owen: The law gives twelve districts. I think that it would extend even to the power of reducing the districts. I am speaking now merely of the power.

Dr. Miller: Yes.

The Governor of the Board: We are very much obliged to you, Senator, for coming.

ARGUMENT IN REBUTTAL BY MR. CHARLES C. HUFF, COUNSEL
FOR RESPONDENT.

Gentlemen of the Board: I desire to be heard on just the two questions asked the Senator, As to the question of review, the Senator said that means that this is a trial de novo. Well, I think that's the first time it ever occurred to anybody it was, because when the Board came to make its rules - regulations for the appeal specifically provide you shall refer to the testimony taken before the Organization Committee. Now we have tried -- scrupulously tried -- to try this case on that testimony, to present the matter on a review. That's what it means, -- a trial de novo is no review, but a new trial. And while Oklahoma has seen fit to go out and get letters and statistics, when it came to answering this brief, we looked at your regulations which said that you shall refer to the testimony on the record taken before the Organization Committee, and refer to it by page, and on that we have scrupulously tried to act. Now we would be at an entire disadvantage if they can come in here with other statistics taken here and there over the State of Oklahoma. We had no opportunity to see them. We had no reason to believe that that testimony would be considered, and then to be presented with the question that this review means to try this case over anew, without one side having any opportunity at all of presenting testimony, is a surprise and not entirely just and fair.

Now, the Senator, I am quite sure, meant to give you his best information about the cotton export and moving of the crop

not being financed in the South, but his mistake in that matter, I think, is purely because he had not looked into the question. Now in this record taken before by the Organization Committee, there was a statement on page 123 showing the cotton area of the South, and the cotton area in Oklahoma. Now it said:

"Dallas cotton buyers have salaried men covering all sections of Texas, Oklahoma, Arkansas and Louisiana, and paid out for cotton last year approximately \$92,000,000, and approximately \$80,000,000 of this cotton was financed directly or indirectly by the Dallas banks."

P. 23
Brf.

Now that's a record before the Organization Committee. That refutes the gentleman's statement that it was financed in the east. Now that's the only testimony that we thought that the Board would consider. I could have gotten up additional testimony. Just look, gentlemen, just for a few seconds, at what a short change has made in these banks. Now it appears in the brief of Oklahoma bankers, and it appears from statements made by Senator Owen, and these other gentlemen, that three hundred some-odd banks signed protests, yet this bank has not been in operation but three months, and they were forced to exclude five counties because twenty-eight of those banks had already gone on record as wanting to stay in Dallas. The majority of the banks in Johnston County have also, a gentleman informed me today, written a letter to this Board, saying they wanted you to exclude from this petition their names, saying, just as Mr. Wall said in his letter, that they rushed into something before they knew anything about it, and that you should work this thing out.

Now, Senator Owen made a very pretty and logical argument.

But you follow that argument to its conclusion, and you have not but one bank, gentlemen. If, because Oklahoma banks had done business in Kansas City, you are going to cut off this portion of Oklahoma, and send to Kansas City, then what will you say to New Mexico? What will you say to Arkansas? What will you say to Louisiana? What will you say to Mississippi? -- which have done no business in Georgia?

It was a practical impossibility for anybody to so arrange these districts as that they would necessarily follow the lines of bank accounts. Now bank accounts do not mean trend of business. These gentlemen can go and do business in Kansas City. They have open market facilities there, if they want them. Yet at the same time it would be a distinct advantage to them to have another facility to their South, where their products are sold, and where all their products are shipped.

Now, in one letter in this brief -- and there are only two additional statements of fact, gentlemen, in this entire brief of the Dallas bank. It is based entirely on the record made before the Organization Committee. In two instances, because these gentlemen had tried to make it appear in their petition that the commerce flows north from Oklahoma, -- I got a letter from a cotton broker, and a member of the New Orleans Exchange, in which he said ninety per cent. of the cotton raised in Southern Oklahoma was shipped into Texas, and most of it was financed that way. I got another letter from Mr. Kell, who is one of the biggest grain dealers in the Southwest, stating that about ninety per cent. of the surplus of all the grain products raised in

Southern Oklahoma were either sold in Texas or Louisiana. That's where they were sold, or that they were shipped out through the Gulf ports.

Now, another thing: If, gentlemen, the trend of commerce were to the Gulf, as these gentlemen state it is, on account of the favorable rates in that connection, then the trend of imports necessarily is through the same way. It comes to Galveston, New Orleans, from the Gulf, and not the railroads into Oklahoma, -- the heavy freight--and that's apparent even from their own brief that the imports taking water rates come right in through the State of Texas -- all of it that comes in this territory. Of course there is a great deal of force, if you do not stop to consider, in the gentleman's argument that the banks - what the banks say ought to control, but if that's true, gentlemen, if what the banks say is going to control, then you have not a district in the United States that will stay hitched. By the same process you will detach Arizona and New Mexico from this Texas district; you will take Louisiana and Mississippi from your Georgia district, and so on all through the line, until when you get through trying to follow the whims of the banks, you will not have any districts.

Now, I differ from Senator Owen as to what the word "review" means. It is nothing but a bill of review. It's found in the statute. You can not put a new construction on it now, because that would suit somebody that wants it that way; but that word "review" means just what it says, that you have got to take this record which is already made, and you have got to put the

test of reason to it, and see whether these districts shall stand, or whether the error of the Organization Committee was such a gross one as that you would feel warranted on that account to set aside that opinion of the Organization Committee. And unless you do that, if you are going to try Oklahoma's case on new testimony, presented for the first time on this hearing, and hold the Dallas bank down to the record, then, gentlemen, there is nothing for us to answer. We cannot find out what's in their mind. We have not the letters; they were filed with you. We have not the data. We wrote a letter here and said, Why, this petition is replete with statements and data that we have never seen. We understood from your rules that this case was to be tried upon the record made before the Organization Committee. A letter came back and said,- You understand the rules correctly. And the testimony will be found, giving the address where I could get it, and at the same time the secretary was instructed to send me a record, copy of which was filed in the United States Senate, from which we were to answer this petition. Now, when you come up here -- we are answering a set of facts that the Organization Committee had. We never saw petitioners' set of facts. We never had an opportunity. We did not know the Board wanted us to go over the district and get letters and statements. I have lived right on the border in Southwestern Oklahoma myself for several years. I think, gentlemen, that as to the question of that portion lying next to Texas,--all these banks may have done business in Kansas City, and yet the fact remains that those people do business in Texas.

Now, in this record, taken from the Organization Committee's record, it shows that the Dallas merchants have accounts of some -- 28,000 accounts -- in Oklahoma. Of course that means all the State of Oklahoma. Now the gentleman yesterday said there are not that many merchants over there. Well, it does not take a merchant to have an account. Gins, manufacturers, or any other business men may have the accounts; and that testimony -- that's the testimony that we were asked to prepare our reply upon.

Now if the Board is not going to consider that, if this Board is going to say, -All right, the law says "review," and "review" means to look over what somebody else has done, yet we say that in addition to "review," we will take some letters that you have never seen, and we will try this case, we will try your rights upon a statement of fact that you never saw, that you had no opportunity of seeing, and which our own rules do not say that you shall try it upon! Then your rules are useless.

I feel, gentlemen, -- but of course I personally have no interest in this matter -- I feel that this law is absolutely on trial. While there was some prophesying done yesterday, and while Senator Owen believes that it will be probably all right to cut these lines asunder, and to begin thus early, before your bank's in operation, before the officers of the bank really have an opportunity of getting acquainted with the member banks, -- that to do that, now, to absolutely disrupt these districts at this time, would be the most serious blow this law could receive from any source, and that the law would be useless and that its

purpose would be defeated by its own friends.

Now I recognize that the Oklahoma bankers feel that the case is weak, desperate, else they would not have asked Senator Owen to leave his duties in the Senate and come down here in an effort to save a weakening case. They have had more talent on the firing line and in reserve than I had expected to see, but, gentlemen, be that as it may, the facts can not be changed, and that is, that every part of this territory tributary to Texas raises the same products, is the same character of territory as Texas, and that if you will let six months pass, every bank, or the majority of the banks, as they are doing now, getting over in line, will say to you, just as this man said from Poteau,--I wanted to go to Kansas City, but we rushed into something different; we knew something about it, and just a little time will work all these things out, whereas to disrupt these districts now will mean a continuous disruption of all the districts in the United States.

I thank you gentlemen for listening to me so courteously, and for giving me the opportunity of speaking to you.

Mr. Harrison: Regarding new matter, an examination of the Dallas brief and our brief will show that all the new matter which is pertinent to this case is already answered in the Dallas brief, and the references in our brief to additional letters and testimony, etc., has not been even mentioned at this hearing in any way except by counsel for the Dallas bank. In other words, it has not been put into force here at all.

Our statements at this hearing have all been based on matters which are amply and fully set forth in this petition, without any reference to the additional matter to which he objects, and it is perfectly satisfactory with the members of our delegation that all that matter that the Board does not wish to consider it, shall be excluded entirely. That is, what he calls new matter. Take the facts set forth in our petition fully, and consider those facts, and never mind the other letters which he says he has not been able to see, and which are referred to in a general way. If we had published them all here, we would have a record larger than that banking encyclopaedia on the table. We do not feel it was necessary to do so.

Regarding these letters of Mr. Carter, my attention was called to them just while he was speaking, because an examination of some of these letters will show, I think, all but one of the banks from the five counties which we have excluded, that replied to Mr. Carter's letter, contained here,--Mr. Carter has a copy of his letter to the banks and their replies, and the replies from all but one or two that gave any reply, from those five counties, prefer to go to Kansas City.

The Governor of the Board: Did they ever send written letters?

Mr. Harrison: Yes, I will explain that. These were written before the district was organized, and Mr. McKinney was elected a director, and one of these letters which respondent has named --from the same bank named there as protesting against the change, has one of the strongest letters here, stating that

all their business goes to Kansas City. I refer to the letters from _____ and other towns from _____ County. Well, it will take too long to go into them, but it is of interest along this line. Take before the peculiar condition arose of Mr. McKinney being elected a director of the bank, and these bankers expressed themselves that their business went to Kansas City, even in those five counties that have been excluded.

As to the financing of the cotton crop, it was said five millions was paid for by the Dallas banks.

Mr. Huff: Eight million.

Mr. Harrison: Eight million dollars; well, the fact is the money comes from the east. Take Anderson & Company; every draft they draw is on Philadelphia; they never pay on local banks. It is to be had through the banks, but is not Texas money. The cotton goes through the Gulf to the ports, and is consumed by the mills. It is paid for by north and east always, not Texas money at all. I believe that is all.

The Governor of the Board: We will take this under advisement.

Mr. Harding: I want to ask a question upon the matter of review. If we are going to review evidence, and are not reviewing facts in this case, then there must be some evidence on the question of this boundary line. Now, is there not evidence on that, or has there not been?

Mr. Huff: Yes, sir; at the Kansas City hearing they took

testimony as to the trend of business. When they got down to our territory, they took testimony again on the trend of business. Oklahoma business men testified -- Mr. Mott, who is here, testified for Kansas City as to the trend of business, and said cotton was financed probably mostly in the east,-- New York and Boston for the present, and at that hearing the Oklahoma side had its inning, and the testimony as found in the record was taken.

Mr. Harding: But I can not find,-- it has been some time now since I looked over it -- that at that time it was in contemplation to establish the boundary line such as was determined on. If there was not any such boundary line in contemplation, was there not evidence on such a boundary line?

Mr. Huff: Well, of course, at that time there was no notice given as to where the lines were to be. At each one of these hearings, and especially at the Kansas City hearing, Mr. McAdoo asked witnesses from Oklahoma the following question: He says, "Where do you prefer to be?" And they said, "Kansas City or St. Louis." Then he asked, "How would you like to go to Denver?" One said, "I had not thought Denver would get a bank. Denver would be all right as one of the second or third choices, but the first choice was St. Louis." Mr. Robinson here, when he was asked his first choice, said it was St. Louis; his second choice was Kansas City, and his third choice was Houston. So that you will find all over that record, when references were made by witnesses as to which way they wanted to go.

Mr. Harding: That was on the supposition that the State of

Oklahoma was going into one district or another district, was it?

Mr. Huff: No, sir; I do not find anything said as to that. If you make the line at Canadian River, where will you decide to go? There is nothing like that in the record that I can find.

Mr. Harding: I did not mean a line like that, but was there any argument or any evidence on a proposition to divide the State?

Mr. Huff: I do not think there was; I did not find it.

Mr. Harding: Well, then, of course there is not anything for us to review on that question, is there, in the evidence submitted?

Mr. Huff: Well, you have got to take the same testimony that they took, and see whether or not, with that testimony before you, you would make the same division of the line that they made.

Mr. Harding: That is your point. I thank you.

Mr. Huff: Yes, sir.

The Governor of the Board: We will take this under advisement and let you know when a decision is reached.

Mr. Harrison: I thank the Board very much for this hearing.

(Whereupon, the hearing was adjourned sine die at 4:05 o'clock, p. m.)

121.
Pocket

B E F O R E T H E F E D E R A L R E S E R V E B O A R D

*

I N T H E M A T T E R O F T H E A P P L I C A T I O N O F B A N K S I N E A S T E R N W I S C O N S I N T O
B E D E T A C H E D F R O M F E D E R A L R E S E R V E D I S T R I C T N U M B E R N I N E
(M I N N E A P O L I S) A N D A N N E X E D T O F E D E R A L R E S E R V E
D I S T R I C T N U M B E R S E V E N (C H I C A G O) .

Washington, D. C.

-*-

May 20th, 1915.

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

The Governor of the Board: We are ready, gentlemen.

Mr. H. I. Weed, Counsel for Petitioners: Gentlemen of the Board: This petition was filed by banks in a portion of central, eastern, and northeastern Wisconsin, for the purpose of obtaining a review of the action of the Organization Committee in placing that portion of Wisconsin with the Ninth Federal Reserve District. We assign as errors of the Organization Committee in such action the fact that due consideration was not given to the usual and ordinary course of business in making the division as it exists at present; and, second, that all of the testimony taken before the Organization Committee tended to show that the petitioning district should have been joined with the Chicago or Seventh Federal Reserve District; that there was absolutely no testimony to the contrary; that while the positions of the Minneapolis bank and the St. Paul banks in their application to the Organization Committee to have Minneapolis or St. Paul designated as a federal reserve bank city, and while their application was made at considerable length, and written briefs filed and made a part of the record, there is not even an intimation on the part of Minneapolis or St. Paul that any bank in all the State of Wisconsin should be joined with that district if such a district was created by the Organization Board. All of the testimony was to the effect that the business of Wisconsin was tributary to the city of Chicago, and to the effect that this portion especially of the State of Wisconsin should have been attached to the Seventh Federal Reserve District.

There is a map attached at the back of the brief filed by petitioners which shows in colors the southern portion of the State in pink, which was assigned to the federal reserve district No. 7, or Chicago.

All of the outlines of the State of Wisconsin were, by order of the Organization Committee, assigned to Federal Reserve District No. 9,--to Minneapolis.

The petitioning district that now seeks to be changed from the Minneapolis District to the Chicago District is shown in the yellow color on the map at the back of the brief, and the seventeen counties in the western and northwestern portion of Wisconsin are not joining in this petition, and still are to remain, even if this order is made that is requested by petitioners, with the Federal Reserve District No. 9,--Minneapolis.

At the time of the hearing before the Organization Committee in Chicago, the petitioners in our section of the State of Wisconsin believed that it would naturally and logically follow that Chicago would be selected as one of the reserve bank cities. They felt too that Milwaukee and the southern portion of the State of Wisconsin must of necessity, by reason - by virtue of business reasons, be joined with the Chicago District, and that as a result a branch bank would be established in the city of Milwaukee; and they felt too that logically it must follow, because the natural flow of business from this section of Wisconsin was toward Milwaukee and Chicago, that this section of our State would be joined with the Chicago district. They felt that so strongly that they did not feel it necessary for them

to appear before the Organization Committee at Chicago and take up their time with arguments in the way of presenting their case; but as I have already stated to you gentlemen of the Board, every word of testimony that was produced before the Organization Committee, -- and there was quite a bit of it, and it is all pointed out in the brief of petitioners, and the examination of the record cited for your perusal, if you choose to look at it carefully, -- will disclose that every word of that testimony was to the effect that all of the business relations of this petitioning section of Wisconsin were naturally with and to the city of Chicago, because the bankers in this particular portion of the State of Wisconsin did not take the trouble to go before the Organization Committee. We admit that it was negligence on their part. We feel now that perhaps if they had appeared before the Organization Committee and made their claim for being attached to the Chicago District more apparent, as they could have done by statistics as to their business, etc., that this unintentional mistake, as we regard it, would never have been made.

There are in this petitioning district sixty-one banks; fifty-three of those banks join in this petition for a change.

We are met in the brief of the Minneapolis bank with the assertion, first, that we ought not to be heard by this Board in our petition for change, because we did not proceed in time. It seems to me that that is a very technical objection, even if it could be entertained, and it does not seem to me that members of this Board are warranted in entertaining it; but that they are

precluded, it seems to me, by the precise terms of the law that creates this Board. The Organization Committee was vested, in the first instance, with power and the duty to make this subdivision, but the legislative body that created this law evidently thought that in placing in order the machinery of this great business enterprise, some mistakes might be made; therefore they provided expressly in the law that this Board when created could, from time to time, take up and re-district this territory, or correct or change any error this Board might find had been committed by the Organization Committee in the first division of territory. That power vested in this Board by the law itself is a continuing power. It says "that this Board may, from time to time" etc., so that the claim on the part of the Minneapolis bank that we did not proceed in time, it seems to me, is utterly without force.

Another fact we are faced with is this, that one of these petitioning banks joined in the creation of the Minneapolis Reserve Bank, that is, in order to obtain the certificate of the Minneapolis banks. Again I say that that point is not well taken, because the law provides that the Organization Committee should designate the member banks that shall join in applying for that certificate, and that bank, when designated by the Organization Committee, has no option in the matter at all. By the terms of the law, every national bank and member bank is compelled to comply with every term and provision of the law, and the penalty is forfeiture of its charter if it fails to comply, so that the action of one of these present pe-

tioning banks in assisting in the creation of the Minneapolis bank ought not to preclude it from now requesting that a change be made, because its action was simply in compliance with the plain terms and provisions of the law that created this Board.

We say there are many reasons for this change. We say that rail connections between this petitioning section of the State of Wisconsin and Chicago are much better and much cheaper than they are with Minneapolis. We say that the mail service is much better than with Minneapolis. We say that telephone and telegraph rates are cheaper with Chicago than with Minneapolis. Now, these matters are not disputed in the reply brief of the Minneapolis bank. We say, further, that the rate of re-discounting at Minneapolis is open at Chicago, and that is in part admitted, specifying certain term paper. The reply of the Minneapolis bank does not dispute the fact that telephone and telegraph rates are higher to Minneapolis from the greater portion of this petitioning district than from Chicago, but says they have not at their hand any reliable data as to that. They do not assert that the statement contained in our brief is wrong. They could have obtained that data by application, it seems to me, to any telegraph or telephone office for rates, as I was able to do, in making application to the telephone and telegraph offices in and near the locality where I live. Telegraph rates, for instance, are at the rate of thirty cents to Chicago, to forty to Minneapolis; in my section of the State \$1.50 for telephoning Minneapolis; the rate to Chicago is \$1.00.

The brief of the Minneapolis bank admits that the railroad

service is better, but it asserts that the mail service is equally good, and that the Minneapolis mails are distributed in this petitioning section of the country when deposited, or not before distributed in this petitioning section of the State of Wisconsin in the morning. Unfortunately for their contention, theoretically it may be all right, but practically it does not work out that way. Minneapolis mails mailed the night before reach our petitioning section of the country so late that they are not distributed until what is known as the two o'clock distribution of our delivery, so that they reach our banks at a time when the rush of other business almost precludes their handling the Minneapolis business that day, and practically loses them a day.

We are faced, too, with this contention on the part of the Minneapolis bank, that the granting of this petition would leave the Ninth District with northern Michigan and this portion of Wisconsin, practically separating northern Michigan from the balance of the Ninth District. That's not a forceful argument, so far as the law is concerned, because the law gave the Organization Committee, and gives this Board, absolute power to do just that thing. The law provides that the territory need not necessarily be co-terminus, so that there is no real force and effect to that suggestion.

Now, I assume that it is the purpose of this law, and that it would be the wish of this committee, that every state institution that might be qualified to become a member of this banking system could become a member of this banking system. We have a

7

great many state banks in this petitioning section of the State of Wisconsin, and while it is information gathered since the Organization Committee sat, still we believe it is information we think the Board is entitled to. We have taken the trouble to find out from the numerous state banks in this petitioning district what their choice would be, and out of 254 all but five expressed the wish that the territory may be changed to the Chicago District, because if they do become members of this system, that's where they would do their business.

We suggest in our brief a rule established by this Board, that no new testimony will be taken, but that the petitioners or the respondent bank will be limited to the record before the Organization Committee. Now, taken literally, that declaration by this board would, it seems to me, absolutely preclude the Minneapolis Bank from being hurt, or at least from having anything to say, because there is not one word of testimony or one intimation on the part of the Minneapolis or St. Paul in the hearing before the Organization Committee that they were entitled to or desired a single bank in all the State of Wisconsin to be attached to their district; but we do not contend for an absolutely literal construction of that particular rule of this board. We assume that this board will use the knowledge that it has as men of wide experience, and apply it. We assume that this board is not entirely judicial in its nature, but administrative, and that it will use the judgment it has, whether obtained from some particular record, or some particular brief, and will use the information that it obtains or that it possesses without any par-

particularly binding reference to this rule they have themselves established. But so far as the petitioners are concerned, we are not particular whether the board takes the view that the rule established by itself absolutely limits it to the record. If it does, then we say that the Minneapolis bank has nothing upon which it can argue before this board. Or, we are perfectly willing to take the broader view to permit this board to use its own judgment, and its own knowledge, that it has obtained, or can obtain, rather than the record before the Organization Committee, and then make up its judgment; and we say that in either event it must logically follow that this petitioning territory ought to be joined with the Chicago District, because there is where all of its business,--practically all of its business--goes today.

We have taken the trouble to make some investigation as to some of the banks in the very western part of this petitioning district, and find that anywhere from ninety to ninety-one per cent of their transactions are with Chicago, as compared with Minneapolis; and as you go further toward the eastern portion of the State, the percentage increases in favor of Chicago.

Now, we assume that Chairman Glass was right when he said that the branch banks, **after** they had once been established, would be the real working element of the system, and we believe that to be true. The bankers of our State had hoped to be placed in the district with Chicago, that the city of Milwaukee, the great metropolis of the State of Wisconsin, would have a branch bank of the Chicago District located there; then all of the elements of benefit that can be derived from this system would be right at the very door of this petitioning district. And we do feel that

there are many good reasons why this change should be made, and we trust that this board, after due consideration, will make an order creating that change.

ARGUMENT OF MR. A. UELAND, REPRESENTING THE
RESERVE BANK.

Mr. Chairman, and gentlemen of the Board: Section 2 of the Act contemplates action on the part of this Board involving a review of the decisions of the Organization Committee. This power of review may or may not result in changing the boundaries of any given district as fixed by the Organization Committee. Now as to the method of adjustment, it seems to me it goes without saying, it should not be considered by the Board except in the light of some experience as to the working, as to the practical operation of the work, of the Organization Committee. And this Board has, indeed, not so far said anything by way of promulgating any rules for considering the adjustments, so that in speaking to this matter here, I speak entirely from the point of view of our being here to consider this matter by way of review of the work of the Organization Committee.

Now, our Minneapolis Reserve Bank hopes thus very materially to reduce the Ninth District, in obedience -- I think I may use the word -- to the mandate which we find in your regulation No. 1, and also from a sense of duty to the other member banks of that district, and to the other business interests of that district.

I want to emphasize at the outset that the Reserve Bank is not here in any spirit of hostility to the bankers here by any means. The Minneapolis bank has continually realized this sense of duty in a good many tangible ways, from its member banks, since the press announced that there would be this appeal, and I think I may refer more particularly to the action of the _____

Bankers' Association which was quite unanimous on the subject, that the matter should be opposed thoroughly, the reasons for which I will not go into now. And these member banks of that association would feel that Mr. Rich and myself are derelict if we did not bring to the attention of the Board any reasons we have for thinking that this appeal should not prevail.

And so we have suggested in our brief, and I do suggest again, that this petition should not be considered on its merit, because it comes too late. And I want just to say a word about it, because in making this claim I do not intend to be technical, as counsel seem to think.

The Act says that geographical limits might be reviewed by the Board when organized. The decision fixing these lines was made, I think, on the second of April; on the twenty-eighth of August this Board promulgated regulation No. 1. The Board will please remember, -of course it will remember; I simply call attention to it -- that it will of course consider all matters of this sort perfectly impartially, and remember one is just like the rest.

You will therefore be bound to determine what is a reasonable time for making appeal from the Organization Committee's decision. You will be bound to do that, because, if, forsooth, a delay of more than six months is too much to be a reasonable time, -- as for instance we are here today; then you can not deny to hear other applicants that may come in the future. You either will have to fix what you consider a reasonable time, or you can not fix the time at all, unless you act partially to parties. And so I say that while the Act did not contemplate that appeal should

be brought here, when the Board was organized, instanter, by any means, it intended that ~~xxx~~ ^{they} should be brought before the Board within a reasonable time, which is such time as would be necessary, under those circumstances, and this Board made provision for that in regulation 1, on the 28th of August, in stating that Class A and B directors might act for the reserve bank; that is to say, the matter might be gotten at when these directors came into being, which was the case. So much for that.

The next question which we raised against the action of the Reorganization Committee being reviewed upon its merits is this: The Act - Section 2 - says that as soon as practically the Secretary of the Treasury, etc., shall designate not less than eight nor more than twelve cities, to be known as so and so, and should divide the continental United States, excluding Alaska, into districts, each district to contain only one such federal reserve bank, when the Organization Committee shall have established federal reserve districts as provided by Section 2, certificates shall be filed, and so on. The Act told the Organization Committee that in counting out the districts they did not need to follow state lines. The district lines do not need to be co-terminus with state lines. That is true. But the Act did not say, as counsel suggests, that the districts could consist of fragments. The Act contemplates as clearly as anything can be that the sub-division of the continental United States should be into not more than twelve solid geographical sub-divisions, and we have not had that only from the language of the Act, but we find it in connection with the provision of the Act for the

clearing system, by implication, to which I shall speak presently. That is to say, if there is to be a clearing system within the district, it means an exchange of checks, and it would be practically impossible, as shown in another connection, to have a clearing system in a district that was in fragments, one part of it separated from another part.

Now here comes a petition by way of review, in time or not in time, as this Board may determine. What do the petitioners ask? The petitioners ask to have detached that part of Wisconsin which I point to here on this map (indicating), cutting the Ninth District into two distinct parts. Leaving the eastern part, they want to detach the entire north peninsula of Michigan.

A Member of the Board: Will you turn that map around, Judge, please?

Mr. Ueland: (Complies with request.) So as far as this matter that is now before the Board is concerned, it is simply this: Should the Organization Committee have made such a district as this Board is asked to make up here? Of course not, it seems to me, and I do not need to stop to argue that the Board is not to review the appeal to make the district what the Organization Committee should not have made it. And if that is so, and it seems to me it can not be otherwise, why it simply disposes of this matter without going further into it.

Now, there is still another matter which I will speak of in connection with whether this matter should be heard upon the merits, as to which I am not so certain whether the Board will think that I am too technical, or not.

A Member of the Board: Judge, may I inquire whether the

banks in the northern part of Michigan were approached on the subject of joining in this petition?

Mr. Ueland: I do not know.

A Member of the Board: Perhaps counsel can advise us.

Mr. Ueland: You will find from the record of the Organization Committee in Chicago.

A Member of the Board: I do not mean -- I mean since then, do you know whether they were approached on the subject or not?

Mr. Reed: I do not.

and whether

A Member of the Board: Whether asked to join/they declined?

Mr. Ueland: If the gentlemen of the Board will permit me to say something outside of the record, which I have not the slightest desire to do, out of the banks in Michigan, I do not think there is one wants to get out of the Ninth District. Your representative, Mr. Reed, is here, and he can possibly better satisfy you on that subject than I can.

Mr. Reed: All I can say in reply to your question is that those banks were represented before the Organization Committee, and the record will show that they requested very positively they should join with Chicago.

Mr. Ueland: Now, with the protest that I do not want to be technical, will the gentleman permit me to make this point: Your regulation No. 8 says that the petition for review should be signed by two-thirds of the member banks of the district that sought to be detached, and joined to another district. The original petition as here was filed on the 13th of March, as I have said already. It was signed by three banks and no more, with the

modification that there is attached to that petition with the signature of banks a statement reading to this effect: "Believing that the Organization Committee of the Federal Reserve Bank were not fully informed concerning the usual and customary course of business in our locality when we made the district No. 9, and referring to your letter of August 8, 1913, marked Regulation 1, Section 2, petition for change in geographical limits of the Federal Reserve District, we earnestly petition your Board for a hearing to the end that we may be taken from District No. 9, and placed in District No. 7." Very good; but will you please mark, and I think I am justified in emphasizing this, for you know the old joke about getting people to sign petitions, and the assertion that a man once made that he could get people to sign a petition to have themselves hanged if he tried to;— you will mark that there is no reference in this petition -- there is no reference to districts which it sought to be eliminated. It's an individual assertion on the part of each bank, and they are dated all very early in October, beginning October 1st,--six months, substantially, before this petition was filed. I say it is not; I say the matter is not in compliance with your regulation 1, and I say that those signatures that we have there have neither legally, under your regulation, or morally, any force upon this hearing.

A Member of the Board: Have they been communicated with since October?

Mr. Ueland: Yes.

A Member of the Board: They refer to the original request?

Mr. Ueland: I will answer that now. I have in my hand, not

the testimony which you do not want to take, but I have documents, records of our bank, -- your bank, if you please,--which I dare say that I may leave here for your consideration.

Early in February, there appeared in the newspaper at Stevens Point -- the Stevens Point Journal -- a case where one, I think, Mr. Dunegan, who is prominent here, and resides here, gave a statement to the effect -- I quote:

When the National banks of the country were assigned to the new Federal Reserve districts several months ago, many banks of Wisconsin that had previously done business through Chicago were placed in district No. 9, of which Minneapolis is the reserve city. Immediately a strenuous protest was voiced and the actual operation of the law has increased rather than lessened the dissatisfaction."

The management of our bank found in this naturally not only an attack upon the action of the Organization, but upon the service they had received, and sent the circular letter of the date of January 16th, in which he quotes this, and inquires, "What ^{the Governor} is interested in as ~~xxxxix~~ of this bank is in just what manner the operation of the law and our dealings with you have proven unsatisfactory," and calling for response.

A Member of the Board: When was the newspaper dated?

Mr. Ueland: 16th of February, before this petition was filed; the 16th of February.

A Member of the Board: Of course the Governor's letter had no reference to the newspaper article?

Mr. Ueland: He quoted it.

A Member of the Board: I thought you said his letter was January something?

Mr. Ueland: No; February 16th.

A Member of the Board: I thought you said the other date.

Mr. Ueland: I beg your pardon; February 16th. He quotes the newspaper extracts and so on before he makes this inquiry.

A Member of the Board: Yes.

Mr. Ueland: Now, I have attached here to this documentation the letters -- not all the letters, but many of the letters that came by way of response in three classes, in order to be able to lessen the labor of the Board. The first class containing fifteen letters, is from banks that are held out as being petitioners on this appeal, -to be joint petitioners in this. The next batch are letters from other banks, member banks within that same district. The third class are letters which I have selected from banks that are in counties bordering on the district affected by the appeal, showing that these banks, situated practically the same as banks which are claimed to be petitioners, are well satisfied to be in the Ninth District.; that is, ~~xx~~ assuming that those banks are substantially in the same position as those which came within the exact territory sought to be detached.

Now, I will stop taking the time of the Board, except by reading a few extracts:

A letter from the First National Bank of Berlin. I spoke just now of those who claimed to be petitioners. This letter is from the First National Bank of Berlin, dated February 17th. They begin by stating that their business with the Reserve Bank has been limited up to the present time, which is true, and then

they continue:

"We are of the opinion, however, that our interest will not be materially affected by having the Reserve district in Minneapolis and we certainly would not be in a position to criticise until after our business was active."

The First National Bank of Black River Falls, February 17th:

"Replying to yours of the 16th, up to this time, the operation of the law and your dealings with us, have been very satisfactory."

The First National Bank of Brillion, -- and by the way, Brillion is one of the four points in the district sought to be detached as to which there is not over-night mail. With all of the rest of the points there is over-night mail both ways.

Towards the close of the letter they say:

"Neither do we imagine that any different, or better service, except in the matter of quicker returns, would be given us by any other Federal Reserve Bank, at this time."

First National Bank of Clintonville:

"Thus far our business with your bank has been little and probably conducted as easily as it could have been done with the 9th District Bank in Chicago."

National Bank of De Pere:

"Yours of the 16th inst., duly received, and in response beg to state that this is the first intimation that we have had that any movement of the kind you refer to, was on foot, as we do not remember of having any communication from Mr. Dunegan or anyone else with reference to the question, and certainly not for a long time."

They had signed, I suppose, these petitions October 1 or 2, but forgotten it, evidently. Continuing:

"We fully appreciate that we can not all expect to have everything to our entire liking, and there-

fore, have learned to a great extent, to adapt ourselves to the conditions, and felt that experience would probably teach us that the business could be handled practically as well there (that is, Minneapolis) as elsewhere."

quotation

Another/from the National Bank of De Pere: letter:

"We certainly have had no occasion to criticize the manner in which you have dealt with us so far, and have not offered any protest."

If they signed, why they have forgotten it too.

From the McCartney National Bank, Green Bay;

"At the time we were notified of our assignment to district number ~~9~~ 9, we entered our protest against it and asked to be assigned to number 7 instead. Since that time we have taken no active part in seeking to effect a change."

They are unconscious of being a party to this appeal, it seems to me.

First National Bank of Marshfield, February 19th:

"Replying to your letter of February 16th, which was not answered before owing to my absence from the city, would say that the same was certainly news to me. While we have always been of the opinion that it would be better for us to be in district #7 on account of the major part of our business being with Chicago or Milwaukee banks, we had not been trying to be transferred to that district."

They have forgotten it too.

First National Bank, New London:

"Replying to yours of the 16th inst., we have no knowledge of any action taken upon the part of the management of the Federal Reserve Bank of the Ninth District which has proven unsatisfactory to this bank. We are not aware of the fact that we are associated with J. W. Dunnegan, Steven Point, Wis., in any criticism."

Cshkosh City National Bank:

"In reply, would say (February 17th) that we have not been approached by the gentleman in question (Mr. Dunnegan), and doubt whether we would consider the same

seriously. While we feel that we should have been put in the Seventh Federal Reserve District, nevertheless we are pleased to state that the service of the Minneapolis Reserve Bank has been entirely satisfactory to us."

Another from Oshkosh, the Commercial National:

"You state that as Governor of the Ninth District, you are interested in knowing in just what manner the operation of the law and your dealings with us have proven unsatisfactory. While this bank was a party to the protest and petition to have Wisconsin included in the Seventh District, we have never expressed any dissatisfaction with the actual operation of the law. In fact, we have never availed ourselves of any of the many functions of the bank over which you preside, consequently are not in a position to express the opinion that you quote from Mr. Dunegan's letter; therefore, we are not to be included in the "Many banks in Wisconsin" mentioned above."

The Princeton First National. I will skip that.

The Shawano German American National Bank:

"At one time this bank signed a petition asking that this district be removed from the Minneapolis district and placed in the district #7.
 . . . I am unable to say that our being located in the Minneapolis district would be unsatisfactory to us, but thus far, as you know, we have had very little business relations with the Federal Reserve Bank.

"It seems to me that the agitation is caused in a great part by the bankers of Chicago and Milwaukee, in order that the business, which has for years been coming their way, may not be taken to other cities."

Alma First National:

"We may state further that our inclusion in the ninth district is highly satisfactory to us and that for various reasons we would regret very much to have boundaries changed so as to place us in the Chicago district."

Now here comes the letters from the parties within the

district that protest against being taken out, which I will not of course stop to read, except I will call attention to two. Where I put my finger here (indicating on map), either there or there, Mr. Reed, I do not remember which, we have Fond du lac County, have we not? Fond du lac County is to the extreme southern border of the present district that is nearest to Chicago, up to the border of the Ninth District. We have, as the gentlemen of the Board will see, a jog down here into the district -- La Crosse County, is it not?

Mr. Reed: Yes, sir.

Mr. Ueland: Here are the border banks of which you have spoken. Now, if there should be any banks that would want to get out, you would find it here on the border of Fond du lac. That is, if there was any pressing reason, any real substantial reason from a business point of view, as far as they are concerned, we find it there; and I therefore call attention to the letter of the bank in Ripon, which is in that county, dated February 17th:

"Replying to your letter of Feb. 16th, I beg to say we have not taken any part in any of the steps taken by many of the banks in Wisconsin to have this part of the State put in the seventh Federal Reserve District, as we believe our interests can be as well served from Minneapolis as from Chicago."

In a letter from the Commercial National Bank, also at Fond du lac, a letter which I quote not only for this purpose, but for another purpose, that has a bearing upon this case, and I quote that at some length, because ~~upon~~ it states the situation really more precisely as to that other matter than I

could do myself. It is dated February 17th:

"The officers of this bank are not in sympathy with the effort that is being made to have our district changed. We think that all the unrest in this district has been caused by Milwaukee. They, I am sure, feel that if middle and southern Wisconsin are added to the Seventh District that in time Milwaukee can be a branch, when such time comes. We feel that it is to our interest to remain in the Minneapolis District for the reason that all our northern Wisconsin, Minnesota, North and South Dakota and Montana farm loans can be made at a very much higher rate than can be secured in the Chicago district. We will be able to help just the class of people that need help from the strong banks of Wisconsin. Chicago now is the second largest Federal Reserve Bank, and they do not need us at all, while Minneapolis does.

"As far as doing business with Minneapolis is concerned, it is just as convenient for us to do it with Minneapolis as it is with Chicago. Our mail goes out from here at night and is in Minneapolis in the morning, the same as Chicago.

"The officers of this bank would be very sorry to have this district changed, and if at any time we can in any way assist you to retain this portion of the state, if it is your wish to do so, we would be very glad indeed to serve you."

Mr. Warburg: Will you repeat what he says there about the higher rate; I did not quite catch that.

Mr. Ueland: They can get higher rates on mortgage loans. I will repeat it:

"We feel that it is to our interest to remain in the Minneapolis District for the reason that all our northern Wisconsin, Minnesota, North and South Dakota and Montana farm loans can be made at a very much higher rate than can be secured in the Chicago district."

They can get farm loans at a higher rate in the Ninth District than they can in the Seventh District, and as the Board will remember, you can not, under the Act and your regulations, the banks can not go outside the district to take farm loans. I am quite right, I think, in that statement. I think the

Board will remember that the taking of farm loans is confined -- national banks are confined to the taking of farm loans within their own district.

Mr. Warberg: The Wisconsin district would profit by it from the State, then, because they would have to employ their funds there and not in Dakota.

Mr. Ueland: Yes; well, in the record here I have a bulletin from the North Dakota Bankers Association, which has a bearing upon this subject also. One of the grounds for their protest to this part of the district being taken out is that the banks here in this district are preeminently the market for our mortgages here in North Dakota, in Montana, western Minnesota, and so on.

Now, I want to take up, after these general remarks -- I want to take up specifically what is urged in the brief of the petitioners as a part of this change.

"Better and cheaper Connections." We admit to some extent better railroad passenger service, for we admit that the railroad lines within the district run straighter to Chicago than they do towards Minneapolis, -- not that we have not plenty of railroad lines; we have four or five or six, that go westward, but not in a straight line.

A Member of the Board: How many banks are there which can only get their mail at two o'clock?

Mr. Ueland: There are four points that do not get their mail over-night; in four points.

A Member of the Board: Only four?

Mr. Ueland: Only four in the district. I shall not stop to particularize those things, for I have given the schedules of that here.

Mr. Reed: Pardon me; may I ask how you get that reply to the Board?

Mr. Ueland: Where I get it?

Mr. Reed: Yes; where do you get your authority?

Mr. Ueland: I confess I got it from the officers of our bank; that's all I can say, and I think that they would not state anything that they do not know to be a fact in that respect.

"Cheaper railroad transportation." We do not admit as to that. I confess I have not got all the data, but cheaper railroad transportation,--there can not be on an average, for the reason that Minneapolis is as near as we can tell,--from about twenty-three or twenty-four miles nearer to the center of this district than to Chicago. I will leave this map which will show it. Central Minneapolis is that much nearer, so when they say cheaper rates of transportation, I think they ought to furnish some proof of that. I do not think that can be so.

But as to transportation, as to personal facilities for traveling, the people of our banks have the opinion, and I do not think I need to argue that, that it is of very little importance, because the business between the reserve bank and its member banks is not done by personal attendance. I will not say not at all, but so seldom, to so small a degree, that it really does not enter into the situation.

"Cheaper telephone and telegraph rates." As to that I do not know. I confess I do not know; but it seems to me, considering the relative distance, there can not be much in that.

"Mail service." We have already gone over that. But mark the business being done by mail, and by over-night mail both ways, except as to the four points mentioned. For every practical purpose the banks in this section sought to be detached do business with the bank in Minneapolis as readily as do our Minnesota banks that are situated forty or fifty miles away from the town. Business goes by the mail and goes out by the mail, and goes over night.

Now that -- you gentlemen may not think that I ought to state that. We have a record here which upon that subject speaks for itself, as it seems to me. With this document I submit, let me state it conditionally. When I wrote that brief about the middle of April, I gave you certain figures as to how much capital these banks in this district had contributed to our bank, and how much business had been done. I have taken-- we have taken, and I furnish you again the figures, as from the 12th of May substantially a month later, so that you will see that was not a mere chance statement that we had in the brief.

I must not tire you with the details of these figures, and I leave it. But I say this, that they show that the alleged fifty-three banks in this district sought to be detached -- no, they allege sixty-one; fifty-three banks in this district which they say. All the banks in this district -- member banks -- have

contributed substantially one-tenth of the capital to the Minneapolis bank, -- I speak in round figures -- substantially one-tenth, and constitute substantially one-tenth of the number of the banks which have so far done any business with the reserve bank; whereas the business that these particular banks have done up to this time with the reserve bank is more than one-fifth. So that we find this situation with the member banks of this particular district, whereas they constitute only about one-tenth, have done only one-fifth of the business, that is, in proportion to the number; hence twice as much in proportion to the number as any banks in that district. So here we find a situation that in this district of Wisconsin, speaking of discounts now, there are more discounts out now in that district than all the banks in Minneapolis, than all the banks of North Dakota or South Dakota or Montana or the rest of Michigan.

Mr. Warberg: What is the aggregate?

Mr. Ueland: The aggregate outstanding discounts now is _____ . I mean of the total; the aggregate total discounts for the entire district?

Mr. Warberg: Yes.

Mr. Ueland: And for Wisconsin, \$123,382. I do not know if I make myself clear.

Mr. Warberg: Yes; entirely clear.

Mr. Ueland: The entire outstanding discounts on the 12th of May was --

Mr. Warberg: I was only going to see how much of that

statistical material was really anything at all, because it is so small. I was only inquiring about the total numbers.

Mr. Ueland: Though that does not indicate; it is so difficult to do business, and it means something.

There are two more things that I want to mention. We are reviewing the work of the Organization Committee. I do not need to speak to you of the task that confronted the Organization Committee; you know it so much better. The Organization Committee, under the Act, was bound to make the districts such that they could get the minimum capital of four millions, and their decision shows that in that endeavor they cut the Minneapolis district in point of capital the lowest of any of the twelve; and only that of Atlanta was on the same footing. They found they estimated the capital upon the returns they had, \$4,702,000 from each of these two districts, and outside of that, as you know, the capital was even then much larger. They left a margin of \$700,000, only, for the event that any of these banks should not subscribe as they might have omitted to do, of course, in going out of business, or in the event of course of capital or surplus being reduced, certainly cutting it very close. The situation has changed a little in that respect. The total subscribed capital now, speaking in round figures, is \$4,900,000, and a little bit less in the Atlanta District, according to your reports. Yet our district is the next lowest in point of capital today.

Now the capital that would be withdrawn if this appeal prevailed would be \$262,500, and if we should anticipate this, it seems to me we would have that if any. Now at some time in

in the future you would have to take the peninsula; also, say the capital would come down to only about \$150,000 aboth that minimum -- I have the exact figures here, with which I will not tire you,-- and as I thought to close shortly. Does not it stand to reason that in the exigencies of business that may be before us, we do not know but that there may be such a change or reduction of capital that this would bring the matter of capital below the minimum? Ought we to run it any closer to the line? Is not it clear that it is the policy of the act, and was the intention of Congress, that this Board should see to it that the capital of the different banks was equalized as much as possible. Of course we know that it is the policy to have the capitalization as equal as you can, and not as diversified as may be.

Now, then, upon this proposition of its being readier to take the train to Chicago than to Minneapolis, and to telephone, the charges being ten cents more, and the telegraph,--if that be so, and all that, you are asked to reduce the capital of the Minneapolis bank to the point that I have stated, and add to the capital of the Seventh District Bank, which is between twelve and thirteen million dollars. I do not think you should do that, unless there were real and good substantial reasons for it.

And there is another thing that I said I would come back to, and with which I shall close. The act contemplates the clearing system, that is, the service which it is going to give.

As I understand it -- I am not much of a banker, I confess -- the checks that the member bank gets shall be handled so and so, to his convenience. He gets his checks, of course, to the greatest extent, from his neighboring banks, that is, from the banks nearest to him. The bank in the peninsula, I think we can assume, gets the bulk of the checks which it would have for clearing through the Minneapolis bank, from this Wisconsin district. Now, you can not, under the act, and do not intend to, as I understand it, extend this clearing system beyond that between the member banks of each district, so that if this portion of Wisconsin territory was taken out you do at a stroke cut the peninsula banks off, so any benefit of their clearing system, and that you should not do except for good and sufficient reason.

A Member of the Board: How do you make that out? This is not going to dislocate the transportation facilities between the northern peninsula and Minneapolis.

Mr. Ueland: If I am mistaken, -- I may be mistaken, because I am not much of a banker. Under your proposed system of clearing you handle -- the reserve bank handles in clearing only the checks of its member banks. Now this Michigan bank will have the bulk of its checks from its fellow member banks in the district to be detached, which will not be -- can not be handled in the clearing under the system you propose, and therefore this peninsula will be cut off from the benefit of the clearing. Now if I am wrong about that, you bankers will have to correct me. That's the way I understand it.

I thank you for your attention.

Mr. Weed: May I have a moment to reply?

The Governor of the Board: Certainly.

Mr. Weed: Of course, there was nothing in the brief of the respondent bank to inform me of any of these letters that have been read before the Board, or at least extracts from them, so I am unable to answer them, except in this, that I know that Mr. Dunnigan was misquoted in the newspaper article that came to the attention of the Minneapolis bank, and that the use that was made of that letter was entirely an improper use so far as Mr. Dunnegan was concerned, because it started out on the theory which Mr. Dunnegan never advanced at the time, that there had been no business and could have been no business with any of these banks in the petitioning territory, and the Minneapolis bank, except to subscribe for and pay in the stock.

A Member of the Board: What time do you speak of?

Mr. Weed: That was in January, a year ago.

A Member of the Board: January a year ago?

Mr. Weed: January of this year.

A Member of the Board: What do you mean, there could have been no business?

Mr. Weed: All that had transpired between the banks, as I understand it, was that the banks in this petitioning district had then subscribed for and paid in some portion of the stock to the Minneapolis bank.

A Member of the Board: No loans made?

Mr. Weed: I think not, as I understand it, but if the

gentlemen will permit the President of our State Bankers' Association here, and also Mr. Dunnegan, a member of this committee, and if there are any questions you desire to ask that have relation to practical banking, I wish you would ask them of these gentlemen, for them would be very glad to reply to any questions of that nature. I am not a banker, and have not any special practical knowledge of banking. But as I understand it, at the time this proposed communication was supposed to have been sent out, the member banks had had practically absolutely no business with the Minneapolis bank, and could have had none practically, except the mere fact of subscribing for and paying in the capital stock, and I think I am not mistaken in that, although the gentlemen who are here present representing the bank associations up there may be able to correct any misstatement I may make.

Now, I want to say this, that I tried to be frank in our brief, and we stated to the members of this Board in that brief that some of the banks, instead of joining in this petition, had come out and said that they did not care to join, for the reason that they were making loans in North and South Dakota, etc., and we call the attention in that brief to the fact that that was one of the reasons why this Board should make the change that this petition asks for. We point out in that brief that the very fact that these Wisconsin banks can get a higher rate of interest in states west of Wisconsin on farm loans than they can get in Wisconsin, is discriminating against Wisconsin, and carrying the money from Wisconsin to help build up and de-

velop the States in the west, and deprive the farming element of northern and eastern Wisconsin of the money they need.

A Member of the Board: What is the capital of the banks asking to be transferred?

Mr. Weed: The capital? I can not tell you off-hand, but it leaves the Minneapolis bank with a surplus of about \$300,000, I think.

A Member of the Board: I was considering it in connection with the amount that they might loan on real estate.

Mr. Weed: The great trouble is here, may it please the Board: The Southern portion of Wisconsin, a very wealthy part of the State, including the large city of Milwaukee, is now in the Seventh District. Of course under the law that portion of the State of Wisconsin can not loan upon north and eastern and north-eastern Wisconsin lands. What we desire is that this petitioning territory be placed with the southern portion of Wisconsin, so that this rapidly developing part of the State can borrow from banks in southern Wisconsin, where they have the money to loan, so that the northern and eastern portions of Wisconsin may be permitted to develop and not that a sub-division of the State of Wisconsin be made that will be a detriment to the northern and eastern part of Wisconsin, and a benefit only to the States further west. We do not believe that that was the purpose of the law, and we do not believe that will be the purpose of this Board.

Now, a system of clearing checks is suggested. What for? Why to remedy a part of the evil created by this improper divi-

sion. Why create an evil to be remedied? Why not make a subdivision of the territory along the lines of the other and ordinary course of business, as the testimony before the Organization Committee clearly showed should have been done.

A Member of the Board. You say that the clearing system is calculated to remedy that evil?

Mr. Weed: I say that in this instance that would be its effect.

A Member of the Board: I do not think it had any bearing on that as far as I can judge. The clearing system is provided for in the original act for all over the country.

Mr. Weed: True; I am drawing my inference, if you please, from the brief and argument on the part of counsel. My inference is that, admitting that inconvenience now exists, the system of clearing checks, etc., would reduce or minimize that inconvenience. I have no purpose of reflecting upon the terms or purposes of the law. I simply draw that inference from the brief and argument of opposing counsel, that, assuming, for instance, that inconvenience or increased expense does exist, this system of clearing checks will either eliminate it, or at least reduce it. I say that if such a condition exists, why resort to the clearing check system for eliminating or reducing it? Why not make a re-division of the territory, and thus eliminate or reduce it?

Now the brief of the Minneapolis bank, I think is very frank in one respect, -- brutally frank, in fact. It says that this territory in Wisconsin was placed with the Minneapolis

district because the Minneapolis district needed the capital, and it ought to remain there, because the Minneapolis bank still needs the capital. Now, that's a very, very selfish view, it seems to me, to take of it. It seems to me it takes a view of the situation that the law never contemplated. They still would have ample capital above the minimum, \$4,000,000, if this petitioning district was assigned to the other district, and it seems to me, if it appears to you gentlemen of the Board that the natural and customary course of business was from this petitioning district toward Chicago, that this petition should be granted, and the proper order of the Board made to carry it into effect. As I say, if you gentlemen have any questions of practical banking, the president of our State Bankers Association, and Mr. Dunnegan, are here, and they would be glad to answer.

assume?
 Mr. Ueland: May I be permitted to say when I read the brief, I admitted that the rate of discount was half a per cent higher on sixty and ninety day paper, and since that time the rate of discount has been changed in our banks so as on thirty and sixty days, not on ninety. I think that is the situation now.

The Governor of the Board: We will take the matter under advisement and you will be apprized of the decision.

FEDERAL RESERVE BOARD FILE

3121.21

pothet
Mrs

Stenographic report of
Hearing - Wisconsin banks.

Holmes

BEFORE THE FEDERAL RESERVE BOARD

*

IN THE MATTER OF THE APPLICATION OF BANKS IN EASTERN WISCONSIN TO
BE DETACHED FROM FEDERAL RESERVE DISTRICT NUMBER NINE
(MINNEAPOLIS) AND ANNEXED TO FEDERAL RESERVE
DISTRICT NUMBER SEVEN (CHICAGO).

Washington, D. C.

-*-

May 20th, 1915.

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

The Governor of the Board: We are ready, gentlemen.

Mr. H. I. Weed, Counsel for Petitioners: Gentlemen of the Board: This petition was filed by banks in a portion of central, eastern, and northeastern Wisconsin, for the purpose of obtaining a review of the action of the Organization Committee in placing that portion of Wisconsin with the Ninth Federal Reserve District. We assign as errors of the Organization Committee in such action the fact that due consideration was not given to the usual and ordinary course of business in making the division as it exists at present; and, second, that all of the testimony taken before the Organization Committee tended to show that the petitioning district should have been joined with the Chicago or Seventh Federal Reserve District; that there was absolutely no testimony to the contrary; that while the positions of the Minneapolis bank and the St. Paul banks in their application to the Organization Committee to have Minneapolis or St. Paul designated as a federal reserve bank city, and while their application was made at considerable length, and written briefs filed and made a part of the record, there is not even an intimation on the part of Minneapolis or St. Paul that any bank in all the State of Wisconsin should be joined with that district if such a district was created by the Organization Board. All of the testimony was to the effect that the business of Wisconsin was tributary to the city of Chicago, and to the effect that this portion especially of the State of Wisconsin should have been attached to the Seventh Federal Reserve District.

2

There is a map attached at the back of the brief filed by petitioners which shows in colors the southern portion of the State in pink, which was assigned to the federal reserve district No. 7, or Chicago. All of the

All of the outlines of the State of Wisconsin were, by order of the Organization Committee, assigned to Federal Reserve District No. 9,--to Minneapolis.

The petitioning district that now seeks to be changed from the Minneapolis District to the Chicago District is shown in the yellow color on the map at the back of the brief, and the seventeen counties in the western and northwestern portion of Wisconsin are not joining in this petition, and still are to remain, even if this order is made that is requested by petitioners, with the Federal Reserve District No. 9,--Minneapolis.

At the time of the hearing before the Organization Committee in Chicago, the petitioners in our section of the State of Wisconsin believed that it would naturally and logically follow that Chicago would be selected as one of the reserve bank cities. They felt too that Milwaukee and the southern portion of the State of Wisconsin must of necessity, by reason - by virtue of business reasons, be joined with the Chicago District, and that as a result a branch bank would be established in the city of Milwaukee; and they felt too that logically it must follow, because the natural flow of business from this section of Wisconsin was toward Milwaukee and Chicago, that this section of our State would be joined with the Chicago district. They felt that so strongly that they did not feel it necessary for them

to appear before the Organization Committee at Chicago and take up their time with arguments in the way of presenting their case; but as I have already stated to you gentlemen of the Board, every word of testimony that was produced before the Organization Committee, -- and there was quite a bit of it, and it is all pointed out in the brief of petitioners, and the examination of the record cited for your perusal, if you choose to look at it carefully, -- will disclose that every word of that testimony was to the effect that all of the business relations of this petitioning section of Wisconsin were naturally with and to the city of Chicago, because the bankers in this particular portion of the State of Wisconsin did not take the trouble to go before the Organization Committee. We admit that it was negligence on their part. We feel now that perhaps if they had appeared before the Organization Committee and made their claim for being attached to the Chicago District more apparent, as they could have done by statistics as to their business, etc., that this unintentional mistake, as we regard it, would never have been made.

There are in this petitioning district sixty-one banks; fifty-three of those banks join in this petition for a change.

We are met in the brief of the Minneapolis bank with the assertion, first, that we ought not to be heard by this Board in our petition for change, because we did not proceed in time. It seems to me that that is a very technical objection, even if it could be entertained, and it does not seem to me that members of this Board are warranted in entertaining it; but that they are

precluded, it seems to me, by the precise terms of the law that creates this Board. The Organization Committee was vested, in the first instance, with power and the duty to make this subdivision, but the legislative body that created this law evidently thought that in placing in order the machinery of this great business enterprise, some mistakes might be made; therefore they provided expressly in the law that this Board when created could, from time to time, take up and re-district this territory, or correct or change any error this Board might find had been committed by the Organization Committee in the first division of territory. That power vested in this Board by the law itself is a continuing power. It says "that this Board may, from time to time" etc., so that the claim on the part of the Minneapolis bank that we did not proceed in time, it seems to me, is utterly without force.

Another fact we are faced with is this, that one of these petitioning banks joined in the creation of the Minneapolis Reserve Bank, that is, in order to obtain the certificate of the Minneapolis banks. Again I say that that point is not well taken, because the law provides that the Organization Committee should designate the member banks that shall join in applying for that certificate, and that bank, when designated by the Organization Committee, has no option in the matter at all. By the terms of the law, every national bank and member bank is compelled to comply with every term and provision of the law, and the penalty is forfeiture of its charter if it fails to comply, so that the action of one of these present pe-

tioning banks in assisting in the creation of the Minneapolis bank ought not to preclude it from now requesting that a change be made, because its action was simply in compliance with the plain terms and provisions of the law that created this Board.

We say there are many reasons for this change. We say that rail connections between this petitioning section of the State of Wisconsin and Chicago are much better and much cheaper than they are with Minneapolis. We say that the mail service is much better than with Minneapolis. We say that telephone and telegraph rates are cheaper with Chicago than with Minneapolis. Now, these matters are not disputed in the reply brief of the Minneapolis bank. We say, further, that the rate of re-discounting at Minneapolis is open at Chicago, and that is in part admitted, specifying certain term paper. The reply of the Minneapolis bank does not dispute the fact that telephone and telegraph rates are higher to Minneapolis from the greater portion of this petitioning district than from Chicago, but says they have not at their hand any reliable data as to that. They do not assert that the statement contained in our brief is wrong. They could have obtained that data by application, it seems to me, to any telegraph or telephone office for rates, as I was able to do, in making application to the telephone and telegraph offices in and near the locality where I live. Telegraph rates, for instance, are at the rate of thirty cents to Chicago, to forty to Minneapolis; in my section of the State \$1.50 for telephoning Minneapolis; the rate to Chicago is \$1.00.

The brief of the Minneapolis bank admits that the railroad

service is better, but it asserts that the mail service is equally good, and that the Minneapolis mails are distributed in this petitioning section of the country when deposited, or not before distributed in this petitioning section of the State of Wisconsin in the morning. Unfortunately for their contention, theoretically it may be all right, but practically it does not work out that way. Minneapolis mails mailed the night before reach our petitioning section of the country so late that they are not distributed until what is known as the two o'clock distribution of our delivery, so that they reach our banks at a time when the rush of other business almost precludes their handling the Minneapolis business that day, and practically loses them a day.

We are faced, too, with this contention on the part of the Minneapolis bank, that the granting of this petition would leave the Ninth District with northern Michigan and this portion of Wisconsin, practically separating northern Michigan from the balance of the Ninth District. That's not a forceful argument, so far as the law is concerned, because the law gave the Organization Committee, and gives this Board, absolute power to do just that thing. The law provides that the territory need not necessarily be co-terminus, so that there is no real force and effect to that suggestion.

Now, I assume that it is the purpose of this law, and that it would be the wish of this committee, that every state institution that might be qualified to become a member of this banking system could become a member of this banking system. We have a

7

great many state banks in this petitioning section of the State of Wisconsin, and while it is information gathered since the Organization Committee sat, still we believe it is information we think the Board is entitled to. We have taken the trouble to find out from the numerous state banks in this petitioning district what their choice would be, and out of 254 all but five expressed the wish that the territory may be changed to the Chicago District, because if they do become members of this system, that's where they would do their business.

We suggest in our brief a rule established by this Board, that no new testimony will be taken, but that the petitioners or the respondent bank will be limited to the record before the Organization Committee. Now, taken literally, that declaration by this board would, it seems to me, absolutely preclude the Minneapolis Bank from being hurt, or at least from having anything to say, because there is not one word of testimony or one intimation on the part of ~~the~~ Minneapolis or St. Paul in the hearing before the Organization Committee that they were entitled to or desired a single bank in all the State of Wisconsin to be attached to their district; but we do not contend for an absolutely literal construction of that particular rule of this board. We assume that this board will use the knowledge that it has as men of wide experience, and apply it. We assume that this board is not entirely judicial in its nature, but administrative, and that it will use the judgment it has, whether obtained from some particular record, or some particular brief, and will use the information that it obtains or that it possesses without any par-

ticularly binding reference to this rule they have themselves established. But so far as the petitioners are concerned, we are not particular whether the board takes the view that the rule established by itself absolutely limits it to the record. If it does, then we say that the Minneapolis bank has nothing upon which it can argue before this board. Or, we are perfectly willing to take the broader view to permit this board to use its own judgment, and its own knowledge, that it has obtained, or can obtain, rather than the record before the Organization Committee, and then make up its judgment; and we say that in either event it must logically follow that this petitioning territory ought to be joined with the Chicago District, because there is where all of its business,--practically all of its business--goes today.

We have taken the trouble to make some investigation as to some of the banks in the very western part of this petitioning district, and find that anywhere from ninety to ninety-one per cent of their transactions are with Chicago, as compared with Minneapolis; and as you go further toward the eastern portion of the State, the percentage increases in favor of Chicago.

Now, we assume that Chairman Glass was right when he said that the branch banks, after they had once been established, would be the real working element of the system, and we believe that to be true. The bankers of our State had hoped to be placed in the district with Chicago, that the city of Milwaukee, the great metropolis of the State of Wisconsin, would have a branch bank of the Chicago District located there; then all of the elements of benefit that can be derived from this system would be right at the very door of this petitioning district, And we do feel that

there are many good reasons why this change should be made, and we trust that this board, after due consideration, will make an order creating that change.

ARGUMENT OF MR. A. UELAND, REPRESENTING THE
RESERVE BANK.

Mr. Chairman, and gentlemen of the Board: Section 2 of the Act contemplates action on the part of this Board involving a review of the decisions of the Organization Committee. This power of review may or may not result in changing the boundaries of any given district as fixed by the Organization Committee. Now as to the method of adjustment, it seems to me it goes without saying, it should not be considered by the Board except in the light of some experience as to the working, as to the practical operation of the work, of the Organization Committee. And this Board has, indeed, not so far said anything by way of promulgating any rules for considering the adjustments, so that in speaking to this matter here, I speak entirely from the point of view of our being here to consider this matter by way of review of the work of the Organization Committee.

Now, our Minneapolis Reserve Bank hopes thus very materially to reduce the Ninth District, in obedience -- I think I may use the word -- to the mandate which we find in your regulation No. 1, and also from a sense of duty to the other member banks of that district, and to the other business interests of that district.

I want to emphasize at the outset that the Reserve Bank is not here in any spirit of hostility to the bankers here by any means. The Minneapolis bank has continually realized this sense of duty in a good many tangible ways, from its member banks, since the press announced that there would be this appeal, and I think I may refer more particularly to the action of the _____

Bankers' Association which was quite unanimous on the subject, that the matter should be opposed thoroughly, the reasons for which I will not go into now. And these member banks of that association would feel that Mr. Rich and myself are derelict if we did not bring to the attention of the Board any reasons we have for thinking that this appeal should not prevail.

And so we have suggested in our brief, and I do suggest again, that this petition should not be considered on its merit, because it comes too late. And I want just to say a word about it, because in making this claim I do not intend to be technical, as counsel seem to think.

The Act says that geographical limits might be reviewed by the Board when organized. The decision fixing these lines was made, I think, on the second of April; on the twenty-eighth of August this Board promulgated regulation No. 1. The Board will please remember, -of course it will remember; I simply call attention to it -- that it will of course consider all matters of this sort perfectly impartially, and remember one is just like the rest.

You will therefore be bound to determine what is a reasonable time for making appeal from the Organization Committee's decision. You will be bound to do that, because, if, forsooth, a delay of more than six months is too much to be a reasonable time, -- as for instance we are here today; then you can not deny to hear other applicants that may come in the future. You either will have to fix what you consider a reasonable time, or you can not fix the time at all, unless you act partially to parties. And so I say that while the Act did not contemplate that appeal should

be brought here, when the Board was organized, instanter, by any means, it intended that ^{they} ~~it~~ should be brought before the Board within a reasonable time, which is such time as would be necessary, under those circumstances, and this Board made provision for that in regulation 1, on the 28th of August, in stating that Class A and B directors might act for the reserve bank; that is to say, the matter might be gotten at when these directors came into being, which was the case. So much for that.

The next question which we raised against the action of the Reorganization Committee being reviewed upon its merits is this: The Act - Section 2 - says that as soon as practically the Secretary of the Treasury, etc., shall designate not less than eight nor more than twelve cities, to be known as so and so, and should divide the continental United States, excluding Alaska, into districts, each district to contain only one such federal reserve bank, when the Organization Committee shall have established federal reserve districts as provided by Section 2, certificates shall be filed, and so on. The Act told the Organization Committee that in counting out the districts they did not need to follow state lines. The district lines do not need to be co-terminus with state lines. That is true. But the Act did not say, as counsel suggests, that the districts could consist of fragments. The Act contemplates as clearly as anything can be that the sub-division of the continental United States should be into not more than twelve solid geographical sub-divisions, and we have not had that only from the language of the Act, but we find it in connection with the provision of the Act for the

clearing system, by implication, to which I shall speak presently. That is to say, if there is to be a clearing system within the district, it means an exchange of checks, and it would be practically impossible, as shown in another connection, to have a clearing system in a district that was in fragments, one part of it separated from another part.

Now here comes a petition by way of review, in time or not in time, as this Board may determine. What do the petitioners ask? The petitioners ask to have detached that part of Wisconsin which I point to here on this map (indicating), cutting the Ninth District into two distinct parts. Leaving the eastern part, they want to detach the entire north peninsula of Michigan.

A Member of the Board: Will you turn that map around, Judge, please?

Mr. Ueland: (Complies with request.) So as far as this matter that is now before the Board is concerned, it is simply this: Should the Organization Committee have made such a district as this Board is asked to make up here? Of course not, it seems to me, and I do not need to stop to argue that the Board is not to review the appeal to make the district what the Organization Committee should not have made it. And if that is so, and it seems to me it can not be otherwise, why it simply disposes of this matter without going further into it.

Now, there is still another matter which I will speak of in connection with whether this matter should be heard upon the merits, as to which I am not so certain whether the Board will think that I am too technical, nor not.

A Member of the Board: Judge, may I inquire whether the

banks in the northern part of Michigan were approached on the subject of joining in this petition?

Mr. Ueland: I do not know.

A Member of the Board: Perhaps counsel can advise us.

Mr. Ueland: You will find from the record of the Organization Committee in Chicago.

A Member of the Board: I do not mean -- I mean since then, do you know whether they were approached on the subject or not?

Mr. Reed: I do not.

and whether

A Member of the Board: Whether asked to join / they declined?

Mr. Ueland: If the gentlemen of the Board will permit me to say something outside of the record, which I have not the slightest desire to do, out of the banks in Michigan, I do not think there is one wants to get out of the Ninth District. Your representative, Mr. Reed, is here, and he can possibly better satisfy you on that subject than I can.

Mr. Reed: All I can say in reply to your question is that those banks were represented before the Organization Committee, and the record will show that they requested very positively they should join with Chicago.

Mr. Ueland: Now, with the protest that I do not want to be technical, will the gentleman permit me to make this point: Your regulation No. 8 says that the petition for review should be signed by two-thirds of the member banks of the district that sought to be detached, and joined to another district. The original petition as here was filed on the 13th of March, as I have said already. It was signed by three banks and no more, with the

modification that there is attached to that petition with the signature of banks a statement reading to this effect: "Believing that the Organization Committee of the Federal Reserve Bank were not fully informed concerning the usual and customary course of business in our locality when we made the district No. 9, and referring to your letter of August 8, 1913, marked Regulation 1, Section 2, petition for change in geographical limits of the Federal Reserve District, we earnestly petition your Board for a hearing to the end that we may be taken from District No. 9, and placed in District No. 7." Very good; but will you please mark, and I think I am justified in emphasizing this, for you know the old joke about getting people to sign petitions, and the assertion that a man once made that he could get people to sign a petition to have themselves hanged if he tried to;-- you will mark that there is no reference in this petition -- there is no reference to districts which it sought to be eliminated. It's an individual assertion on the part of each bank, and they are dated all very early in October, beginning October 1st,--six months, substantially, before this petition was filed. I say it is not; I say the matter is not in compliance with your regulation 1, and I say that those signatures that we have there have neither legally, under your regulation, or morally, any force upon this hearing.

A Member of the Board: Have they been communicated with since October?

Mr. Ueland: Yes.

A Member of the Board: They refer to the original request?

Mr. Ueland: I will answer that now. I have in my hand, not

the testimony which you do not want to take, but I have documents, records of our bank, -- your bank, if you please, -- which I dare say that I may leave here for your consideration.

Early in February, there appeared in the newspaper at Stevens Point -- the Stevens Point Journal -- a case where one, I think, Mr. Dunegan, who is prominent here, and resides here, gave a statement to the effect -- I quote:

When the National banks of the country were assigned to the new Federal Reserve districts several months ago, many banks of Wisconsin that had previously done business through Chicago were placed in district No. 9, of which Minneapolis is the reserve city. Immediately a strenuous protest was voiced and the actual operation of the law has increased rather than lessened the dissatisfaction."

The management of our bank found in this naturally not only an attack upon the action of the Organization, but upon the service they had received, and sent the circular letter of the date of January 16th, in which he quotes this, and inquires, "What ~~is~~ ^{the Governor} ~~is~~ ⁱⁿ interested in as ~~cashier~~ of this bank is just ~~in~~ what manner the operation of the law and our dealings with you have proven unsatisfactory," and calling for response.

A Member of the Board: When was the newspaper dated?

Mr. Ueland: 16th of February, before this petition was filed; the 16th of February.

A Member of the Board: Of course the Governor's letter had no reference to the newspaper article?

Mr. Ueland: He quoted it.

A Member of the Board: I thought you said his letter was January something?

Mr. Ueland: No; February 16th.

A Member of the Board: I thought you said the other date.

Mr. Ueland: I beg your pardon; February 16th. He quotes the newspaper extracts and so on before he makes this inquiry.

A Member of the Board: Yes.

Mr. Ueland: Now, I have attached here to this documentation the letters -- not all the letters, but many of the letters that came by way of response in three classes, in order to be able to lessen the labor of the Board. The first class containing fifteen letters, is from banks that are held out as being petitioners on this appeal, -- to be joint petitioners in this. The next batch are letters from other banks, member banks within that same district. The third class are letters which I have selected from banks that are in counties bordering on the district affected by the appeal, showing that these banks, situated practically the same as banks which are claimed to be petitioners, are well satisfied to be in the Ninth District; that is, ~~after xxx xxxxxx the xxxxxxxx~~, assuming that those banks are substantially in the same position as those which came within the exact territory sought to be detached.

Now, I will stop taking the time of the Board, except by reading a few extracts:

A letter from the First National Bank of Berlin. I spoke just now of those who claimed to be petitioners. This letter is from the First National Bank of Berlin, dated February 17th. They begin by stating that their business with the Reserve Bank has been limited up to the present time, which is true, and then

they continue:

"We are of the opinion, however, that our interest will not be materially affected by having the Reserve district in Minneapolis and we certainly would not be in a position to criticize until after our business was active."

The First National Bank of Black River Falls, February

17th:

"Replying to yours of the 16th, up to this time, the operation of the law and your dealings with us, have been very satisfactory."

The First National Bank of Brillion, -- and by the way, Brillion is one of the four points in the district sought to be detached as to which there is not over-night mail. With all of the rest of the points there is over-night mail both ways.

Towards the close of the letter they say:

"Neither do we imagine that any different, or better service, except in the matter of quicker returns, would be given us by any other Federal Reserve Bank, at this time."

First National Bank of Clintonville:

"Thus far our business with your bank has been little and probably conducted as easily as it could have been done with the 9th District Bank in Chicago."

National Bank of De Pere:

"Yours of the 16th inst., duly received, and in response beg to state that this is the first intimation that we have had that any movement of the kind you refer to, was on foot, as we do not remember of having any communication from Mr. Dunegan or anyone else with reference to the question, and certainly not for a long time."

They had signed, I suppose, these petitions October 1 or 2, but forgotten it, evidently. Continuing:

"We fully appreciate that we can not all expect to have everything to our entire liking, and there-

fore, have learned to a great extent, to adapt ourselves to the conditions, and felt that experience would probably teach us that the business could be handled practically as well there (that is, Minneapolis) as elsewhere."

quotation

Another/from the National Bank of De Pere letter:

"We certainly have had no occasion to criticize the manner in which you have dealt with us so far, and have not offered any protest."

If they signed, why they have forgotten it too.

From the McCartney National Bank, Green Bay;

"At the time we were notified of our assignment to district number ~~9~~ 9, we entered our protest against it and asked to be assigned to number 7 instead. Since that time we have taken no active part in seeking to effect a change."

They are unconscious of being a party to this appeal, it seems to me.

First National Bank of Marshfield, February 19th:

"Replying to your letter of February 16th, which was not answered before owing to my absence from the city, would say that the same was certainly news to me. While we have always been of the opinion that it would be better for us to be in district #7 on account of the major part of our business being with Chicago or Milwaukee banks, we had not been trying to be transferred to that district."

They have forgotten it too.

First National Bank, New London:

"Replying to yours of the 16th inst., we have no knowledge of any action taken upon the part of the management of the Federal Reserve Bank of the Ninth District which has proven unsatisfactory to this bank. We are not aware of the fact that we are associated with J. W. Dunnegan, Steven Point, Wis., in any criticism."

Cshkosh City National Bank:

"In reply, would say (February 17th) that we have not been approached by the gentleman in question (Mr. Dunnegan), and doubt whether we would consider the same

seriously. While we feel that we should have been put in the Seventh Federal Reserve District, nevertheless we are pleased to state that the service of the Minneapolis Reserve Bank has been entirely satisfactory to us."

Another from Oshkosh, the Commercial National:

"You state that as Governor of the Ninth District, you are interested in knowing in just what manner the operation of the law and your dealings with us have proven unsatisfactory. While this bank was a party to the protest and petition to have Wisconsin included in the Seventh District, we have never expressed any dissatisfaction with the actual operation of the law. In fact, we have never availed ourselves of any of the many functions of the bank over which you preside, consequently are not in a position to express the opinion that you quote from Mr. Dunegan's letter; therefore, we are not to be included in the "Many banks in Wisconsin" mentioned above."

The Princeton First National. I will skip that.

The Shawano German American National Bank:

"At one time this bank signed a petition asking that this district be removed from the Minneapolis district and placed in the district #7.
 . . . I am unable to say that our being located in the Minneapolis district would be unsatisfactory to us, but thus far, as you know, we have had very little business relations with the Federal Reserve Bank.

"It seems to me that the agitation is caused in a great part by the bankers of Chicago and Milwaukee, in order that the business, which has for years been coming their way, may not be taken to other cities."

Alma First National:

"We may state further that our inclusion in the ninth district is highly satisfactory to us and that for various reasons we would regret very much to have boundaries changed so as to place us in the Chicago district."

Now here comes the letters from the parties within the

21

district that protest against being taken out, which I will not of course stop to read, except I will call attention to two. Where I put my finger here (indicating on map), either there or there, Mr. Reed, I do not remember which, we have Fond du lac County, have we not? Fond du lac County is to the extreme southern border of the present district that is nearest to Chicago, up to the border of the Ninth District. We have, as the gentlemen of the Board will see, a jog down here into the district -- La Crosse County, is it not?

Mr. Reed: Yes, sir.

Mr. Ueland: Here are the border banks of which you have spoken. Now, if there should be any banks that would want to get out, you would find it here on the border of Fond du lac. That is, if there was any pressing reason, any real substantial reason from a business point of view, as far as they are concerned, we find it there; and I therefore call attention to the letter of the bank in Ripon, which is in that county, dated February 17th:

"Replying to your letter of Feb. 16th, I beg to say we have not taken any part in any of the steps taken by many of the banks in Wisconsin to have this part of the State put in the seventh Federal Reserve District, as we believe our interests can be as well served from Minneapolis as from Chicago."

In a letter from the Commercial National Bank, also at Fond du lac, a letter which I quote not only for this purpose, but for another purpose, that has a bearing upon this case, and I quote that at some length, because ~~upon~~ it states the situation really more precisely as to that other matter than I

could do myself. It is dated February 17th:

"The officers of this bank are not in sympathy with the effort that is being made to have our district changed. We think that all the unrest in this district has been caused by Milwaukee. They, I am sure, feel that if middle and southern Wisconsin are added to the Seventh District that in time Milwaukee can be a branch, when such time comes. We feel that it is to our interest to remain in the Minneapolis District for the reason that all our northern Wisconsin, Minnesota, North and South Dakota and Montana farm loans can be made at a very much higher rate than can be secured in the Chicago district. We will be able to help just the class of people that need help from the strong banks of Wisconsin. Chicago now is the second largest Federal Reserve Bank, and they do not need us at all, while Minneapolis does.

"As far as doing business with Minneapolis is concerned, it is just as convenient for us to do it with Minneapolis as it is with Chicago. Our mail goes out from here at night and is in Minneapolis in the morning, the same as Chicago.

"The officers of this bank would be very sorry to have this district changed, and if at any time we can in any way assist you to retain this portion of the state, if it is your wish to do so, we would be very glad indeed to serve you."

Mr. Warburg: Will you repeat what he says there about the higher rate; I did not quite catch that.

Mr. Ueland: They can get higher rates upon mortgage loans. I will repeat it:

"We feel that it is to our interest to remain in the Minneapolis District for the reason that all our northern Wisconsin, Minnesota, North and South Dakota and Montana farm loans can be made at a very much higher rate than can be secured in the Chicago district."

They can get farm loans at a higher rate in the Ninth District than they can in the Seventh District, and as the Board will remember, you can not, under the Act and your regulations, the banks can not go outside the district to take farm loans. I am quite right, I think, in that statement. I think the

Board will remember that the taking of farm loans is confined -- national banks are confined to the taking of farm loans within their own district.

Mr. Warberg: The Wisconsin district would profit by it from the State, then, because they would have to employ their funds there and not in Dakota.

Mr. Ueland: Yes; well, in the record here I have a bulletin from the North Dakota Bankers Association, which has a bearing upon this subject also. One of the grounds for their protest to this part of the district being taken out is that the banks here in this district are preeminently the market for our mortgages here in North Dakota, in Montana, western Minnesota, and so on.

Now, I want to take up, after these general remarks -- I want to take up specifically what is urged in the brief of the petitioners as a part of this change.

"Better and cheaper Connections." We admit to some extent better railroad passenger service, for we admit that the railroad lines within the district run straighter to Chicago than they do towards Minneapolis, -- ~~not that we have~~ not plenty of railroad lines; we have four or five or six, that go westward, but not in a straight line.

A Member of the Board: How many banks are there which can only get their mail at two o'clock?

Mr. Ueland: There are four points that do not get their mail over-night; in four points.

A Member of the Board: Only four?

Mr. Ueland: Only four in the district. I shall not stop to particularize those things, for I have given the schedules of that here.

Mr. Reed: Pardon me; may I ask how you get that reply to the Board?

Mr. Ueland: Where I get it?

Mr. Reed: Yes; where do you get your authority?

Mr. Ueland: I confess I got it from the officers of our bank; that's all I can say, and I think that they would not state anything that they do not know to be a fact in that respect.

"Cheaper railroad transportation." We do not admit as to that. I confess I have not got all the data, but cheaper railroad transportation,--there can not be on an average, for the reason that Minneapolis is as near as we can tell,--from about twenty-three or twenty-four miles nearer to the center of this district than to Chicago. I will leave this map which will show it. Central Minneapolis is that much nearer, so when they say cheaper rates of transportation, I think they ought to furnish some proof of that. I do not think that can be so.

But as to transportation, as to personal facilities for traveling, the people of our banks have the opinion, and I do not think I need to argue that, that it is of very little importance, because the business between the reserve bank and its member banks is not done by personal attendance. I will not say not at all, but so seldom, to so small a degree, that it really does not enter into the situation.

"Cheaper telephone and telegraph rates." As to that I do not know. I confess I do not know; but it seems to me, considering the relative distance, there can not be much in that.

"Mail service." We have already gone over that. But mark the business being done by mail, and by over-night mail both ways, except as to the four points mentioned. For every practical purpose the banks in this section sought to be detached do business with the bank in Minneapolis as readily as do our Minnesota banks that are situated forty or fifty miles away from the town. Business goes by the mail and goes out by the mail, and goes over night.

Now that -- you gentlemen may not think that I ought to state that. We have a record here which upon that subject speaks for itself, as it seems to me. With this document I submit, let me state it conditionally. When I wrote that brief about the middle of April, I gave you certain figures as to how much capital these banks in this district had contributed to our bank, and how much business had been done. I have taken-- we have taken, and I furnish you again the figures, as from the 12th of May substantially a month later, so that you will see that was not a mere chance statement that we had in the brief.

I must not tire you with the details of these figures, and I leave it. But I say this, that they show that the alleged fifty-three banks in this district sought to be detached -- no, they allege sixty-one; fifty-three banks in this district which they say. All the banks in this district -- member banks -- have

contributed substantially one-tenth of the capital to the Minneapolis bank, -- I speak in round figures -- substantially one-tenth, and constitute substantially one-tenth of the number of the banks which have so far done any business with the reserve bank; whereas the business that these particular banks have done up to this time with the reserve bank is more than one-fifth. So that we find this situation with the member banks of this particular district, whereas they constitute only about one-tenth, have done only one-fifth of the business, that is, in proportion to the number; hence twice as much in proportion to the number as any banks in that district. So here we find a situation that in this district of Wisconsin, speaking of discounts now, there are more discounts out now in that district than all the banks in Minneapolis, than all the banks of North Dakota or South Dakota or Montana or the rest of Michigan.

Mr. Warberg: What is the aggregate?

Mr. Ueland: The aggregate outstanding discounts now is _____ . I mean of the total; the aggregate total discounts for the entire district?

Mr. Warberg: Yes.

Mr. Ueland: And for Wisconsin, \$123,382. I do not know if I make myself clear.

Mr. Warberg: Yes; entirely clear.

Mr. Ueland: The entire outstanding discounts on the 12th of May was --

Mr. Warberg: I was only going to see how much of that

statistical material was really anything at all, because it is so small. I was only inquiring about the total numbers.

Mr. Ueland: Though that does not indicate; it is so difficult to do business, and it means something. There are two

There are two more things that I want to mention. We are reviewing the work of the Organization Committee. I do not need to speak to you of the task that confronted the Organization Committee; you know it so much better. The Organization Committee, under the Act, was bound to make the districts such that they could get the minimum capital of four millions, and their decision shows that in that endeavor they cut the Minneapolis district in point of capital the lowest of any of the twelve; and only that of Atlanta was on the same footing. They found they estimated the capital upon the returns they had, \$4,702,000 from each of these two districts, and outside of that, as you know, the capital was even then much larger. They left a margin of \$700,000, only, for the event that any of these banks should not subscribe as they might have omitted to do, of course, in going out of business, or in the event of course of capital or surplus being reduced, certainly cutting it very close. The situation has changed a little in that respect. The total subscribed capital now, speaking in round figures, is \$4,900,000, and a little bit less in the Atlanta District, according to your reports. Yet our district is the next lowest in point of capital today.

Now the capital that would be withdrawn if this appeal prevailed would be \$262,500, and if we should anticipate this, it seems to me we would have that if any. Now at some time in

in the future you would have to take the peninsula; also, say the capital would come down to only about \$150,000 aboth that minimum -- I have the exact figures here, with which I will not tire you,-- and as I thought to close shortly. Does not it stand to reason that in the exigencies of business that may be before us, we do not know but that there may be such a change or reduction of capital that this would bring the matter of capital below the minimum? Ought we to run it any closer to the line? Is not it clear that it is the policy of the act, and was the intention of Congress, that this Board should see to it that the capital of the different banks was equalized as much as possible. Of course we know that it is the policy to have the capitalization as equal as you can, and not as diversified as may be.

Now, then, upon this proposition of its being readier to take the train to Chicago than to Minneapolis, and to telephone, the charges being ten cents more, and the telegraph,--if that be so, and all that, you are asked to reduce the capital of the Minneapolis bank to the point that I have stated, and add to the capital of the Seventh District Bank, which is between twelve and thirteen million dollars. I do not think you should do that, unless there were real and good substantial reasons for it.

And there is another thing that I said I would come back to, and with which I shall close. The act contemplates the clearing system, that is, the service which it is going to give .

As I understand it -- I am not much of a banker, I confess -- the checks that the member bank gets shall be handled so and so, to his convenience. He gets his checks, of course, to the greatest extent, from his neighboring banks, that is, from the banks nearest to him. The bank in the peninsula, I think we can assume, gets the bulk of the checks which it would have for clearing through the Minneapolis bank, from this Wisconsin district. Now, you can not, under the act, and do not intend to, as I understand it, extend this clearing system beyond that between the member banks of each district, so that if this portion of Wisconsin territory was taken out you do at a stroke cut the peninsula banks off, so any benefit of their clearing system, and that you should not do except for good and sufficient reason.

A Member of the Board: How do you make that out? This is not going to dislocate the transportation facilities between the northern peninsula and Minneapolis.

Mr. Ueland: If I am mistaken, -- I may be mistaken, because I am not much of a banker. Under your proposed system of clearing you handle -- the reserve bank handles in clearing only the checks of its member banks. Now this Michigan bank will have the bulk of its checks from its fellow member banks in the district to be detached, which will not be -- can not be handled in the clearing under the system you propose, and therefore this peninsula will be cut off from the benefit of the clearing. Now if I am wrong about that, you bankers will have to correct me. That's the way I understand it.

I thank you for your attention.

Mr. Weed: May I have a moment to reply?

The Governor of the Board: Certainly.

Mr. Weed: Of course, there was nothing in the brief of the respondent bank to inform me of any of these letters that have been read before the Board, or at least extracts from them, so I am unable to answer them, except in this, that I know that Mr. Dunnigan was misquoted in the newspaper article that came to the attention of the Minneapolis bank, and that the use that was made of that letter was entirely an improper use so far as Mr. Dunnigan was concerned, because it started out on the theory which Mr. Dunnigan never advanced at the time, that there had been no business and could have been no business with any of these banks in the petitioning territory, and the Minneapolis bank, except to subscribe for and pay in the stock.

A Member of the Board: What time do you speak of?

Mr. Weed: That was in January, a year ago.

A Member of the Board: January a year ago?

Mr. Weed: January of this year.

A Member of the Board: What do you mean, there could have been no business?

Mr. Weed: All that had transpired between the banks, as I understand it, was that the banks in this petitioning district had then subscribed for and paid in some portion of the stock to the Minneapolis bank.

A Member of the Board: No loans made?

Mr. Weed: I think not, as I understand it, but if the

3

gentlemen will permit the President of our State Bankers' Association here, and also Mr. Dunnegan, a member of this committee, and if there are any questions you desire to ask that have relation to practical banking, I wish you would ask them of these gentlemen, for them would be very glad to reply to any questions of that nature. I am not a banker, and have not any special practical knowledge of banking. But as I understand it, at the time this proposed communication was supposed to have been sent out, the member banks had had practically absolutely no business with the Minneapolis bank, and could have had none practically, except the mere fact of subscribing for and paying in the capital stock, and I think I am not mistaken in that, although the gentlemen who are here present representing the bank associations up there may be able to correct any misstatement I may make.

Now, I want to say this, that I tried to be frank in our brief, and we stated to the members of this Board in that brief that some of the banks, instead of joining in this petition, had come out and said that they did not care to join, for the reason that they were making loans in North and South Dakota, etc., and we call the attention in that brief to the fact that that was one of the reasons why this Board should make the change that this petition asks for. We point out in that brief that the very very fact that these Wisconsin banks can get a higher rate of interest in states west of Wisconsin on farm loans than they can get in Wisconsin, is discriminating against Wisconsin, and carrying the money from Wisconsin to help build up and de-

velop the States in the west, and deprive the farming element of northern and eastern Wisconsin of the money they need.

A Member of the Board: What is the capital of the banks asking to be transferred?

Mr. Weed: The capital? I can not tell you off-hand, but it leaves the Minneapolis bank with a surplus of about \$300,000, I think.

A Member of the Board: I was considering it in connection with the amount that they might loan on real estate.

Mr. Weed: The great trouble is here, may it please the Board: The Southern portion of Wisconsin, a very wealthy part of the State, including the large city of Milwaukee, is now in the Seventh District. Of course under the law that portion of the State of Wisconsin can not loan upon north and eastern and north-eastern Wisconsin lands. What we desire is that this petitioning territory be placed with the southern portion of Wisconsin, so that this rapidly developing part of the State can borrow from banks in southern Wisconsin, where they have the money to loan, so that the northern and eastern portions of Wisconsin may be permitted to develop and not that a sub-division of the State of Wisconsin be made that will be a detriment to the northern and eastern part of Wisconsin, and a benefit only to the States further west. We do not believe that that was the purpose of the law, and we do not believe that will be the purpose of this Board.

Now, a system of clearing checks is suggested. What for? Why to remedy a part of the evil created by this improper divi-

sion. Why create an evil to be remedied? Why not make a subdivision of the territory along the lines of the other and ordinary course of business, as the testimony before the Organization Committee clearly showed should have been done.

A Member of the Board. You say that the clearing system is calculated to remedy that evil?

Mr. Weed: I say that in this instance that would be its effect.

A Member of the Board: I do not think it had any bearing on that as far as I can judge. The clearing system is provided for in the original act for all over the country.

Mr. Weed: True; I am drawing my inference, if you please, from the brief and argument on the part of counsel. My inference is that, admitting that inconvenience now exists, the system of clearing checks, etc., would reduce or minimize that inconvenience. I have no purpose of reflecting upon the terms or purposes of the law. I simply draw that inference from the brief and argument of opposing counsel, that, assuming, for instance, that inconvenience or increased expense does exist, this system of clearing checks will either eliminate it, or at least reduce it. I say that if such a condition exists, why resort to the clearing check system for eliminating or reducing it? Why not make a re-division of the territory, and thus eliminate or reduce it?

Now the brief of the Minneapolis bank, I think is very frank in one respect, -- brutally frank, in fact. It says that this territory in Wisconsin was placed with the Minneapolis

district because the Minneapolis district needed the capital, and it ought to remain there, because the Minneapolis bank still needs the capital. Now, that's a very, very selfish view, it seems to me, to take of it. It seems to me it takes a view of the situation that the law never contemplated. They still would have ample capital above the minimum, \$4,000,000, if this petitioning district was assigned to the other district, and it seems to me, if it appears to you gentlemen of the Board that the natural and customary course of business was from this petitioning district toward Chicago, that this petition should be granted, and the proper order of the Board made to carry it into effect. As I say, if you gentlemen have any questions of practical banking, the president of our State Bankers Association, and Mr. Dunnegan, are here, and they would be glad to answer.

Assume?
 Mr. Ueland: May I be permitted to say when I read the brief, I admitted that the rate of discount was half a per cent higher on sixty and ninety day paper, and since that time the ~~rate of discount has been changed~~ in our banks so as on thirty and sixty days, not on ninety. I think that is the situation now.

The Governor of the Board: We will take the matter under advisement and you will be apprized of the decision.

HEARINGS
BEFORE
FEDERAL RESERVE BOARD
WASHINGTON, D. C.
FOR THE MONTH OF JANUARY 1915

REPORTED BY
REXFORD L. HOLMES

Richmond, Page 1.

Pittsburg, 91.

Northern New Jersey, 147

Counties in West Virginia, 210.

121
part

APPEAL TO THE FEDERAL RESERVE BOARD
FROM THE ACTION OF THE ORGANIZATION COMMITTEE
IN DESIGNATING RICHMOND, VIRGINIA, AS THE RESERVE BANK CENTER
--OF THE FIFTH DISTRICT
--INSTEAD OF BALTIMORE, MARYLAND.

HELD AT UNITED STATES TREASURY DEPARTMENT,
WASHINGTON, D. C.

January 6, 1915.

Reported by:
Rexford L. Holmes,
Official Stenographer
of Hearings,
322 Southern Bldg.,
Washington, D. C.

The President of the Board: Gentlemen, this is a motion for the review of the action of the Federal Reserve Bank Organization Committee, in designating Richmond as the Federal Reserve City for the Fifth District. Petitions have been duly filed, and briefs also have been filed, I would like to ask first as to the order of procedure on opening and closing. I would be glad to hear from both sides as to that point.

Mr. Charles Markell, Counsel for the City of Baltimore: If the Board please, we assume that following the ordinary procedure of legal tribunals, it would be our right, as appellees, to open and close the argument, it having been our intention to provide an opening and closing argument.

The President of the Board: The Counsel for Richmond, we would be glad to hear from you.

Mr. Legh R. Page, Counsel for the City of Richmond: We assume that that would be the course of proceedings, if there be no objection to such procedure on the part of the members of the Board. We shall be entirely willing to leave this matter to the discretion of the Board.

The President of the Board: As I understand, the Board has allowed two hours for this hearing. It seems to me that Baltimore, being the moving party, -- that they should have the right to open and close, and the Board would suggest an opening, of say, thirty minutes, and then Richmond an hour, and the remaining time to be taken up by Baltimore; and I would suggest that either or both of the cities should have

an opportunity for five minutes to sum up at the close; and the Board will be glad to extend that time; so if that is agreeable to you all, we will consider that as settled. (We are making a desperate effort to have that clock fixed-- indicating a clock in the room -- but we will get the time as nearly as possible in some other way.)

We will call on Baltimore then to open.

Mr. Charles Markell, Counsel for the City of Baltimore: If the Board please, before opening the argument, we wish to make on behalf of Baltimore a preliminary motion which we assume will be unnecessary, but which we feel it our duty to make, and that is, under the rules of the Board requiring all questions of jurisdiction to be raised at this time, we wish to move that, when the Board takes this case up for consideration and decision of the case be participated in only by the five appointed members of the Board, and that there be no participation by either of the two ex officio members of the Board, who are also, as such, members of the Organization Committee, whose action is the cause for this appeal. The act of Congress, -- the terms of the act of Congress regulating this right of review are extremely brief. The act does not go into details, as many procedural acts do, if dealing with technical legal matters, because it was intended that this Board should not be governed by technicalities, but we assume in the acts of the committee by this Board, it was not intended by Congress, and nothing is in the act indicating such intent, to depart from ordinary principals

8

of jurisprudence underlying all law, one of which principals is that such a review should be before an unprejudiced tribunal, which has not formed an opinion which would disqualify its members from reviewing the case with open minds. With that view, which seems to us the clear spirit of the act, though expressed in brief language, it would seem that this appeal should be heard by the five members and that the hearing should not be participated in by the other two. Of course those general considerations are only strengthened if we look to the Organization Committee, because the Organization Committee comprises the two ex officio members, who are representative official officers of the Government, who are evidently put on the Board because of the eminent desirability that in the practical working out of this act, the Board should be in touch, as it is made in touch by the presence of those two members, with the important financial departments of the Government. That reasoning does not apply to a matter not looking to the practical working of the act, but to the origination of the act, the putting of this act in motion. There is no occasion for having the joinder of these Treasury Officials with the Board, but on the contrary the appointed members under the act, are required by the President to be selected with a due regard to the geographical divisions of the country; so it seems that we may properly press this point, not only in view of the fundamental requirement that a review should be a real review, before a court which has not expressed its views or arrived at a decision, but in

this case also, a review by the Board with representatives of the districts of the country, and not merely an official board at Washington. So much for that point; and with that preliminary, I will proceed to what we consider the merits of the case.

The President of the Board: May I ask if you raise that as a question of law, or as a question addressed to the discretion of the Board?

Mr. Markell: We raise the point in both respects; we think it is eminently a question of discretion, if the Board should feel any doubt as to the legal rights of the parties. As a matter of propriety, those two gentlemen should not participate. But we also raise the question as a matter of law, because we think a right of review given by the statute means a real review, -- a real review not participated in by judges whose minds have already been made up, and who have already sat in that case.

The President of the Board: I would like to know whether Richmond acquiesces in this suggestion; what their attitude is in regard to it. We would be very glad to hear from you.

The Counsel for the City of Richmond: The City of Richmond would be very glad to defer to the discretion of the Board with regard to this matter. We are entirely willing to let the matter rest in your hands. The act provides the manner of review, and the question that has been raised presents a matter of law and a matter for the discretion of this Board. We feel that the Board is able to determine that question.

STATEMENT OF MR. CHARLES MARKELL, COUNSEL FOR THE
CITY OF BALTIMORE.

If the Board please, that being submitted for the consideration of the Board, I wish now to proceed with the main argument on the merits of this appeal.

It is the contention of Baltimore that we think is borne out, and is irresistably borne out, by the facts discussed in more detail by our brief, that the City of Baltimore should be made the Federal Reserve Bank center instead of the City of Richmond. We can only refer to these points in the limited time allowed.

We contend that the convenience and customary course of business, with a due regard for the customary course of business which is required by the act, absolutely requires that Baltimore be designated as the Reserve City in this Fifth District, instead of Richmond, and furthermore, we want you gentlemen who constitute this Board of review to examine the reasoning of the committee itself. You will find that the reasoning of the committee, the principals on which they acted in practically every other district, except this, requires the same result; and still further, we want you to look to the very able and energetic contest made by the City of Richmond itself, and their argument before the Organization Committee. These arguments not only did not call for subordinating the City of Baltimore to Richmond in the district to which both should belong, but they never dreamed of being made a Reserve city, except in a district which would not include Baltimore.

Taking that up, and referring to some of our reasons, first and foremost we say that Baltimore is the commercial, financial and industrial capitol of this whole district, the point at which and to which the business of the district naturally converges, that in every essential respect, so far as finance, commerce, and industry are concerned, Baltimore is about five times as important as Richmond. Now we present an array of statistics on that subject in our brief and it would not only be impossible in the time allowed, but a waste of time I think, when the matter is set out there, to weary the Board at this time with a mass of statistics. I will only, by way of illustration, hurriedly run over one or two of these figures:

The population of Baltimore in the 1910 census was 558,000; the population of Richmond was 127,000. The manufacturers of Baltimore, -- that's another matter that is statistical, in the sense that it is covered by the United States census, -- according to the 1910 census the city of Baltimore, and this means the city limits, which are very limited, as you know had 2,502 establishments. The Baltimore Metropolitan District had 2,668, while Richmond had 380.. The amount of capital according to the assessment in Baltimore was 164,000,000 in the Metropolitan district, 199,000,000; and in Richmond 31,000,000. The value of manufactured products in a year in Baltimore is \$186,000,000.00; in the Metropolitan district \$260,000,000; in Richmond \$47,000,000.00. 71,000 wage earners are employed in

Baltimore; 81,000 in the Metropolitan District, and 14,000 in Richmond.

There's the ratio of fully five to one. Now, of course, we discuss jobbing, transportation, and other details in our brief. I only mention the above in passing. Many other details we also discussed, shipping of course, though there is no ratio there, because Richmond has no shipping in any substantial sense. In Baltimore you have a great Atlantic seaport, a city that ranks second to New York with respect to exports, and as we shall show hereafter, this matter of export trade itself is of vast importance under the act.

Baltimore, in its foreign trade, had \$17,000,000 of exports and \$75,000,000.00 of imports in 1913. The figures for Richmond are zero, so we can have no ratio there; there is no basis for comparison: And the shipping in Baltimore, in addition to its foreign trade, is enormous. The report of the government shows the value of the commerce -- foreign and domestic trade amounted to over \$439,000,000 during 1913.

Now those are simply illustrations that we go into in detail, and the only difference between one item and another would be not a question as to whether Baltimore or Richmond is ahead, but how much Baltimore is ahead, whether five times, or two times, or ten times. The ratio differs, but the relation is always the same.

Now these figures always show that Baltimore is

far ahead of Richmond in every branch of commerce and industry, and every great classification of commerce and industry. But the figures also show that this mass of business in Baltimore has a most intimate relation to this very district itself. Indeed, when you examine the facts, you will find the Organization Committee, in laying out the limits of this district, has picked out a district which is always coterminus, and that the value of commerce always predominates in Baltimore. Only an illustration or two of that, -- then to pass on to other points.

We refer in our brief to the enormous volume of the shipping trade in Baltimore, running up into the millions, over \$235,000,000 in 1913. Now that is not only large in itself, but that shipping trade is almost entirely done in this very Fifth District, and the figures in the brief that date back to the record before the Organization Committee show over seventy per cent of the products of Baltimore shippers and manufacturers distributed in this Fifth District alone.

The same is true in economic development. The great Baltimore trust companies and the Baltimore savings banks -- and Richmond has rather showed a slighting attitude toward both trust companies and savings banks, for the very necessary reason that Richmond has not very many of those and Baltimore has, -- but those very institutions that constitute so important a part of American business life have their activities immediately directed to the very development of the other parts of this district that are now made the Fifth District. The savings banks -- the mutual savings banks --

9

in Baltimore, have figures showing \$23,000,000 invested by three of the mutual savings banks alone in bonds in southern enterprises, and of course everyone knows that not only banks but the trust companies especially are almost exclusively or largely devoted to economic development in the South. This makes up a volume of business which makes Baltimore incomparable with Richmond in size and importance, and moreover a volume of business which Baltimore does in and for this very Fifth District, and which creates a constant stream of business from the district to Baltimore, and makes Baltimore the center, not only of business in a general sense, as a large city, but in a special sense as the financial, commercial and industrial capital of this district.

The same is true as to banking figures. Those figures are set out on page 19 of our brief, and Mr. _____ has commented upon these tables which simply show in ocular form that which is shown in figures in the brief, and those tables make it possible to grasp with the eye, without my mentioning the figures, the utterly incomparable relation between banking resources in every detail between Baltimore and Richmond. If members of the Board will examine the briefs, and look at the tables, they can see this difference at a glance. It is unnecessary for me to take more time to call your attention to the matter. The ratio is greater in some items than in others, but in every case the enormous preponderance is in favor of Baltimore over Richmond.

Something has been said by the Organization Committee and in the Richmond brief, as to what bank will be considered. Well, now, the Organization Committee very summarily disposed of the matter by ignoring state banks and trust companies. The Richmond brief is an arbitrary way, combined national and state banks, and ignores trust companies and savings banks. It seems to us perfectly clear that any comprehensive view of this Federal Reserve act will show immediately the fact that Congress, in passing the act,-- and everyone who has to do with the administration of the act understands this point; no one knows better than this Board the importance and necessity that at sometime the state banks and trust companies must all be regarded as independent of our system; and it is the desire of everybody, and one of the important problems of this Board is to work out how they will be coordinate with the national banks. They may be brought in as technical members, as the act provides, for outside, like non-members of clearing houses. But it is futile to ignore such banking capital that happens to be outside the mere national banks. But it is not necessary for us to dwell longer on this point, for the same reason that I have already indicated, because whether we compare Richmond and Baltimore on the basis of national banks or whether you include state, trust and savings banks, or whether we form any kind of a combination such as national and state banks that the mind can suggest, or imagine, -- the only difference is not a question as to whether Baltimore or Richmond stands ahead; the only thing we can debate about is the degree of predominance.

You can not juggle the figures any way that will show that Richmond predominates over Baltimore. You can juggle them some way so the difference will be two to three or four to five, or five to six, or seven to eight, or ten to one, but it seems to us fruitless to debate questions of multiples. The point that our insistence is laid upon is the fact that Baltimore is predominantly the city, and that when we make our estimate we would say about five times as large as Richmond; but it is fruitless to go into detail with them. As we point out in our brief, it is impossible to take a view of this situation without considering all the banks, and it is peculiarly appropriate in the case of Baltimore, where its trust companies and savings banks are primarily, you might say, all helping the development of these southern states that go to make up the Fifth District.

Now so much for those details, and as I say, they are mentioned merely by way of illustration. The more you go into them, the more details you get, the more emphatic becomes the absolute predominance of Baltimore over Richmond, and the impossibility of comparing the two.

Finding that situation to be the case, namely, that Baltimore does predominate in population, banking resources, finances, manufacturing, commerce, and when you come to shipping, the foreign trade itself presents such a comparison between zero and a large quantity, as to emphasize the predominance of Baltimore over Richmond.

We next look at the action of the Organization Committee, and we naturally suppose that, in a condition like the one on which we find the Organization Committee has undertaken to

subordinate Baltimore to Richmond, we would suggest that their action evidently as a general rule has not indicated that they paid much attention to questions of size and importance, because we would naturally expect that Baltimore had been singled out for such discrimination apart from the rest, when we do actually look at what the committee did in the other districts. The fact is that in practically every other case except Baltimore the committee was absolutely guided by what is a perfectly proper thing to be guided by, namely, by the fact that the largest city -- the city that stands ahead in population and business ought, by reason of that fact, to be the reserve city in the district. What did the committee itself do? Determine now from the facts, and apply to their own reasoning those facts. Why, these are the facts: In ten out of the twelve districts the committee selected as the reserve city the largest city in population in that district. In only two districts did the committee undertake to subordinate a large city to a smaller, and those two districts were the New Orleans and the Baltimore districts. Now even in the New Orleans district, they subordinated New Orleans to Atlanta, which has a population of one-half the size of New Orleans, but even there the district was formed in such a peculiar way that everyone knows, as the committee remarked, that the course of business in that district is not from Atlanta to New Orleans; the course of business is from the Gulf toward the East; and whether New Orleans has been badly treated or not, we are not here to ask. So that even if they gave recognition to the largest city in that

district, we would have had to turn the course of business backward, so that does not parallel the Baltimore situation. But in our district, if the Board please, they had not only subordinated one city to a smaller city, but two cities, Baltimore and Washington, -- that are so closely situated geographically, that they practically amount to one enormous city, and they have subordinated both cities to the city of Richmond; and in addition to subordinating large cities to small cities, they undertook to do the very thing they said they would not do in New Orleans, to turn the course of trade backward, by sending business from Baltimore to Richmond, when everybody knows, and when the committee has said in the report that the course of business is northward from the South. We ask you to apply the reasoning of this committee itself, and see what the results would be. Baltimore, the seventh city of the Union, and Washington the sixteenth are subordinated to Richmond, the thirty ninth, and in addition to that the course of business is attempted to be turned backward, and only one other city in the United States, New Orleans, has been subordinated to a smaller city; and that was in a district where it is necessary to turn the course of business backward: Whereas in this case they did both.

In the Cleveland district let us see what has been the case. Why, in the Cleveland District the Organization Committee disposed of the problem in two sentences. Curiously enough they put it under the head of Richmond district. I do not know why they should call attention to such an anomaly! The

committee

*extract read
here to be
inserted*

And that's all the ~~the~~ Organization Committee said about justifying their ~~selection of~~ Cleveland. Now, let us compare Cleveland ~~and~~ Baltimore. Cleveland is the sixth city in the United States. It has 561,000 people; Baltimore is the seventh, with 558,000 people, and Pittsburg is the eighth, with 533,000. All three are ~~practically~~ practically the same size, so far as population is concerned. And not two of those cities are in the very same district. Cleveland and Pittsburg are practically the same size, and ~~xxxxix~~ practically the same size ~~as~~ as Baltimore; and what does the Committee do? The committee says without any further argument, that the fact that Cleveland is the sixth city, ~~although~~ although Pittsburg, the eighth is almost the same size, is ~~the~~ sufficient in itself. The sixth largest city - that is in itself enough to justify making Cleveland the reserve city, and ~~xxxxix~~ throwing Pittsburg into the discard; and yet with three thousand in population separating Cleveland and Baltimore, they stop at the sixth city, and instead of applying the same reasoning to the seventh city, they take the seventh and sixteenth cities together, and tack them on to the thirty ninth city, and in addition to that try to turn the course of business backward, in order to do that!

Now, gentlemen, we ask you to apply the reasoning that
the official

the Organization Committee applied to the case of Cleveland and Pittsburg. What are the facts about Cleveland and Pittsburg? It is that according to the conditions, there is no single reason that the committee reached in other districts that supported a selection of Cleveland over Pittsburg except the mere weight in population. When you come to examine the statistics which the members of the Board pretend to be guided by in the Richmond case, Pittsburg outclasses Cleveland in every point. I have not time to delay your honors, -- the Members of the Board -- with that but it is so striking. Let me run over the last two tables in the Organization Committee's records, showing the figures for national and all banks;

Members of National banks in Cleveland, seven; in Pittsburg 21.

Capital and surplus Cleveland, \$14,000,000.00, Pittsburg, \$46,000,000.00.

Per capita, Cleveland, \$25,000,000; Pittsburg, \$88,000,000.00.

Individual deposits, Cleveland \$40,000,000; Pittsburg, \$120,000,000.00.

Per capita, Cleveland, \$72,000,000.00, Pittsburg \$225,000,000.00.

Loans and discounts, \$162,000,000; Pittsburg, \$124,000,000.00.

Per capita, Cleveland, \$112,000,000; Pittsburg, \$233,000,000.

And then, when you go over all the figures pertaining to banks in-

cluding not only national banks, but others, you have the same thing through the whole list; Cleveland is far behind Pittsburg in every single item. So that is why the Organization Committee thinks in other districts, in every district, except in a partial sense, the New Orleans district, -- that's what they think, namely, that the importance of a city being the largest city, the mere predominance of the sixth over the eighth, is enough to outweigh all this inequality in banking resources, so far as Pittsburg and Cleveland are concerned; but in the case of Richmond, Baltimore and Washington are both thrown out.

While on that point we may take up another question, and dispose of it, so far as oral argument is concerned, another point that Richmond lays great stress on, and that is this pole of banks, one of the things the Organization Committee refers to as justifying their selection of Richmond rather than Baltimore. What about that pole of banks? There are three answers to that: First, and most obvious is that Congress does not say anything in the law about a vote of banks being taken as the basis for selecting these cities. It would seem to us, if there was any subject that was absolutely argued in Congress, and that nothing more could be added to, it was, how far the banks should, and the public or the Board should have a say in determining the operation of this act, and when Congress gave the banks the rite to vote a certain way on certain questions, and gave this Board and the Organization Committee the duty

and right to pick out reserve cities, the inference is clear that Congress realized that this was not one of the things to be determined by a vote, but by national considerations; and yet by petty campaign methods among the banks in a district. So it seems to us that Congress never intended a matter of this kind to be determined by a vote, and there are obvious reasons why it is so. A vote of banks is determined largely by sentimental considerations, and it is obvious that the pole in this case, -- it is obvious that state pride would lead Virginia banks to vote for Richmond. Eleven did not do so, notwithstanding state pride, but state pride would lead Virginia banks to vote for Richmond, regardless of business considerations; and if you analyze the vote, you will note that as to the second choice votes, nobody in Maryland ever voted for Richmond, for second or third choice, and yet the Virginia banks voted very largely for Baltimore as second and third choice. In addition to that, the vote that the committee itself took over the whole United States shows what the country thinks of this district as a whole. Over a thousand votes that the committee took contains suggestions not only from the districts particularly interested in and contiguous to this Fifth district, but from all over the country, and over a thousand banks, suggested that Baltimore should be one of the eight of twelve reserve cities, and only three hundred -- some odd -- suggested Richmond, and if you compare the large centers, New York, Illinois, Ohio, where the larger banks have been situated, Richmond did not get a handful of suggestions from those

localities..

But, gentlemen, aside from the fact that this was a matter to be decided, on national grounds and on broad considerations and not by drumming up votes on any very energetic and very able basis, as it may be, the real truth ~~of the~~ matter is that these facts do not indicate anything more than the fact that a larger numbers of banks voted for Richmond, and the vote itself shows that the predominance among the bankers, if you measure their votes by their weight of business, is in favor of Baltimore, That is discussed in our brief, and I cannot delay any longer upon it; but the exclamation is simple, and that is that down there in Virginia and the Carolinas they have many small banks, and if you count one bank one vote, and ten banks with \$25,000.00 capital each as ten times more than our Baltimore bankers with millions of dollars in capital and surplus that is the way you get a predominance of votes in favor of Richmond over Baltimore; but if those votes were taken according to the weight and size of the banks and volume of business, the predominance would be in favor of Baltimore. In addition to the fact that the law does not authorize this question to be decided by a vote of banks, and in addition to the further fact that the voting itself if you give weight to the size of the bank, and not merely to the number, would favor Baltimore, the committee itself does not pay any attention to the vote of the banks because you only have to look at the Cleveland and district where everything was in favor of Pittsburg; and

against Cleveland, except the predominance in population and size, and what was the vote there? Of the votes there Cleveland got about one hundred and ten votes out of six hundred and some. Cleveland got less votes, barely one-third as many votes as Pittsburg, and barely half as many as Cincinnati in its own State, and in Ohio there were more cities voting for Cincinnati than for Cleveland. Now, gentlemen, that shows what the vote amounts to, even with the Organization Committee itself. So much for the question of votes!

Now, just a word more on what the people of Richmond themselves think of the situation, and that must be summed up in a word: Richmond went before the Organization Committee and had a very carefully prepared brief, prepared by Mr. Saye, which expresses the governing idea of the entire brief in one of the opening sentences. The text of that brief was just such as might have been prepared by any able lawyer, although Mr. Saye is not a lawyer, and that text was stated in the first sentence, that "Nature had mapped out a perfect district, bounded on the north by the Potomac." Now, the whole of Richmond's argument in their brief, and the argument they made at the hearing before the Organization Committee, was an elaboration of that text. They realized that they were contending primarily with Atlanta, in a district south of the Potomac, and so far as Baltimore was concerned, so far as their problem was concerned, their district ought to be bounded on the north by the Potomac. They realized that if you put Baltimore in the district, it would be the head of the district. One of the men from South Carolina

292

showed that clearly.. They asked him about putting Maryland in the district, and he immediately answered, "I do not think it would be a good thing to have the reserve bank away up in a corner of the district. That would make Baltimore the head of the district, by putting Maryland in the district". That is the only logical reasoning.

My time is almost gone, and I shall only want to refer very briefly to one other point. It is our contention that Baltimore is geographically the logical location for this bank, --geographically in a real sense.. That is already answered by what we have said about the relative importance of the banks, because locating a bank is not a geographical question, not at least in any such an important sense as Richmond would indicate. The most important geographical question is to put the bank where the largest amount of business is, not where the outside business can go with least inconvenience, that is close to its own doors. And in that sense Baltimore being five times as great as Richmond, would have had the advantage.

Then there are other reasons, and all are in favor of Baltimore. One is, the committee realized in the New Orleans district the most important question about geography is not the question of distance to the reserve bank, but the course and direction of business. Now, the direction of business in this district is nearly all from the South, and when you put a bank in Richmond, so far as Baltimore and Maryland are concerned, it is not a question of distance, but of trying to make water run up hill, and change the course of business, and when you put Baltimore at the head of this

21

district, Baltimore is in the direction from which the business comes, at the north of the district. This is a simple argument, and not original with us, but at Richmond,--when Richmond went up to the Organization Committee, asking for this district, Richmond contended that "Nature had mapped out for it a perfect district, bounded on the north by the Potomac River." Mr. Saye, their spokesman, in testifying before the committee, said that district had an incontestible position, being situated at the northern limit of the district. So far from being an argument against it, it was their text supporting their case.

Now Baltimore is near the northern limit of -- not the district that Richmond asked for, but the district they actually got. I do not mean to overlook the fact that after Richmond had filed their brief, and after they had covered apparently every question at the hearing that the district might be mapped out differently, Mr. Saye, very clearly and ably wrote a letter a month later when he filed the brief, and pointed out the fact that notwithstanding Nature's action in mapping out the district, you could just as well put Baltimore in the district, and put a branch bank in Baltimore! That showed great cleverness in adapting his argument, but it was a pure admission of the superiority of Baltimore over Richmond as a reserve center.

My time has expired.

The President of the Board: Your motion took five minutes.

Mr. Markell: How much time have I left?

The President of the Board: Five minutes. The motion

took five or six minutes.

Mr. Markell: I am glad to know just how much time I have left.

On this question of distance, then, I can say a word: Primarily, the course of business is of much more importance than the distance, and if you want authority on that, go to Richmond, and that point Richmond had in her brief; but the Organization Committee is also good authority for that, and everyone seems to agree about that, and everyone agreed that the course of business flows northward toward Baltimore from the south. In addition to that, distance is absolutely unimportant in this district. Why? Because of the fact that the whole district is so compact, that Baltimore is within seventeen hours of any other point in the district,--any other city of considerable size,-- so there is only one business day dividing one end of the district and another, whether you put the bank in Baltimore or Richmond. Now, our friends from Richmond make a curious argument on that. They say that hours make a difference, because clearing house meets in the morning and it makes a difference what time the business can reach the reserve center. As I understand, this bank, so far as it operates as a clearing house, will be automatic, open so long as the day lasts, so distance is not important anyhow. It would not have been unimportant out in Kansas City. It is very important there, if anywhere, because in Kansas City the reserve city is one thousand miles away, separated by one thousand miles and by the Rocky Mountains from Kansas City, and yet the Board thought nothing of that, and properly so. They put the bank in Kansas City,

and in nine of the twelve districts this Organization Committee has selected a reserve city at or practically on the very edge of the district, and no one found fault for doing so. Now the further circumstance about the geography of Baltimore is that Baltimore, as a matter of fact, really is nearer the banking business than Richmond, and that again is the same thing I have discussed in referring to the poll of banks. The only essential matter to be considered is the difference between number and volume. We have in the appendix to our brief enumerated every national bank city in the district. We took national banks simply because it made the problems smaller than if we included others, although the national bank comparison is more favorable to Richmond, because Baltimore and Maryland are stronger in trust companies than Richmond, and even on national banks alone we show, although there are more national banks which are nearer geographically, not by air line, but by mailing time, Richmond than Baltimore, when you take the total resources, by far the greater number is accessible to Baltimore than Richmond; and when you take those resources and divide them by hours and even the average distance in mailing hours from Baltimore to all of the banking resources in the district, it is 7.3 hours, and to Richmond is 8.1 hours; so the real truth about this geographical argument, speaking candidly, is we do not think it should be controlling, but so far as it is to be considered, it is in favor of Baltimore, because Baltimore is really nearer the density of banking business than Rich-

mond.

The question of proximity to Philadelphia has been mentioned, and the Organization Committee suggested that was the reason for not putting a bank in Baltimore, and that that was on the contrary a reason for establishing it in Richmond. Why, it puts Baltimore that much nearer to Philadelphia, New York, Chicago, and Boston, which are the banks that Baltimore will be most in touch with, and the only other reserve cities that it increases the distance from are Atlanta and Dallas, and we can refer you gentlemen to the Richmond testimony as to the importance of Atlanta. The whole weight of the Richmond case before the Organization Committee was put on their intense desire not to be tied to anything south of them, and the one thing sticking out through the case is they did not want anything to do with Atlanta because that was a borrowing district. Putting this bank at Baltimore makes that bank that much nearer the other reserve cities, and increases the distance from the Atlanta and Dallas banks, and the Richmond people have made clear, better than we could, the fact that the Richmond bank will not have large relations with those cities.

On the importance, regardless of distance, of the course of business, I omitted to call attention to Richmond's statement that distance does not amount to anything, but the direction does, and on that I would only refer you, gentlemen, to the testimony of the South Carolina witness^{es} for Richmond, and the intense fear they exhibited of being fastened to Atlanta. They said it would be a calamity to be attached to a

place south of us. Now you gentlemen of course know that Baltimore is much further geographically from South Carolina and North Carolina than Atlanta is, but those people said it would be a calamity to attach them to a place south of them, that they would feel that they were hanging on to a dead end. They wanted to be connected north of them, because the course of business is north.

In conclusion, gentlemen, what this Organization Committee has done to the people and business of Maryland and Baltimore is to impose on them the exact calamity that the South Carolina people asked to be delivered from; they have insisted that Baltimore and Maryland should be tagged on to a city south of them, although the course of business is from the south northward; and they have insisted that the course of business should be turned backward, or a futile attempt should be made to turn the course of business back from the north to the south, and in addition to doing that, they have subordinated the seventh and sixteenth cities of the United States to the thirty-ninth city, which is one-fifth the size of Baltimore, one-third the size of Washington, and less than one-seventh the size of the two combined.

OPENING ARGUMENT OF MR. LEGH R. PAGE,
OF RICHMOND, VA., IN FAVOR OF THE
DESIGNATION OF RICHMOND AS FEDERAL
RESERVE CITY FOR THE FIFTH FEDERAL
RESERVE DISTRICT.

MR. PAGE: I shall confine myself in opening this case largely to a presentation of the purposes which Congress had in view in enacting what is known as the Federal Reserve Act and to an endeavor to point out the true tests, or criteria, by which the Federal Reserve Cities should be designated, the designation of the Districts, as made by the Federal Reserve Organization Committee, not being in review here.

It would seem that such a course was orderly and logical in all cases, but it is particularly so in the one at bar for the reason that the brief filed on behalf of the City of Baltimore shows in our opinion a total misconception both of the purposes of the Act and of what is required of a Federal Reserve City. If, in presenting our case, I state a matter well known to you, or of an elementary character, I do so from no idea that you are not acquainted with the subject, for I have never yet appeared

before a body where I felt, on account of the great practical experience and learning of its members, greater incapacity to render the Board assistance in arriving at a correct conclusion of the questions at issue; but statements of such matters are necessary in developing the points we rely upon to sustain the decision of the Federal Reserve Organization Committee in designating Richmond as the Federal Reserve City of District No. 5.

From a general knowledge of previous efforts at legislation on the subject, as well as from a careful review of the debates in Congress during the different stages of the enactment of the law, we consider the definition of the purposes of the Act, as given by the learned author of Magee on Banks and Banking, last edition, as brief, though comprehensive, as can be found. The definition there given is as follows:

"By a careful study and review of the provisions of the Act, it must be observed that Congress has enacted a measure intended to regulate the more equal distribution of money for the use and benefit of commerce, throughout all sections of the United States, and to destroy centralized reserves."

Assuming that this definition correctly sets forth the purposes of the Act, we shall endeavor to point out the

SKE-3

true tests or criteria by which the designation of the Federal Reserve City of a district should be made. While the Act requires that the Federal Reserve Districts shall be "apportioned with due regard to convenience and the customary course of business", it does not expressly state that the Organization Committee must be governed by the same considerations in regard to the selection of the Federal Reserve Cities, but it has been assumed throughout the hearings had before the Organization Committee and in the arguments of counsel that it was the intention of Congress that "convenience and the customary course of business" should have the same influence in the decision of the location of Federal Reserve Cities as in the case of the apportionment of Federal Reserve Districts. In reviewing the several briefs filed by various cities making application for designations as Federal Reserve cities before the Organization Committee, we find practical unanimity of opinion in respect to the requirements of the Act, except in the case of Baltimore.

In the petition filed on behalf of the City of Cincinnati, prepared under the direction of Frederick C. Hicks, Professor of Economics and Commerce of the University of Cincinnati, we find this clear and comprehensive view of the statute in this respect:

SKE-4

"First. Geographical convenience, which involves transportation facilities and rapid and easy communication with all parts of the district.

"Second. Industrial and commercial development and needs of each section, which involves consideration of the general movement of commodities and of business transactions within the districts and the transfer of funds and exchanges of credits arising therefrom.

"Third. The established custom and trend of business, as developed by the present system of bank reserves and checking accounts. In laying out the districts and establishing the headquarters for reserve banks, every effort will be made to promote business convenience and normal movements of trade and commerce."

"The same general ideas are briefly expressed in the petition filed on behalf of the City of Cleveland, Ohio. They are as follows:

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

SKE5

And in a petition filed on behalf of Louisville, Ky., and subscribed to by Messrs. Ollie W. James, Swager Sherley, Richard Knott and John W. Barr, Jr., almost the identical language is found:

"(a) Geographical convenience.

(b) The industrial development of the section.

(c) The established trend of business.

(d) The extent to which each section is able, independently, to finance the needs of its own region."

The city of Washington presented a paper at the oral hearing before the Federal Reserve Organization Committee which fully sets forth the requirements of a Federal Reserve City. Mr. A. O. Austin, for fifteen years Chief Statistician of the United States Bureau of Statistics, quotes it with approval at page 29 of the original petition of the City of Richmond. It is too long to read here today, but we take the liberty of referring you to it.

It thus appearing that the bankers and students of finance, put forward by the various communities to represent their claims for a Federal Reserve Bank before the Organization Committee, agree with singular unanimity upon what is required of a city desiring such designation, it is not surprising that the Federal Reserve Organization Committee should itself have come to a similar conclusion. In the

SKE6

decision of the Federal Reserve Organization Committee, determining the Federal Reserve Districts and the location of the Federal Reserve Banks, at page 361 of the record, that honorable body thus summed up the question:

"Among the many factors which governed the decisions in determining the respective districts and the selection of the cities which have been chosen, were:

"First. The ability of the member banks within the district to provide the minimum capital of \$4,000,000. required for the Federal Reserve Bank, on the basis of 6 per cent of the capital stock and surplus of member banks within the district.

"Second. The mercantile, industrial, and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve Bank.

"Third. The probable ability of the Federal Reserve Bank in each district, after organization and after the provisions of the Federal Reserve act shall have gone into effect, to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

"Fourth. The fair and equitable division of the

SKE7

available capital for the Federal Reserve Banks among the district created.

"Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal Reserve Bank and all portions of the district.

"Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past and its prospect for the future."

On the other hand, Baltimore, throughout its brief, filed with this honorable body, lays the greatest stress upon the size of Baltimore as compared with that of Richmond, and makes no effort to prove, and it is unable to prove, that it better fulfils any of the requirements of the Act, as understood by the financial world at large, and the Federal Reserve Organization Committee, than Richmond. If, therefore, we can show that Baltimore has a wrong conception of the purposes of the Act, and of what is required of a city desiring to be named as the Federal Reserve City of a District, it follows that its evidence has no bearing on the questions at issue and that its arguments are misdirected. To illustrate our contentions in these respects, we refer, first, to page 30 of Baltimore's Brief, where it is

SKE8

said:

"Without undertaking a minute review of the provisions of the Federal Reserve Act, with which this Board is familiar, it may be said that a cardinal feature - if not the cardinal feature - of the new system is its comprehensiveness. The present banking system had been found inadequate. It had been found to create an artificial concentration of the money of the whole country in New York City (and to a lesser extent in Chicago). This concentration, it has been thought, made the banking system too dependent upon speculation in the stock market and too little adapted to meet the more strictly commercial and agricultural needs of the country. Congress set out to correct these conditions, not, however, primarily by forbidding the practices which have been deemed undesirable or unduly prominent in our banking system, but mainly by expanding the system and providing new (and supposedly more efficient) channels by which the money and banking resources of the country might naturally flow towards the commercial transactions, as distinguished from speculation in stocks."

At page 33 this further definition appears:

"With, perhaps, a more accurate sense of proportion, it might fairly be said that the Federal Reserve Banks

SKE9

are banks vested (1) with special powers of great importance not vested in other banks, and (2) with general power to conduct all branches of the business of banking, except that, in transactions with the public, they may not perform certain important but routine functions of ordinary banking, which are expressly or by implication reserved to the member banks belonging to the same united system."

The learned authors of Baltimore's Brief, when next approaching this subject, at page 39 of the brief, quote with manifest approval the editorial reply of the Journal of Commerce, of April 24, 1914, to a letter which had been sent that paper by the Richmond Committee, which letter, however, is not printed in Baltimore's brief. In the editorial in question these novel views of the purposes of the Act appear.

"The Richmond Committee says that in the middle and southern portion of its district as designated, the three States, Virginia, North Carolina and South Carolina, have nearly 6,000,000 population and 1,223 banking institutions, while the northern part, in which Baltimore is situated, has less than 3,000,000 population and only 494 banks. It also shows how much more convenient for railroad and mail communication Richmond is than Baltimore to this large portion of

SKE10.

the district."

Further quoting:

"To our mind this has very little to do with the case. It is not a question of area and distances, or of population and number of banks, so much as of density of population within certain areas, volume and character of transactions and number of daily communications to be made. A limited area might be marked out in this city containing a greater population than any one of the three States named, and another in which more commercial and financial business is transacted in a day than in all three of them, while there is only a fraction as many banks in the whole city as in the States which constitute the southern part of the Richmond District."

X Evidently not being satisfied that the facts and conditions surrounding Baltimore justified the designation of that city by the Federal Reserve Organization Committee as the location for a Federal Reserve Bank, the learned authors of Baltimore's Brief again define the scope and purpose of the Act, giving it this remarkable construction:

"The principal purpose~~s~~ of Congress, however, in devising this addition to our existing system, was evidently not so much to improve conditions at ordinary times as to

SKELL

provide a more satisfactory system in times of stress. The occurrence of panics and the inadequacy of the present system to deal with panics were undoubtedly foremost in the minds of Congress, as they have been in the minds of all who have interested themselves in banking and financial reform in this country. Except for certain so called seasonal strains (which have not been greatly felt since the panic of 1907), our existing system has been fairly satisfactory in ordinary times. It is in times of stress that the weaknesses of the present system become manifest. These weaknesses it was the prime purpose of Congress to cure."

The above being fair samples of the understanding of the authors of Baltimore's brief of the purposes of the Act and of what is required of a Federal Reserve City, it is natural that they filled their brief with matter wholly irrelevant and immaterial; unless, perchance, Baltimore, realizing that she did not possess the true requisites of a Federal Reserve City, as required by the Act, resorted to the expedient of extolling her general virtues, her possession of which is undisputed, in the hope that she might still be designated.

I regret that I shall be unable, on account of the

SKE12

shortness of time allowed for oral argument, to call your attention to the overwhelming weight of evidence in support of our claim that Richmond meets all of the requirements of the Act, as understood by those learned in finance, and that Baltimore fails to do so. I shall leave this part of the case to my associate, the Honorable Eppa Hunton, Jr., who is peculiarly well qualified for the undertaking; and I shall devote the rest of my time to a few points which in my opinion should have great weight with you in forming your decision.

First, it was plainly contemplated in the Act that Federal Banks should act not only as clearing houses for the members in their own districts, but between districts. The clearing between districts, we believe, will develop into enormous proportions and that the bank most advantageously located for clearing transactions of any large section of the country will have a great service to perform. We claim that Richmond rather than Baltimore occupies this position. The Federal Reserve Organization Committee having, for obvious and just reasons, selected the cities of Boston, New York, and Philadelphia, in geographical order, as Reserve Cities, could not have accomplished a proper division of the banking power of the East and of the territory generally, by naming the nearby city of Baltimore in the

SKE13

northeast corner of the District No. 5 as the fourth city along the Atlantic seaboard.

Second: The overwhelming preference of the banks and of the people in the District for Richmond over Baltimore, assuming that they had intelligence enough to know what was best for their business interests, founded on present banking connections and the customary course of trade, should, and doubtless did, have great weight with the Federal Reserve Organization Committee in locating the Federal Reserve City of District No. 5 at Richmond rather than at Baltimore.

Further, I would respectfully call your attention in some detail to the fact that although Baltimore's banking resources are greater than those of Richmond, they are not to the same extent available for the requirements of District No. 5, and also to the failure of Baltimore and of Maryland to keep apace during the last decade with the growth in banks and banking resources, and in commercial and industrial development generally, with Richmond and Virginia and with North and South Carolina, with which Richmond is inseparably connected.

On page 21 of the Baltimore brief, the division of her banking power is given as follows:-

Total Banking Resources.

SKE14

National Banks.	\$114,973,000
State Banks, trust companies, and stock savings companies.	80,183,000
Mutual savings banks.	102,708,000

Total	\$297,864,000

The resources of mutual savings banks and trust companies are \$182,000,000, or 60 per cent of the entire banking resources of Baltimore. Trust companies have a field of their own and they cannot, as at present constituted, enter the system. Mutual savings banks cannot, in the nature of their business, become members.

Again, we would point out that in the itemized statement of resources on page 19 of the Baltimore brief, the fact that \$128,000,000, or 43 per cent of the whole, are "investments, bonds, securities, etc."

The actual use Baltimore is making of its banking resources, as well as its rate of progress in the world of finance, can best be known and understood by referring to its own estimate of these matters when not engaged in endeavoring to promote its claims as the financial capital of a Federal Reserve District. Such evidence as this can be found in the report of the Commission for the Revision of the Taxation System of the State of Maryland and the City of Baltimore, appointed in pursuance of Chapter 779 of

SKE15

the Acts of the General Assembly of Maryland, 1912. The report is signed by the following responsible citizens of the State of Maryland:- Henry F. Baker, J. Harry Mahool, E. Stanley Gary, J. H. Gambrill, Jr., William M. Cooper, and Vernon Cook. (See pages 287 and 288 of said report).

The truth of what the distinguished Committee has said of Baltimore in connection with the lack of progress in the banking world is borne out by statistics both in regard to the City of Baltimore and to the State of Maryland. For the purpose of comparing the growth of the City of Baltimore and the State of Maryland with the City of Richmond and the State of Virginia, we refer you, first, to the reports made to the Comptroller of the Treasury, on March 4, 1914, by all of the National Banks of each of the States in District No. 5, and then to the combined statement of National and State banks in said District.

AGGREGATE RESOURCES.

	1902	1913	Increase	Per Cent
Maryland. . . .	\$30,575,000	\$56,989,000	\$26,414,000	86
Baltimore	82,019,000	110,989,000	28,877,000	35
Virginia	38,220,000	100,295,000	62,075,000	162
Richmond	16,730,000	56,576,000	39,846,000	238
North Carolina	18,865,000	62,459,000	43,594,000	231
South Carolina	13,724,000	42,082,000	28,358,000	207

SKE16

COMBINED STATEMENT OF NATIONAL & STATE BANKS.

	1902	1913	Increase	Per Cent.
Virginia (Including Richmond)	\$94,728,000	\$218,211,000	\$123,483,000	130
North Carolina	33,322,000	117,315,000	82,994,000	252
South Carolina	<u>28,138,000</u>	<u>95,185,000</u>	<u>67,047,000</u>	<u>238</u>
	\$156,188,000	\$430,712,000	\$274,524,000	176
West Virginia	\$ 73,454,000	153,766,000	80,312,000	109
Maryland (Including Baltimore).	123,613,000	199,525,000	75,912,000	61

From sworn special reports submitted to the Comptroller of the Treasury, it appears that the National Banks in Richmond were lending in the thirteen southern states on January 13, 1914, more money than was being loaned in those States by the national banks of any other city in the country, except New York. The total loans and discounts in the thirteen Southern States by Baltimore, Washington and Richmond are as follows:-

Baltimore,	\$6,891,000
Washington.	915,000
Richmond.	33,473,000

These figures show that in those portions of District No. 5 outside of the States of Virginia and Maryland, the Richmond national banks are lending twice as much money as

SKE17

all of the national banks of Baltimore and Washington combined. They also show that although Richmond was not a reserve city, the banks and trust companies in the thirteen Southern States had on deposit in the national banks of Richmond on February 14, 1914, \$9,876,000, or slightly more than the banks of this section had on deposit in the city of Baltimore, and four times as much as they carried in Washington, although these two cities have long enjoyed the benefits of being reserve cities.

In conclusion, the present position we have shown that Richmond occupies as the financial center of the District; the wonderful progress she has made in the last ten years and the certainty that that rate of progress will be maintained and increased, founded as it is upon the unprecedented development of the great natural resources of the District; her intimate knowledge of the people of the District, of their industries and financial needs; her central location and unequalled transportation connections with every section of the District; and, lastly, the overwhelming expression of the wish and desire of a great majority of the banks of the District to continue to do business with her, made it entirely fit and proper that the Federal Reserve Organization Committee should have

SKE18

named Richmond as the Federal Reserve City of District No. 5, and will lead this Honorable Body, we confidently submit, to a like conclusion.

Hunton
state-
ment
follows

SKEL
Edmonston
follows
Holmes
Federal
Reserve
Board
1/6/15
12:00 M.

ARGUMENT OF MR. EPPA HUNTON, OF RICHMOND, VA., IN
FAVOR OF THE DESIGNATION OF RICHMOND AS THE FEDERAL RESERVE
CITY FOR THE FIFTH FEDERAL RESERVE DISTRICT.

If the Court pleases, the Federal Reserve Act leaves it to the Organization Committee to determine the reserve cities of each district, subject to review by this Board. The Act itself fixes no criteria by which to determine the reserve cities. An examination of the terms of the Act will, however, throw much light upon the intention of Congress in this respect, and it seems to me that the best aid which I can give to this Board in reaching a conclusion in this matter is to point out those considerations which seem to indicate Baltimore as the reserve city for the district, and those which seem to indicate Richmond, and when those considerations are before the Board, to balance them and see where the balance lies.

I will first consider Baltimore. My friend, in his opening, has indicated that he relies very largely upon its size, which we admit and recognize. The record discloses, and the Board will recall, that at the hearing before the Organization Committee Baltimore was first heard, and that at that meeting she insisted upon her size being the determining factor. There were two other considerations that she urged very forcefully and very earnestly upon that occasion, namely, the number of banks

SKE2

second,
in the fifth district; ~~and~~ other business organizations
which favored Baltimore; and third, that Baltimore had a
preferential freight rate.

Now, I will endeavor to show that the only considera-
tion which favors Baltimore is its size, and that when the
facts are ascertained, the other two factors vanish, she
possessing neither as against Richmond. Now, my friend has
said that the vote of the banks amounts to nothing, because
in the Act there is no reference made to a vote of the
banks, yet he says that the determining factor should be the
size and the population of Baltimore, as if there were a
statement in the Act that that should be the guide to con-
trol this Board or the Organization Committee in reaching
its conclusions. How easy it would have been to have pre-
scribed in the Act, had that been the intention of Congress,
that the largest city in each reserve district should be the
reserve city; or, if it was not the intention of Congress
to make it simply the largest in population, how easy it
would have been to have said that if there is in any dis-
trict a city which ^{has} ~~is~~ twice, or three or four times the
population of any other city, that it should be selected
as the reserve city. But there is no mention in the Act
of that, and it is clear that it was not the intention of

SKE3

Congress that that should be the sole determining factor. There is no question that it is a factor of weight, a factor that will carry consideration, and which, if other factors combine with it, will determine the location of the reserve city. But "Ah!" says my friend to the Organization Committee, "you established the reserve cities in the largest six cities in the United States, and when you got to Baltimore, you skipped it, the seventh in size", and criticism is made in the brief and in the oral argument of the Organization Committee and its published statement, along with its decision, which my friend has quoted. My friend says that after enumerating the first six largest cities in the United States, the seventh should follow in the next naming of ^a ~~the~~ reserve city, but he fails to emphasize this factor stated by the Organization Committee in the announcement of its decision, that geographical situation and all other considerations fully justify their selection. If that had been true of Baltimore, the seventh city in size, it also would have been selected, but it is the absence of those considerations that has led to the Organization Committee passing over the city of Baltimore and fixing Richmond as the reserve city for the fifth district. That Baltimore is not geographically situated is not due to the fact that it is at the northern end of

SKE4

the district, but it is due to the fact that the Act pre-
 scribes that the five appointed members of this Board
 shall be appointed from different districts, or that not
 more than one of them shall be from any reserve district,
 and that they shall be distributed geographically over the
 United States. Now, if you were to make Baltimore a re-
 serve city, you would put four of the reserve cities of the
 Atlantic States, Boston, New York, Philadelphia and Balti-
 more, in the extreme northern part of the Atlantic seaboard
 States, and leave none between Baltimore and the Gulf,
 with the exception of Atlanta. More than that, you would
 make the reserve city of the fifth district a city not
 intimately and not distinctively a southern city, and not
 intimately connected and familiar with the distinctive
 crops of that district, and not intimately familiar with
 its banks, its bankers and its banking situation.

Now, it is conceded that Baltimore has commercial,
 industrial and financial power somewhat with reference to
 its size, but this record will show clearly that the larger
 portion of its financial transactions are with the terri-
 tory to its north. My learned friend came very near making
 that statement in his opening argument. The record will
 also disclose that a large part of its commercial, and I
 imagine of its financial transactions, are with the west,

SKE5

and this record will demonstrate that instead of Baltimore being the financial, commercial and industrial capital of the fifth district, the credit belongs to the city of Richmond.

They claimed that the vote of the banks, for instance, in their original hearing before the Organization Committee, and the campaign of the city of Richmond, to which my friend has alluded, - a campaign was also waged by the city of Baltimore and it fell down, as results were not produced there by it. Baltimore was heard first by the Organization Committee, and she presented to the Organization Committee the fact that a number of banks in the District favored Baltimore, and a number of other business institutions, and you will be astonished, after the argument of my friend, to learn that I believe ten pages of the fifteen page brief filed by the city of Baltimore was devoted to that factor in their case. But they were not aware, then, of what had been the results of the Richmond campaign, conducted upon as high a ground as that of the campaign of the city of Baltimore, but when they discovered that the Richmond case was presented to the Organization Committee, we hear nothing more of the effect to be given to the votes of the banks, except in their brief. ^{Later,} ~~and little things~~, in their oral argument, they say that no importance should be

SKE6

attached to them because they are not mentioned in the Federal Reserve Act. Now, that was an enormous factor in favor of Baltimore when they believed that a majority of the banks were in its favor. It is a factor of no consequence when it is demonstrated that it has not a pronounced majority, but that a overwhelming majority of the banks in the district is in favor of the city of Richmond. More than that, at Baltimore's hearing before the Organization Committee, before Richmond's case had been presented, it was claimed that it had a preferential freight rate over the city of Richmond, and that that drew the currents of commerce and of business to the city of Baltimore, and that that was a determining factor in favor of the city of Baltimore, they being unaware of the fact that when Richmond's case was presented, instead of Baltimore having a preferential freight rate as against Richmond, Richmond, from her geographical location, had a preferential freight rate over the city of Baltimore, and that there ^{was} a preference of 11.2 per cent per hundredweight upon all goods or commodities of the class going through Richmond, a difference of thirteen per cent. I wanted to say that that was developed upon the hearing of the City of Richmond, and since that hearing, neither in the oral argument nor or in the briefs, have we heard a single reference made to the

factor of a preferential freight rate in favor of the City of Baltimore as determining whether it should be the reserve city or not. So that I say the claim that Baltimore was the choice of the banks has been disproved by the evidence, the fact that Baltimore had a preferential freight rate has been disproved by the evidence, and it leaves no factor in favor of the City of Baltimore, except its size, which was been dwelt upon this morning, and which the act itself shows was not intended by Congress to be the controlling factor. ^{Size} Besides, if accompanied by the other conditions that existed as to the six largest cities of the United States, would have controlled it, but it does not in the case of the City of Baltimore, its business being largely done with the territory to its north and with the territory to its west. There can be no further or stronger illustration of that fact ^{than} ~~and~~ the facts stated by my colleague that in January, 1913, the national banks of the City of Baltimore were lending less than \$7,000,000. to the entire thirteen southern states, and at the same time the City of Richmond was lending to those same southern states nearly \$34,000,000., nearly five times as much as a city that comes and claims to be the financial capital of the fifth district. It seems to me that we might leave

there this claim of the City of Baltimore that she is the financial center of the fifth district, as it is absolutely rebutted by the fact that at a single time the national banks of the City of Richmond, which it claims is only one-fifth its size, were lending nearly five times as much to the southern states as the City of Baltimore. Therefore, we claim that the only factor in favor of Baltimore, and we think that due weight should be given to it, is that Baltimore has a larger population than Richmond, but that it does its business very largely with the territory to its north and the territory to its west.

Now, let us consider for a moment what are the factors that we claim point to Richmond as the federal reserve city.

First, the selection of Richmond instead of Baltimore would distribute reserve cities more evenly in the different sections of the country. I have already alluded to that. One of the purposes of the act, as I understand, is to prevent too great concentration of resources and banking capital in any one section, and to concentrate more in other sections so as to give to the whole country a more even distribution thereof. Now, if you put a large part of the banking resources in the four cities of

Boston, New York, Philadelphia and Baltimore, you will have violated the spirit of the act, which I understand is a proclamation of financial freedom to this country. More than that, you will have violated the territorial and geographical division, and you will have ^{left} ~~it~~ but one single federal reserve city in the Atlantic states between Baltimore and the Gulf, not a controlling factor, by any means, but one of a number pregnant with meaning to the gentlemen who have devoted intelligent study and time to this question, and who, it seems to me, must inevitably designate Richmond as this reserve city.

The second is that Richmond has closer relations and a more intimate knowledge of the distinctive crops of the district than Baltimore. The South Atlantic states have three peculiar crops, cotton, tobacco and peanuts. The annual value of these three crops are approximately as follows: Cotton, \$255,000,000.; tobacco, \$32,000,000.; peanuts, \$15,000,000. There can be no question that a city which is in the area of production of these three crops must know better their financial needs. They must be more intelligently financed from within than from without. Richmond is within the area of production. Baltimore is not. It seems to me that at this time there could be no better illustration of that than the statement that the

Richmond banks and bankers are infinitely more familiar with the cotton situation in the south now in the time of this crisis in that industry. I think we may assume that it is hardly probable that the area of cotton production should come to be limited by legislation. This important and vital matter in that great industry must be brought about by personal influence and by financial pressure, and the bankers of the City of Richmond, from their knowledge and familiarity with the bankers of these cotton states and the State of Virginia, are in a better position to reduce the area of cotton production in this country than is the City of Baltimore, which is to the north of it.

Again, there are four foreign governments, or their buyers of cotton and tobacco, who have their headquarters in Richmond, and this shocking statement, it seems to me, shows the distinctly peculiar relations of Richmond to these peculiar crops. In 1913 40 per cent of the tobacco crop raised in Virginia, North Carolina and South Carolina came directly to Richmond for re-handling and manufacturing, and Richmond paid out in connection with it the enormous sum of \$53,000,000, or 88 per cent of the total value of the crops of those three states. A portion of this, however, went to Kentucky, which is not in the fifth district. Those facts show the intimate relations of

Richmond with the three distinctive crops of the fifth district, and my belief is, though the record does not show, and I presume that statistics would be difficult to obtain, that in the financing of the peanut crop it is more pronounced than it is as to the other ~~three~~^{two}.

The third is preferential freight rates, which I have already alluded to. Mr. Newcomer, when testifying for Baltimore ~~and~~^{at} Washington, said:

"Freight rates are the prime factors in the purchase and sale of commodities, and in shaping the normal flow of trade in commercial and manufacturing centers enjoying the advantages of freight rates lower than those established."

It seems to me that Mr. Newcomer announced the absolutely correct proposition, believing, however, at the time, that it was perhaps Baltimore that had the preferential freight rates. But it is true when it turns out that it is to Richmond that the preferential freight rate belongs from its geographical position. Not only is that true, but there is a quicker delivery by one to four days in Richmond than in Baltimore, and this preferential freight rate applies to all commodity and class rates. It is doubtless due to this preferential freight rate that the tonnage in certain Virginia cities in 1913, in North

Carolina, South Carolina, Georgia and Florida reached the enormous amount of 2,228,908 tons, and of this from Richmond alone there was 629,495 tons. Now, we have not got those figures for Baltimore. We knew that they were there for Richmond, and we had thought they would produce them because we believed they would show the inferiority of Baltimore as the commercial center of the fifth district as clearly as the loans from the national banks of the fifth district show that it is inferior as a financial center, and I have seen from this record that there were independent investigations made by the Treasury Department, and it appeared that those independent investigations disclosed those facts as to Baltimore.

Richmond is more convenient than Baltimore to a larger number of banks in the district. There are 484 national banks in the district, and 1,122 state banks. There are in Virginia, North Carolina and South Carolina 1,123 banks, leaving 483 in the rest of the district. All of these banks in North Carolina and South Carolina are about four and one-half hours nearer to Richmond than to Baltimore. The same is true of most of the banks in Virginia.

But counsel for Baltimore in their brief say:

"Practically the whole district being ~~in~~ within one

business day of either Baltimore or Richmond, the question of distance obviously becomes immaterial. The exact hour of the day at which a mail transaction is consummated is unimportant."

I agree with my friend that the exact hour of the day at which a bank transaction is accomplished is unimportant, with this single proviso, and it is an important one, and that is that it be received in time to be cleared on that day; otherwise it is very material.

Now, such is the connection of Richmond with North Carolina and South Carolina and with a greater portion of Virginia and a part of West Virginia that its mails reach there -- we know that the banks, and especially the country banks send out their mail after they close in the evening, and from that territory the mail reaches Richmond largely by the time the banks open, so that immaterial as the time may be at which the mail may arrive, provided it is in time to be cleared, -- it reaches the Richmond banks in time to be cleared that day. We know that the clearing houses generally close at about eleven o'clock, if a transaction comes too late to be cleared that day there is the ^{delay} ~~day~~ of a day. Now, if you take the distance from that territory to Baltimore, many of these transactions it would be

impossible to clear on that day, but they would be delayed and would only be completed in the transactions of the next day. So that while I agree with my friend as to the exact time at which mail arrives is unimportant, I do maintain that it is of the utmost importance that it should be received in time to be cleared on the same day.

Again, another factor in favor of Richmond is the relative increase in the banking resources of Richmond and Baltimore. That Richmond's resources have increased much more rapidly than those of Baltimore has been established by my colleague upon authority of the Baltimore people themselves, but I do not know whether this Board caught the fact that that document was appended to the name of my distinguished friend who so ably represents Baltimore with his colleague on this occasion, and we may ^{accept it} ~~accept~~ therefore as an absolutely fair and impartial -- I would not like to say -- ^{arraignment} ~~arrangement~~ of the national banks of Baltimore.

The national banks in Richmond in December, 1904, had capital and surplus of \$3,115,000; in March, 1914, \$9,314,000, an increase of 199%. In September, 1904, the Baltimore banks had capital and surplus of \$18,262,000, and in March, 1914, \$19,205,000, an increase of only 5%.

Now, it seems to me that is a very important factor

SKE15

to be taken notice of, that Richmond's increase was 199%, while Baltimore's increase was only 5%.

It is more striking with the States to the south, that section of the country which has, I am happy to say, assumed such a position of progress and of prosperity in our entire country that has made it marked and looked to for investment and development and for progress.

The increase in the aggregate resources of the national and state banks is just as striking. The record does not give the statistics for the two cities, but it does give them for Virginia, including Richmond, for Maryland, including Baltimore, and for the other States in the district, from 1902 to 1913:

Virginia (including Richmond), 1902, \$94,728,000; 1913, \$218,221,000; per cent of increase, 130%.

Maryland (including Baltimore), 1902, \$123,613,000; 1913, \$199,525,000, an increase of 61%.

So that the financial, industrial and commercial capital of this district, assuming that all that my friend claims for it is true, would soon vanish unless it got renewed.

In 1902 Maryland had nearly \$29,000,000 more bank resources than Virginia, while in 1913 Virginia had nearly

SKE16

\$19,000,000 more bank resources than Maryland. The banking resources of North Carolina had increased in the same time 252%, of South Carolina, 238%, and of West Virginia 109%, but of Maryland only 61%.

It seems to me that that is an important factor. Not only has the Organization Committee designated the city that has the most intimate financial relation with the fifth district, and has the largest transactions with the fifth district, but it has selected the city that is growing and progressing at a steady, healthy rate, and which is nearest to the section that is increasing normally and rapidly.

Another factor in favor of Richmond is that the customary course of business in the district is with Richmond and not with Baltimore.

Nothing will more clearly indicate the trend of business in the district to Richmond than the banking relations between Richmond and the other States in the district. In considering these banking relations it must be remembered that Baltimore was one of the original reserve cities, and that Richmond was never a reserve city until its designation as the Federal reserve city of the fifth district.

From the Comptroller's report for 1912 it appears that there are 380 state and national banks in Virginia, and

SKE17

that they carry in the Richmond banks 528 accounts. In North Carolina there are 429 banks, and they carry in Richmond banks 397 accounts. In South Carolina there are 346 banks, and they carry in the Richmond banks 182 accounts. In West Virginia there are 297 banks, and they carry in Richmond banks 82 accounts.

The maximum deposits carried in Richmond banks in 1913 by banks from Virginia, North Carolina, South Carolina and West Virginia are \$12,653,769. The maximum deposits carried in Richmond banks by individuals, firms and corporations from North Carolina and South Carolina are \$4,642,366. The maximum of deposits by banks, individuals and corporations from North Carolina in Richmond banks is \$7,690,820, and from South Carolina \$2,343,766.

From this it appears that banks, corporations and individuals in the district, exclusive of Maryland, carried on deposit in the Richmond banks over \$17,000,000.

The maximum of loans made by banks in Richmond in 1913 to other banks in Virginia, North Carolina, South Carolina and West Virginia was \$6,174,175.

The maximum of loans made by banks in Richmond in 1913 to individuals, firms and corporations in North Carolina was \$5,245,451, in South Carolina \$3,129,815.

SKE18

The maximum of loans to banks, individuals and corporations in North Carolina was, therefore, \$7,445,931, and in South Carolina \$5,553,730.

To meet the demands for crops and other purposes, Richmond during the year 1913 shipped \$14,000,000 in currency into the southern States.

Now, we have not those figures as to Baltimore. I wish we had. I believe that they would show that the claim that Richmond is the financial center of the fifth district would be established by them, and I trust that it is true that the independent investigation made by the Treasury Department, which it was not in our power to make, will establish the facts as to those things as to the city of Baltimore, and I feel assured that it will confirm the wisdom of the Organization Committee and lead this Board to affirm its decision in designating Richmond as the reserve city.

It is a difficult matter to show clearly that Baltimore is not the industrial and commercial center, but I accept the statement of one of the witnesses for Baltimore that convenience is the servant of commerce, and that it makes the trade currents which create financial and many other business relations. Assuming that that is a correct prin-

SKE19

ciple, and I believe it to be, it is irresistibly established that Richmond, with its preferential freight rate, along with the distinctive character of its crops, is the commercial and industrial capital of the district, and not the city of Baltimore.

We come now to what my friends have labored with, and I am not going to deal with the toll of banks taken by the city of Richmond, but I am going to deal with it as taken by the Organization Committee. I believe in the poll of the banks in the district made directly by the Comptroller's office Richmond received 167 votes to 128 for Baltimore, and that was a factor that my friends thought should have an enormous amount of weight when first they appeared before the Organization Committee, and which they have devoted so much time in their brief to minimizing and ridiculing. Those figures do not show the full force of Richmond's position, because in the poll 28 votes were cast for Columbia, South Carolina, by banks in South Carolina, and 19 for Charlotte, by banks in North Carolina, while Washington's 12 votes were cast for itself. It is clearly established by the testimony that the banks voting for Charlotte and for Columbia favored Richmond as their second choice, and we may assume for the sake of argument that

SKE20

the banks of Washington were in favor of Baltimore as their second choice. Adding to Richmond her second choice by Charlotte and Columbia, and adding to Baltimore her second choice by the city of Washington, it would make the number of banks in favor of the city of Richmond 214, and that in favor of Baltimore 140. It seems to me that that is the most conclusive factor of all that the Organization Committee and this Board has before it in determining this matter primarily, this banking problem of the selection of the reserve city. The banks know which is the city of convenience, and where is the customary course of business. They are not controlled by even so adroit a campaign as the city of Baltimore which could not get a majority. They are not controlled by sentimental reasons, as evidenced by my friend's statement that a lot of banks in Virginia voted for the city of Baltimore. They are hard headed business men determining business requirements by the course of business that they have had, and by their convenience, and they know that it is to Richmond that they must look for a more intimate acquaintance, for the knowledge of their financial needs, and for the knowledge of their peculiar crops, and that is why one of the witnesses before the Organization Committee said that he would be a little way from home to

SKE21

go to Baltimore.

Now, I say that the best evidence of convenience and the customary course of business is the showing of these 214 banks, as against the 140 for the city of Baltimore; that they know what are their financial needs; that they know that it is to Richmond that they must go.

My friend has referred so much to the unwillingness of ^{Richmond} ~~the district~~ to go into a district of which Atlanta was the reserve city, and I recognize it, but not because it was not to the north of it, as my friend would argue, but because Atlanta was a borrowing community and Richmond was a lending community, financing the cities to the south of it, and lending \$34,000,000 approximately at a time when Baltimore was lending less than \$7,000,000, and that was the reason why the cities did not desire to go to Atlanta, but wanted to go to a city as ~~its~~ their reserve city where their financial needs could be met and where they had been in the habit of having their financial needs met.

Now, my friends say that we never dare to talk about Richmond, as compared with Baltimore, in a district where Baltimore was a member of the district. Let us see whether my friends are not in error in that respect also.

At the hearing in Washington before the Organization

SKE22

Committee Mr. Norwood, of Greenville, South Carolina, and Mr. Rhett, of Columbia, South Carolina, while testifying in favor of Richmond as the reserve city, both stated that Maryland should be added to the district.

Mr. Bruton, of Wilson, North Carolina, testifying in behalf of Richmond, said that he would feel that "we would be a little way from home to take us to Baltimore".

Before the action of the Organization Committee Mr. George A. Holderness filed a brief for the North Carolina Bankers Association, adding Maryland to the district, and makes a strong argument in favor of the selection of Richmond as the reserve city of a district which includes Maryland.

It is difficult to understand, therefore, how this statement can be made in the brief for the city of Baltimore. I quote:

"It cannot be too strongly stated that before the action of the Organization Committee no one ever thought of comparing Richmond with Baltimore, or questioning the commercial and financial pre-eminence of Baltimore in what has now been made the fifth district."

Yet there is the testimony of these gentlemen showing that while the district, as mapped out by Richmond, did not include Maryland, that the fact that it might include Mary-

SKE23

land was contemplated, and that the answer was still Richmond in preference to Baltimore.

Now, I want to say this. It seems to me that taking this matter as a matter de novo, that the weight of the testimony and the record establishes the fact that instead of Baltimore being the financial, industrial and commercial capital of the fifth district, and being the most convenient to the customary course of business, it is Richmond where the convenience of the customary course of business would be best subserved. I say, as an original proposition, that is true, but this does not come up as an original proposition, as this Board has held when it gave to the city of Baltimore the opening and the conclusion of this presentation. It comes up not as an appeal, but as a review of the action of the Organization Committee by the Reserve Board, and may I pause for an instant to say that a review is a common method used by the courts, that a petition for a re-hearing is not an unusual thing, and according to my recollection, though I cannot give the instances, this has been the case in this country, that where appellate courts are made up of the judges of the lower court, that the judge deciding the case in the lower court has been a member of the tribunal to re-hear and review

SKE24

themselves.

Now, I say that this Organization Committee visited eighteen different cities in their efforts to reach wise conclusions, and hearings were given to over two hundred cities that came in touch with the financial men and the business men of all sections of the common country. They were authorized to employ experts and counsel - I do not see how counsel could aid so much in that difficult and delicate discussion, for which, even in the presentation of this view of it, I feel that I am so poorly qualified - but they had the authority to employ experts and to make independent investigations, and I say that the decision of that Organization Committee is primarily right in all courts, both State and Federal, and should carry as much weight as is given to the wisdom of a jury or to the report of a master or special master, and the rule, I believe, in almost every jurisdiction is that such a report shall not be overthrown unless it is plainly wrong, and the burden upon my friends is not such as it was before the Organization Committee. The burden is upon them to establish to the satisfaction of this Board that the action of this Organization Committee is clearly wrong; otherwise, as the Board has done in giving to them the opening and conclusion, following

SKE25

the legal principles in such matters, unless plainly wrong, its decision, with the greater familiarity that they must have with it from their personal touch with the situation from the personal hearings that they gave in these eighteen cities, and from the personal hearings of the two hundred cities, as the trial court, seeing the witnesses and hearing their testimony is able thereby to give more intelligent judgment and the proper weight that is due to them, - so, say the courts, unless plainly wrong, it must be affirmed.

I want to say that I do not believe that our friends realize the progress that the city of Richmond has made in the last two decades, more especially in the last, and I can understand their disappointment that in a controversy of this sort, friendly upon our part at least, that the prize, which could be given to but one, came to Richmond instead of to Baltimore. It may have been astonishing even to our own people to know what the development had been, because thirty years prior to those two decades a large part of the city was in ashes. Its wealth had been swept away, the flower of its manhood had been given in response to the call of her State. The struggle during those thirty years was a slow and laborious one, and we remember even in this controversy that ~~when~~ in that hour when we were

SKE26

passing through the valley of death we never turned to our sister city of Baltimore for sympathy, encouragement and aid that she did not respond promptly and efficiently, and we do not forget that today. And we believe and we hope that if the decision of this Organization Committee is affirmed by this Board, that the time will come when the city of Baltimore at least will not be ashamed of the regional bank of Richmond as a worker in the development of this great financial machinery which is to bring financial freedom and equality to all sections and all parts of this country, and give flexible and stable currency, under your wise administration of this Act which is an epoch in the financial history of this country.

SKE27

CLOSING ARGUMENT OF MR. VERNON COOK, OF BALTIMORE, MD.,
IN FAVOR OF THE DESIGNATION OF BALTIMORE AS THE FEDERAL
RESERVE CITY FOR THE FIFTH FEDERAL RESERVE DISTRICT.

Gentlemen of the Board, in the short time that remains for oral discussion it is impossible for us to lay before you all the many ways in which Baltimore, as we see it, has an advantage over Richmond for the location of a reserve city. We can therefore only briefly touch on some of the more salient points of the argument.

Now, as I see it, the underlying theme or text of the argument for Baltimore is this, that as we look about the country and find that the hills and valleys make certain natural reservoirs for water, so the course of business and the exigencies of trade form certain natural reservoirs for surplus banking capital, and we claim that Baltimore is, and always has been, one of those natural reservoirs for banking capital, and that Richmond never was, and in the nature of things, for a great many years to come never can be such a natural reservoir for money.

We claim also that Baltimore is not only a natural reservoir, but a natural reservoir for this particular fifth district, including these States, the Virginias, the

SKE28

Carolinas, Maryland and the District of Columbia. Now, why do I say this? My opponents on the other side have made some very startling statements, it seems to me, but none ~~more~~ more startling to me here than the statement made by Mr. Hunton that Baltimore does not have its business with the south, but has its business with the north. Those of us who live in Baltimore have been hearing for many years about Baltimore's southern trade, one of the things we always talk about, one of the things that we work for, one of the things we pride ourselves upon possessing. What are the facts? Does Baltimore have its business in the south or in the north? We have the figures in our brief on page 11, and we show that of all the products or goods manufactured ^{or} ~~and~~ distributed by Baltimore, there is \$27,000,000 worth distributed in the State of Maryland itself, and that in the rest of this district there is \$51,000,000 worth of products distributed. Now, when we add those figures together, the result is that 70% of our manufactured products, and 70% of the goods which our great jobbing houses send out go right into this very fifth district. Those are the figures on authorities that cannot be questioned, cannot be doubted, and they are set forth in our brief. We say, therefore, our business is with this district.

SKE29

Take the great jobbing houses of Baltimore, turning out as they do and selling millions of dollars worth of goods in the south. The Baltimore Bargain House alone has 75,000 accounts in the south. The well known firm of Hearst Brothers has 10,000 accounts in the south. What is the result of this? The result of this is that it makes a natural flow of money from the south, from this district, into Baltimore. These goods are sold by the Baltimore jobbers to Baltimore manufacturers and merchants in the south. They are sold on credit, and when the time of the year comes around when the southern people have harvested their crops and have gotten in their money, they pay their debts to Baltimore; then a flow of money comes in from these thousands of accounts,;these thousands of merchants all over the south, who owe Baltimore, begin to pay, and there is a perfect streame of money flowing from this district to Baltimore. After the crops are harvested, after the great demand for money in the south lets up, it flows back to this city as the natural place for it to be as a reserve center.

Then, in addition to that, not only is there the flow of money from the southern merchants to the Baltimore wholesalers, but another great current that has set in

SKE30

toward Baltimore is the payment of the dividends and of the coupons evidencing the interest that is due to the Baltimore investors.

Now, my friends on the other side speak very slightly of the savings banks of Baltimore, and dismiss them with a word or two, because the capital of a savings bank in Baltimore could not be any good to the rest of this fifth district. Now, what are the facts? In the letter filed in the brief from Mr. Richard H. Edmunds, the great statistician of the south, he says that our three principal Baltimore savings banks which have their money invested largely in bonds, which my opponents would have you think therefore is no good to the south, Mr. Edmund says that out of 60,000,000 bonds held by these three savings banks alone, 23,000,000, or more than 38%, represent investments in ten States south of the Potomac and east of the Mississippi. Now, when these coupons come due, there is another current, as I say, of money into Baltimore. Further than that, there are three trust companies in Baltimore alone that act as fiscal agents for 200,000,000 of southern securities in the fifth district alone. Now, when the coupons on those southern securities are paid, that all necessarily has to be cleared through Baltimore.

Now, my opponents say that Baltimore does not under-

SKE31

stand the industries or the crops of this fifth district, and they call attention to the fact that their three great crops are cotton, tobacco and peanuts, and they think we do not understand much about them. Most of that tobacco, as a matter of fact, is shipped through Baltimore. We think we have a good deal to do at times with the financing of the cotton crop. Not very long ago, when this Board was considering the matter of the cotton pool, Richmond was asked to raise only \$1,000,000, and Baltimore was asked to raise \$2,500,000 toward that pool. But the significance of my opponent's argument in his mention of cotton and tobacco conditions, to my mind is this. It is true that those are the three products of the Virginias and the Carolinas, and it is because they rely so largely on these three products that they never can become a great natural reserve center for surplus funds, because, as in a manufacturing plant it is necessary to keep your plant going as many days in the year as possible, so in the banking business it is important to keep your capital working all the time. A State that has three crops only, tobacco, cotton and peanuts, can work a banking capital only through a part of the year; it has only a seasonal demand, but the places that become great banking centers and centers of

SKE32

reserve funds are the cities that are not only large cities, but cities that have a diversified demand for capital. We in Baltimore have use for capital not only in the tobacco season and the peanut season, but we have use for it 365 days out of the year. I do not know how far you gentlemen are familiar with Baltimore and its real position, but we say in our brief that it is the leading city in the country in the manufacture of men's clothing, in copper, in tin and sheet iron products, in fertilizers, in cotton duck, in straw hats, and in the tanning and preserving business. In addition to this, Baltimore not only handles the business of its own manufacturers, but it is a great transfer point; I mean it is a great seaport. With the exception of New York, the city of Baltimore has more exports than any port on the Atlantic Coast. We are ahead of Boston, and we are very largely ahead of Philadelphia in the import business.

Now, then, another thing must not be lost sight of. One fifth of all the capital of these reserve banks is contributed by the Baltimore banks; approximately one fifth of all the deposits in this Richmond bank, the required deposits come from Baltimore. Now, what does that mean? That means in effect that one fifth of all the

SKE33

business this bank does, and one fifth of all the business that it is going to do must come in and out via Baltimore. You cannot get away from that. When the season of the year comes when the South is paying its debt to Baltimore, and when surplus funds begin to accumulate in Baltimore, we will send up the proper proportion of them to Richmond, and when the season comes around again for the greatest strain, and everybody wants to get these reserve funds at Richmond, one fifth of them must come out via Baltimore, because Baltimore not only contributes a fifth of the resources, but it is a fact that Baltimore, if the facts could be known, will have credited more than one fifth of the paper eligible for discount in this district.

Now, a merchant in North Carolina or South Carolina who had merchandise to ship to Richmond would be a very foolish man indeed if he sent it up to Baltimore, with instructions to turn it around and send it back to Richmond, yet, gentlemen, that is exactly what we do with the money in this district if you permit the reserve city to stay in Richmond, because at every season of the year when the flow of money comes that way, we would have it flowing in to Baltimore and back to Richmond, making a round trip, whereas if you allowed it to come to Baltimore, allowed these things to be cleared in Baltimore, allowed these

SKE34

resources to be piled up in Baltimore, the situation would be very much simplified.

These facts are not new. I am not claiming that that is anything discovered by us. It is something that has already been recognized and been recognized by the Government of the United States. If we go back to 1864, which I believe was when the national banking act was passed, reserve cities were created, I think 19 of them, by the regional act. Baltimore was one of those cities; Richmond was not. My opponents seem to think that gave Baltimore a somewhat artificial advantage over Richmond, but that is not the case, because a later act provided that any city with, I think, very little population or banking capital, could, if its bankers saw fit, ask to be made a reserve city and could be made such. Here is the most startling thing in this proposition, that until this new law was passed creating this new banking system, the Richmond bankers never considered apparently that Richmond was a proper place to be a reserve city. They never came in and asked for such a thing. Baltimore was a reserve city; Washington in this District was a reserve city; Charleston, South Carolina, was a reserve city. They were the natural reserve cities, and Richmond had not even

SKE35

asked for it. Now

Now, my opponents cite a great number of arguments and reasons which they contend make in favor of Richmond. Let us look briefly at one or two of them.

It is said in the first place that Richmond lends more money in the south, as it is put in the report of the Organization Committee, and also in the brief. They claim that Richmond lends \$33,000,000 in the south, and Baltimore only \$6,000,000. Those figures might look very important, but what are those figures? Let us analyze them a moment. What do they mean by the south? Why, when you come to read through the report, you find that what they mean by the south, the thirteen southern States, includes Virginia but does not include Maryland. So that when you say Richmond lends \$33,000,000 in the south, it simply means that Richmond is lending most of that right in Richmond; it simply means that Richmond is lending more in Richmond than Baltimore is lending in Richmond. But if you want to make a fair comparison, a real comparison, and tabulate figures and see in this district what banks are lending the most money in the district, or in the south, including Maryland, what banks are lending the most money, there is not the slightest doubt in the world that these figures will be entirely reversed.

SKE36

Now, further than that, another point that is made by our opponents is the point that they are nearer the geographical center of the district. Just a word on that. What has the geographical center of a district to do with a question like this? If we were going to establish the point for a water power plant, the geographical center might have certain advantages, but we are establishing a center here for the banking business. You must go, therefore, where the banking business is. If you ~~were~~ were establishing a bank in New York City, and the directors of the new bank in New York City should propose to put it out in Central Park because it is nearer the geographical center of the city than Wall Street, would not they simply make themselves a laughing stock in the eyes of everybody? Has the committee paid any attention to the geographical centers in any of these districts, with one or two possible exceptions? They have not. If you take the New York District, New York City is in the southeastern end of that district. If you wanted the geographical center, you would have to go up State somewhere about Utica. If you take the Northern District and want to find the geographical ^{center} of that, I believe it is somewhere in the White Mountains. If you went out to the San Francisco District, and tried to find the geographical center of that, perhaps

SKE37

you might hit Reno instead of San Francisco. So, you could go all through these districts and show that the geographical center has nothing to do with it. We are not here like a lot of school boys trying to solve a problem in geometry. The lines of banking and the course of trade pay no attention to geographical centers; they pay no attention to centers of possible districts that may be constructed. On the contrary, we find that when we look over our country, that the great cities and the great banking centers are of one of two classes in the middle west. They are the great railroad centers, particularly the great railroad transfer points. Most noticeable, of course, are Chicago and St. Louis, and when we get away from the middle west and come nearer the Pacific Coast, we find that these great centers are invariably the great seaports of the country. In Chicago and St. Louis the railroads link together the eastern and the western lines, and on the coast the other termini of these railroad lines link themselves with the ocean liners, and these seaports, therefore, are kept constantly busy because they have not only their own business, but they have the handling and re-handling of the business of the other sections of the country, something that is going on all the year round.

Now, our opponents say particularly that this Com-

SKE38

mittee, whose report is now up for review, lays a very great stress upon what they call the per capita argument. That argument is this. They say: "True, Baltimore is a larger city; true, Baltimore has more banking capital", - and it is not shown by them how great the disparity is - but they say you must look not only at that, but you must look at the per capita, and then it is figured out that the per capita banking capital in Richmond is considerably greater than it is in Baltimore. At first blush that might seem to have some force; it might seem to indicate that perchance the people of Richmond had some particular aptitude for the banking business that leads them to put their money into it in greater proportion than other people do. What do you mean by banking per capita? That means, of course, the banking resources, divided by the number of people. There are two factors there which will vary that. A large banking capital, or a large banking population tends to decrease the per capita, but a small population equally tends to increase the per capita. We show in the brief how this argument for Richmond is reduced to an absurdity when we compare other cities with it and show you that the per capita in Richmond is larger than the per capita in Philadelphia, Chicago and New York. But it becomes even more striking to my mind when we

SKE39

compare it to some of the small cities. Now, the Organization Committee laid almost controlling stress on the fact that Richmond had a capital and surplus and banking capital of \$73 per capita, higher than New York, Philadelphia and Cleveland.

Now, let us look at a few small towns. I do not know whether you are familiar with this place, but we have a little town called Ellicott City a few miles outside of Baltimore, not noted as a banking center, but very remarkable for its banking capital. The population will show that while Richmond has \$73 per capita, Ellicott City, with something like a thousand population, has a per capita of \$130, almost twice as much as Richmond. If we take the mining town of Oakland in western Maryland, we find that it has a per capita of \$187; we find that Rockville, not very far from here, has a per capita of \$200; Centerville, on the western shore of Maryland, has a per capita of \$255, as against Richmond's \$73. So that when we see these figures, the result evidently is that your large per capita argument simply proves that you are a small city, and it is evidently all that it does prove.

Now, then, the next point made is on the growth of banking capital, and there my opponents take great delight

SKE40

first of all in citing a report of a Maryland commission that was appointed to study and revise all the taxing laws of the State of Maryland, and they apparently seem to think that they have made a great point by quoting this, because I happened to be one of the members of that commission, and they read a long extract in which we showed, which was undoubtedly the fact, that the taxing laws of Maryland, which imposed a very high rate of taxation on the national banks, had tended to retard the development of national banking capital in Maryland. But the point is this. My opponents on the other side, not living in Maryland, and not knowing exactly what we are doing out there, appear to be peacefully ignorant of the fact that partly as a result of that report, in which I had some little hand, the last Legislature of the State of Maryland repealed this burdensome ^{law} of taxation of our national banks, and they have established an entirely new system, an entirely new method of taxing the banks, very similar to the New York system, the one per cent tax. So that with banking capital in Maryland relieved of this heavy burden, we have the right to look forward with a reasonable expectation to the rapid development of Maryland banking capital in the future. But aside from that, and further than that, what does this growth of Richmond in its

SKE41

banking capital in the past ten years show? Why it shows that Richmond is growing; that is all. It does not show it has gotten anywhere near Baltimore as yet. We have to deal with the present, not with the past or with the future. What is the proper reserve city today? If Richmond ever does grow to proportions where it is near to Baltimore or superior to Baltimore, if that comes within the lifetime of any man in this room, why this Board, or some other board, can then change it, and take the reserve city back from Baltimore to Richmond. But the fact that Richmond has grown faster in the past ten years than Baltimore simply means this, that a growing city, a developing city - Richmond is that, as my brother has said, and is now fully reviving from the disastrous effects of the Civil War - what you might call a young and developing city naturally grows faster than a city that has already fully developed. That is simply for the same reason that a young child grows faster than a man. That does not prove any superiority of the child over the man. Richmond is just beginning to revive from the calamity that it suffered many years ago, and we are all glad to see it is reviving so rapidly. We know Richmond has made progress, and we think that we in Baltimore have had some hand in it. How many Richmond securities have been sold in Bal-

SKE42

timore? Why it was only yesterday as I was leaving my office that a salesman came in wanting to sell me some Virginia securities, and that is what we have all the time. As Mr. Edmunds tells you, and it was a minimum estimate, the amount of Baltimore capital invested in the southern States below the Potomac is \$200,000,000.

Another point much discussed is the poll of the banks. Well, there are two polls of the banks. One is the Richmond poll. I have never been able to understand that. I have looked at it and tried to figure it out from their brief, and I got this far, that according to the Richmond poll Baltimore got nine votes in the whole district. Now, we have sixteen banks in Baltimore. I was immediately satisfied from that. I did not go into it any farther. The poll taken by the committee shows 167 banks voting for Richmond, and 128 voting for Baltimore. There are two comments I want to make on that. In the first place, at the time that the poll was taken, the southern banks did not know, nobody knew, just what the boundaries of the districts would be, and if you read the proceedings, you will evidently find that the southern banks had a choice between Atlanta on the one hand and Richmond on the other, and the majority of them, the great majority of them, said that they wanted to be connected up with Rich-

SKE43

mond, because the course of business in this district was from the south to the north, not from the north to the south. As one North Carolina banker said: "If you connect us with Atlanta, you connect us with a dead end." According to our opponents, that is all right, to connect Baltimore with a dead end. In fact, the whole situation here, from their point of view, as to this district, seems to be that they started out with a little district they mapped out for themselves south of the Potomac. They wanted to be at the north end, because they thought the city at the north end would have the advantage, and they mapped out the Virginias and the Carolinas, and presumably they took in some more southern cities with it. Then when it began to be apparent that Atlanta was making strong claims, and that Georgia would naturally go with Atlanta, the then Virginia and Carolina district had to look around for something else to make it ~~fx~~ a full grown district. They figure it out in one of their speeches or briefs somewhere here, which contains the expression that Philadelphia, being ^a ~~the~~ district made up of Pennsylvania, Maryland was left as a sort of floater, and they did not know just where to put that, so my friends from Richmond then come forward in a sort of supplementary brief or letter and show that Maryland, being left in this pitiful con-

SKE44

dition of a floater, that they will kindly open the doors and let us in to their district. That is their whole attitude. They will let us in. They look to us for their resources, one dollar out of every five they get from us, yet we cannot have this bank because we are too near Philadelphia, and I understand Mr. Hunton to say, what is a surprise to me, that Baltimore was an extreme northern city. I have lived there all my life, and I can say that--

Mr. HUNTON: I did not say that; at least I did not intend to say anything of the sort.

Mr. COOK: If you did not say it, that is the end of it, but I understood you to say that if the four banks were given to Boston, Philadelphia, New York and Baltimore, you would have four in the extreme northern part of the country. We have been taught to believe that Baltimore is sort of on the boundary line, so to speak, and in consequence mainly and largely has been a southern city, and we feel it is the gate to both the southern and northern States, we feel it is the gateway between the north and the south, and as that gateway it is entitled to recognition by reason of the securities it holds, by reason of the business that it does.

Now, look at this just another way. Suppose you gentlemen were the real owners of this bank for the fifth

SKE45

district, and suppose you wanted to put it in the place where it would be a success and make money for yourselves as stockholders or for other stockholders, can any man within the sound of my voice have a shadow of a doubt that you would place this bank in Baltimore where you could get hold of some business, rather than in Richmond where you would not have anything like the chance?

Look at the things which Baltimore business men look at. Look at our foreign trade. Look at the grain we are exporting right now to the warring nations in Europe, and the bank acceptances, the foreign bankers' acceptances that are sold in New York. Richmond in her brief says they can still be sold in New York, and Baltimore is not going to suffer. That is not what we are here for. We are not making an argument for the benefit of Baltimore. It is true that our pride is somewhat hurt that we are passed over, the seventh city, as we claim the sixth city, in the Union passed over for the thirty-ninth city, and I appeal to you, not for the good of Baltimore, but for the good of this fifth reserve district, to put this bank where it belongs, and put it where it can get business. Do not sit down and say, as my friends do: "Let New York gobble up that foreign acceptance business as it always has." We say: "No, send this bank over to Baltimore where

SKE46

it can make a fight for it, and where it can get it. " And I say to you that we are not here asking for this bank for Baltimore's benefit. Perhaps it may benefit the banks of Baltimore in some respects, in drawing some local business, but we want this bank to be a success, and we believe it is going to be a success. I believe you can make a Federal regional bank work anywhere, even if you put it in the back woods, but we want to make it work well and against the least resistance. Water can run down hill but you can force it up hill if you construct an artificial system of ^{pumps,} reservoirs and pipes. I say you can make a regional bank work anywhere, but if you want to make it work to the best advantage and with the least friction, you must make it work according to the laws of nature, according to the laws of business and the course of trade; you must put it, and I appeal to you gentlemen to put it not in an artificial reservoir where you have got to be pumping all the time against resistance to get this money to Richmond, but put it in the natural reservoir where it belongs, and which we insist is Baltimore.

The CHAIRMAN: We want to express our appreciation of the great ability shown by both sides in presenting

SKE47

this case. We will take it under advisement and later advise you of the decision.

• (Whereupon, the hearing was adjourned).

BEFORE THE FEDERAL RESERVE BOARD

- - -

PETITION TO THE FEDERAL RESERVE BOARD ON APPEAL FROM THE DECISION OF THE ORGANIZATION COMMITTEE IN ESTABLISHING THE REGIONAL RESERVE CENTER FOR THE FOURTH DISTRICT IN THE CITY OF CLEVELAND, O., INSTEAD OF PITTSBURG, PA.

-

Washington, D. C.

-0-

January 13, 1915.

-*o*-

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

HEARING BEFORE THE FEDERAL RESERVE BOARD

AN APPEAL BY THE CITY OF PITTSBURG FROM THE DECISION OF THE ORGANIZATION COMMITTEE IN ESTABLISHING THE REGIONAL RESERVE BANK CENTER FOR THE FOURTH DISTRICT IN THE CITY OF CLEVELAND INSTEAD OF PITTSBURG.

WASHINGTON, D. C.

JANUARY 13, 1915.

Hon. William Gibbs McAdoo, Secretary of the Treasury, and Chairman of the Federal Reserve Board: The meeting will come to order. Gentlemen, I regret very much that I am not personally able to remain and hear your arguments today. I have been away for two weeks, and very pressing matters in the Department make it impossible for me to attend this hearing. I wish to say, however, that so far as I am concerned personally, my mind is absolutely unbiased by any decision that I may have participated in as a member of the Organization Committee. I feel about this matter as I have from the beginning, that what we must do here is to act with reference to the interests of the entire country, and not with respect to the local interests of any community or any section of the country. The matter is one very largely of administration, and I feel that these

hearings are very useful, and ~~that~~ it is a very proper and necessary thing carefully to review the action of the Committee as the law contemplates, and I am delighted myself to get all possible light upon any issue that may be raised with respect to any of the districts or any of the cities. As the proceedings of the meeting will of course be stenographically reported, I shall have opportunity to read those proceedings at the appropriate time, and to take such action with respect thereto as may seem proper, so far as my own individual action is concerned. The Board will of course give you gentlemen very thorough and a very patient hearing, and it will be their disposition to do what is the right thing to do in the circumstances; so I must ask my associates if they will excuse me for the reasons I have just stated, and to go on with the hearing without me. Good morning.

Hon. Charles S. Hamlin, the Governor of the Board: Gentlemen, with regard to the procedure, I suppose Pittsburg, being the moving party, would have the right to open and to close, and I would suggest that Pittsburg open for a half hour, to be followed by the other parties for an hour, with the right of Pittsburg to close one half hour; and of course if at the end of that time either side wanted a very few minutes to sum up or answer anything we would be very glad to give them that privilege. Therefore I call on the counsel for Pittsburg to open.

Mr. William Watson Smith, Counsel for the City of Pitts-

burg: Would it be just as satisfactory to the Board if Counsel for Pittsburg should make the Pittsburg argument complete, and reserve the right to close in five minutes, if it seems desirable for us to make any additional arguments, after the other side has finished?

The Governor of the Board: Yes.

Counsel for the City of Pittsburg: I think it would rather expedite the matter and save time.

The Governor of the Board: We should have to limit you to five minutes, or such time as you left unused.

Counsel for the City of Pittsburg: I am sure we will not take the entire hour.

The Governor of the Board: If there is no objection, that is perfectly agreeable to the Board.

Mr. John J. Sullivan, Counsel for the City of Cleveland: It is entirely satisfactory.

The Governor of the Board: There is no objection to that?

Counsel for the City of Cleveland: No objection.

ARGUMENT BY MR. WILLIAM WATSON SMITH, COUNSEL FOR THE
CITY OF PITTSBURG.

Gentlemen, as a preliminary matter, we would like the consent of the Board to file, not as evidence, which I understand is not allowed at this time, but merely as the application of member banks, asking to have the right to intervene in this

proceeding, petitions from sixty-two per cent of the member banks of this district. This is a quasi-judicial proceeding, and it is common practice in all the courts of the country to permit interested parties to intervene on application. There is nothing new about this, because our brief has been filed here since last summer, and we refer to this matter fully in the brief.

Counsel for the City of Cleveland: Mr. Chairman and gentlemen of the Board: It seems to me that unless something further is known of the method in which these applications are entered, and what sort of a campaign has been proceeded with in order to obtain them, that they ought not to be interjected into this proceeding at this point. We have had no notice hitherto of any such proceeding. All we have had is a statement in the brief filed by Pittsburg in the first instance, that a certain number of banks had sent in votes to them in favor of Pittsburg as a location, and we have not conducted any investigation or inquiry along those lines, and we know nothing of the procedure which has resulted in these applications, and it seems to me they are not proper in the case.

The Governor of the Board: What is the nature of the petitions you ask to have admitted?

Counsel for the City of Pittsburg: The petitions are in the same form, signed by the officers of these banks in which they say this,

".....1914.

"To Federal Reserve Board,
Washington, D. C.

Sirs:

"Believing that such action will make it more convenient to conduct our business and will facilitate the proper operations of the Federal Reserve Act, the Bank ofrespectfully petitions your Honorable Body to designate Pittsburgh instead of Cleveland as the Federal Reserve City in the Fourth Federal Reserve District.

.....Bank,

By....."

The Board will realize it was impossible for us to have the original petitions filed here signed on the same paper by all parties. That was out of the question, and it is certainly a surprise to me that a technical objection should be raised by counsel for the other side, because as I have stated, and it is probably known to members of the Board, this is common practice. I am not offering anything in the way of evidence at all, may it please the Board. We are merely offering applications of parties who say to you that they would like to join in this proceeding and would like to be heard. Now these are all member banks in the Fourth Federal Reserve District. They have as much right to be heard on this as anybody in the world. Nobody could have the same right as these member banks. They have given reasonable notice. You have had printed schedules, alphabetically arranged, ever since last summer, giving the names of these banks on your files here. There was no objection to this raised in the brief by counsel for Cleveland, and they had had copies of the brief, and we submit that clearly

these should be received, not as evidence, but as parties who wish to be heard. We could not put those signatures all on one paper, may it please the Board. How could we do it? If there was to be a technical objection, it seems to me the first thing Cleveland should have done was to refer to it in the brief, because this case was made up on the briefs, as submitted here.

Counsel for the City of Cleveland: All we have had was a statement on page twelve of the brief of appellants that out of so many banks a certain number had expressed themselves to the Pittsburg people in favor of that location. We have made such comment on that as was desired in the brief, and we have had no schedule of what banks they were, -- just the statement that so many banks in number had done thus and so, which has given us no opportunity for investigation of any specific facts without going around the whole district and inquiring of every man. We have had no information as to which banks they were. You will find on page twelve of the brief all the information we have had hitherto on that subject, and I would suggest that this is not the proper procedure at this time. We know nothing of the kind of a campaign that has been conducted to get the votes. Those are all questions which the Organization Committee thought very material in considering petitions which were presented by one side or the other in these controversies, -- "What kind of letters did you send out to get them?" "What kind of influence did you bring to bear to get them?" "Were they spontaneous or drummed up?" And the Organization Committee gave

very little credence to that sort of thing, as you will see from their proceedings, unless it was found they were perfectly spontaneous expressions of the banks throughout the district. Now that is the situation here. We know nothing, up to this point, except this general list which goes into no specifications, and it is a thing that we have no way of meeting or saying anything about, unless we know how they were obtained or who is urging them, and for what reason; and I therefore think they are incompetent and improper at this stage in the proceedings, and that we should proceed on the record as it stood, when we came here.

Counsel for the City of Pittsburg: I submit that is easily answered. If Cleveland desired to meet this issue she could readily have sent committees around as Pittsburg did, and invited people to intervene on her behalf. Certainly, gentlemen, the presumption is that these papers signed by these officers of banks were signed in good faith and intended to convey the real sentiments of these banks. I feel there is nothing more we can say, except we ask the usual right to have intervening parties in this proceeding. Under the necessity that rested upon us it was a physical impossibility to get these signatures all on one paper. The banks were scattered in various parts of the District.

The Governor of the Board: I think the Board will admit those subject to objection, and of course ultimately subject to our determination as to whether they are legally before us.

Counsel for the City of Pittsburg: Now, there is one other matter. I want to argue this case within the smallest compass, and I would like to insert here, for the purpose of reducing into small compass the evidence that was taken before the Organization Committee,-- a letter from the Pittsburg Industrial Commission printed at length in our brief, pages one and two, not for the purpose of introducing new evidence, but for the purpose of collecting in convenient form all evidence submitted at the hearing; and these figures have not been questioned and cannot be. I do not wish to go a hair's breadth beyond your limits as to the introduction of new evidence. I merely offer this to put this matter into convenient form, and if you will permit me to do this, gentlemen, I will not have to refer to pages of testimony. Our case will be contained in this brief, which consists of fourteen pages. The Cleveland brief does not question these figures.

Counsel for the City of Cleveland: I do not understand this offer of evidence without having the evidence.

Counsel for the City of Pittsburg: There is the original letter; that is the copy, this is the original of which the brief contains a copy, and takes up in two pages matter scattered in this bulky record, and I do not want to refer to it.

The Governor of the Board: Is that part of the record?

Counsel for the City of Pittsburg: No, sir. The testimony was introduced in the form of witnesses, and these figures as

given substantially in this letter are scattered throughout the record. They are not any new matters at all, not matters as to which there has been any question before the Organization Committee, or here. There cannot be any question as to them. I ask this for the sake of convenience, - or for your convenience, as well as mine. If there is any question about the authenticity or accuracy of those figures, it should have been stated in the brief. There was nothing of that kind.

Counsel for the City of Cleveland: In the Pittsburg brief there is a letter of which this is said to be the original?

Counsel for the City of Pittsburg: Yes, sir.

Counsel for the City of Cleveland: Now if it has any pertinence at all, it is in the brief already, and I do not quite see the point of offering the original of the letter. This letter in the brief, or the copy of it in the brief, has no pertinency except insofar as based on testimony contained in the original hearing before the Organization Committee, to which reference can be made, and those references can be made in the brief precisely the same as in this way.

The Governor of the Board: I understand that all the facts mentioned in the letter are in the record?

Counsel for the City of Pittsburg: I think they are; I am sure that substantially all these facts are in the record; and if I am in error as to any of them, it is not to my knowledge. Since my friend says to argue from this printed copy, I will do that, but I thought the Board would like to

see why we printed this letter, and we ought to produce the original of the letter.

The Governor of the Board: I suppose if those facts are all in the record, counsel could actually read the facts stated in the letter, so it is not very material; but technically, as new evidence, I should have to rule against it, if counsel should insist. There is nothing to prevent counsel from reading the letter as part of the argument and stating the facts contained therein. (To counsel from Cleveland:) Do you still object to having the letter read?

Counsel for the City of Cleveland: Why, it is immaterial to me, whether the reading is done from that paper or out of here. I do not want it in the record as additional evidence.

The Governor of the Board: I do not think it should go into the record as additional evidence, because counsel could state the facts of the letter in argument as in the letter. With that understanding, I think we will have no trouble with it.

Counsel for the City of Cleveland: It is all here in the brief.

Counsel for the City of Pittsburg: With the permission of the Board, the question involved in this appeal is whether Pittsburg shall be designated instead of Cleveland as the federal reserve city in the Fourth District, and we wish to say at the outset that we yield to no one in either patriotism or public spirit. We ask nothing for Pittsburg at the hands of this Board which would in any way interfere with this great system. On the contrary, we are here in the interest of the Fourth Federal Reserve District, and on that basis we wish to be heard.

The brief filed by our Cleveland friends rather delicately conveys the intimation that we are guilty of something almost like an impropriety in bringing this case here, as if this were, in other words, an attack on the Organization Committee. I assure you, gentlemen, that nothing is further from our minds. We are here in no spirit of harsh criticism. That reminds me -- the suggestion reminds me-- of the story of the southern judge. There was a judge in one of the southern States who was very unfortunate in the appellate courts. Almost every time he tried a case, or decided a case, if it was appealed, his decision was reversed. Finally, this judge had occasion to try an important case known as the "Brown Case," and he decided it and it was promptly appealed to the Supreme Court. In due time the Supreme Court met and handed down their decisions, and on that day the lawyer who had won the case in the court below went into the chambers of the trial judge, and said, "Judge, I am glad to tell you that the Supreme Court has affirmed your decision in the 'Brown Case.'" The judge looked at him and said, "Do you mean that the Supreme Court has taken my view of the 'Brown case'?" "Yes, Your Honor," said the lawyer. "Well," said the judge, "I think I am right anyway!" (Laughter on the part of the Board). Now, gentlemen, we do not come here in that spirit at all! We believe that in the hurry and stress inseparably connected with this organization work, a mistake has been made in selecting Cleveland instead of Pittsburg, and we come here to argue that question out with you, believing that we can convince the members of the

committee and this Board that a mistake has been made which this Board will be glad to rectify.

The proceeding is analagous to a motion for a new trial. We all know what that is. It has been the experience of our judges all over this country -- the best and the ablest of them -- that in the hurry and stress of a trial a judge sometimes makes a mistake in deciding a point which he would not make if he had opportunity for mature deliberation, and that those matters are corrected by a motion for a new trial on which the case is argued by counsel. Briefs are submitted; the court is given due time for consideration; and then reaches his conclusions. And I need not tell you that new trials are frequently granted, and in fact they are often or sometimes granted, by the courts themselves, without any application from counsel. This is a proceeding of that kind. We are not attacking the Organization Committee here. We think that this work of the Organization Committee was a great piece of constructive work. I think it is remarkable when you consider what has been done here, dividing this country up into these twelve districts, and designating these federal reserve cities, and so little criticism of the action of the Committee. It is easy to criticize; it is difficult to do constructive work. And, gentlemen, this work of this Committee is real constructive work in the best sense of that term, and it is no attack on the Committee when we say we believe when you have more time than you had at the presentation of this matter before

the Committee to go into it more fully, you will agree with us that Pittsburg should be designated instead of Cleveland.

Now, gentlemen, as I understand it, there are three main purposes of this great statute: First, to make the banking resources of the country available for trade and commerce, as distinguished from speculation; second, to collect a large part of the bank reserves in twelve great reservoirs, where they can be available for use in times of stringency, just as the armies on the other side of the water keep men in reserve which can be sent from place to place as they are required; and, lastly, to provide an elastic currency.

Now there are other features and purposes in this legislation, but these I have named I think are the principal ones, and if you sit down and analyze those purposes, you will find they can all be reduced to this one purpose, this one cardinal principal, that lies behind this act, namely, the act is intended to make the banking resources of the country available for trade and commerce, as distinguished from speculation. Now that is my text, and I will try to stick to it as closely as possible.

If I am correct in that statement, gentlemen, then unless there is some strong reason to the contrary the reserve banks should be located where the trade and commerce of the district centers. Let me be frank about this at the start. I do not say that mere size should in all cases govern; I do not say that because one city is more important financially, and from the standpoint of trade and commerce, that nec-

essarily that city should be selected against a smaller city. I do say that unless there is some strong reason to the contrary, the city of the greatest importance, or the community of the greatest importance, in finance, trade, and commerce, should be selected; and I freely concede, gentlemen, that there may be circumstances, such as geographical position, convenience to the entire district, acquaintance with the trade of the district,--matters of that kind, which might outweigh these other matters and would make it proper to locate the bank in the smaller instead of larger city, but I think I can show you gentlemen that in every one of these particulars Cleveland is completely outshadowed by Pittsburg. Now, first as to the question of the financial supremacy of Pittsburg: Gentlemen, there are in the Fourth District seven member banks from the City of Cleveland; there are twenty-seven from the City of Pittsburg. The member banks of Cleveland have aggregate capital and surplus of \$14,000,000. The banks of Pittsburg have aggregate capital and surplus of \$53,000,000. The deposits in the Cleveland banks are \$40,000,000; in the Pittsburg banks, \$130,000,000. It was said before the Organization Committee that Pittsburg offered special inducements to get these deposits, and it is true that Pittsburg does pay interest on some of those deposits, I think, rising as high in some cases as three per cent, or Pittsburg may give facilities, such as free collection of checks, in return for deposits.

She never gives both; it is always a chance of choosing between the free collection of checks and an interest on deposits. And the same is true of Cleveland. They stand on an exact parity in this particular; there is no difference whatever. Pittsburg offers no advantages to bring bank deposits there that Cleveland does not offer; just exactly on the same footing. And however it may be about bank deposits, gentlemen, this is true, that you cannot bring banking capital and surplus into a metropolis by artificial methods. Banking surplus and capital follow trade. Every banker knows that.

And so we have the situation, Pittsburg having \$53,000,000 of capital and surplus against Cleveland's \$14,000,000. If you extend this comparison beyond the mere city limits, it becomes worse for Cleveland. Cleveland is situated in Cuyahoga County, Ohio; Pittsburg in Allegheny County, Pennsylvania. There is not a single national bank in Cuyahoga County, Pennsylvania; there are thirty-seven national banks outside the limits of the city of Pittsburg; so to compare these two communities, we have sixty-four national banks in Allegheny County, as against seven in Cuyahoga County. Gentlemen, if you take the six largest cities in the State of Ohio -- Cincinnati, Cleveland, Columbus, Dayton, Toledo and Youngstown-- and add up the banking capital and surplus of the national banks in all those six cities, the six largest of Ohio, they fall almost \$2,000,000 short of the aggregate banking capital and surplus in the national banks in the city of Pittsburg alone.

But if this comparison is extended, so as to take in the state banks and the trust companies, it is even more overwhelming in favor of Pittsburg, because if you take the six largest cities in the State of Ohio, the aggregate capital and surplus of the trust companies and state banks amount to \$44,000,000. The aggregate capital and surplus of the state banks and trust companies in Pittsburg alone was \$84,000,000,-almost two for one.

Take the matter of bank clearings: The clearings in Pittsburg are three billions of dollars; annually; in Cleveland a billion and a quarter. This showing is against Cleveland, and in favor of Pittsburg, by two to one.

Gentlemen, there is this significant fact: If you trace a comparatively narrow zone across this country from the Atlantic to the Pacific, you will find in that zone the only seven cities in the United States that have banking capital and surplus in excess of \$25,000,000,000 and those cities are: Boston, New York, Philadelphia, Pittsburg, Chicago, St. Louis, and San Francisco. In that list the resources of Pittsburg stand fourth. Pittsburg is the only one of the seven that has not been selected as a federal reserve city.

Now as to the industrial and commercial supremacy of Pittsburg: You will find this essential difference between the way Cleveland treats this case, and the way Pittsburg treats it: There are in the city of Cleveland about thirty thousand ^{more} people than there are in the city of Pittsburg, so the comparison that Cleveland submits is always between the two cities confined to

their city limits. And so in the matter of growth, a thing that they greatly rely on. Surely, gentlemen, that is not the comparison here. You are not dealing here with cities; you are dealing with communities. It is immaterial to you whether a community is governed by one municipal corporation or another, or a dozen. The question is, How do the communities compare? And we wish to submit some figures taken from the United States Census comparing these two communities on the basis of metropolitan districts, that is, the district within a radius of ten miles from the center of the city, and if that comparison is made, Cleveland sinks into insignificance.

I am not going to read you all these figures. I think nothing is more tiresome than to stand up and read a list of figures in order to bring out a point in a case of this kind. These figures are all given on page five of our brief, and these figures are given by metropolitan districts within a ten mile radius of the center of the city in each case, and are taken from the United States Census.

The population of Cleveland is 613,000 -- I am merely giving round figures; the population of Pittsburg is 1,440, 000. The capital invested in Cleveland is \$236,000,000; in Pittsburg, \$642,000,000. The amount paid out in wages in Cleveland annually is \$50,000,000; in Pittsburg, \$90,000,000. The value of the produce of the Cleveland district annually is \$281,000,000; in Pittsburg, \$578,000,000. The value added by manufactures in Cleveland is \$122,000,000; in Pittsburg,

\$211,000,000.

And this is not all, gentlemen. Cleveland and her business are localized; Pittsburg's market is world-wide. Every man-- every well informed man-- knows that Pittsburg is the iron and steel center of the world. One-third of the bituminous coal produced by the entire country comes from the Pittsburg district. In the distribution of produce and vegetables, now, could there be a better test, to indicate the comparison of these communities, than a comparison of the products? The vegetables in that particular district stand third among all the States of the United States, distributing thirty-five hundred cars annually.

I am not going to read or attempt to show you all the lines of manufacture in which Pittsburg is preeminent, but in these she had a commanding position, and in some of them leads the world: air brakes, aluminum products, cables and accessories, corks and cork products, electrical apparatus, fire proofing and clay products, glass, pickles and preserves, pipe and tubing, railroad signaling devices, rolling mill machinery, steel cars, tin plate, turbines and condensers.

We could extend that list indefinitely. The tonnage of the Pittsburg district exceeds the tonnage of Hamburg, Liverpool, London, New York, and the Suez Canal combined. To handle Pittsburg's freight requires a train of freight cars of modern construction long enough to reach around the earth, at the equator, about twenty-five thousand miles. Now surely there cannot be any argument upon this proposition.

And, lastly, as to this question of convenience of access, just take this situation: Cleveland is located at the extreme northern edge of this district, on Lake Erie. Take the complete upper half,--take the upper segment of the circle, with the diameter running through Cleveland; that's water. Nobody goes to Cleveland by water to use the resources of the Federal Reserve Bank. Of course they talk about iron ore coming from the lake to Cleveland. That is fully answered in our figures as to commercial and industrial supremacy of Pittsburg. I am speaking of convenience, and that refers to passengers and mails, not freight. Pittsburg is located right in the heart of the great transportation lines. They go east and west throughout this district, and, gentlemen, Pittsburg is not on the edge of this district. Our friends argue that Pittsburg is on the edge of the district to the east, the same as Cleveland is to the west. If that were true, nevertheless, Pittsburg's position is far superior, as I will show in a moment; but it is not true. The Fourth District takes in the western third of the entire state of Pennsylvania. It takes in all the State of Ohio, one half of the State of Kentucky, and the "Panhandle," or four northern counties of West Virginia, that are inserted like a wedge between Pennsylvania on the east and Ohio on the west. Pittsburg is located fifty miles west of the eastern boundary of the district. The greater part of the Pennsylvania section lies east of Pittsburg, and on the matter of railway facilities there is only one trunk line which runs

through Cleveland from east and west; and I am speaking to people who know a good deal more about railroad matters than I do. It is a fact, however, and I think I will be borne out in this, that the only trunk line passing through Cleveland is the New York Central Line, which goes out through Cleveland to Chicago, and merely touches the upper edge of this district. Through Pittsburg goes the Pennsylvania System,--the main line, which really amounts to two systems, because west of Pittsburg it divides into two branches, one going to Chicago, and the other southwest to Cincinnati. The Baltimore and Ohio system passes through there also, and it has a two-fold connection west in the same way, one line leading to Chicago, and the other to St. Louis; and through arrangements recently made, the New York Central is now running a trunk line through Pittsburg to the Atlantic seaboard. It does not permit of argument, gentlemen, that so far as the greater part of this district is concerned, Pittsburg has far superior railroad accommodations, is much easier of access than Cleveland. I am not speaking of freight. I will concede that these great railroads run spur lines or separate lines up to Cleveland, and you can deliver freight there. I am speaking now of passenger service and of mail service, and while it is true that a part of Ohio, the part up near Cleveland, can be more readily served from Cleveland, it is true that the part of the district the same distance from Pittsburg can be more readily served by Pittsburg; and take the Pittsburg district as a whole,--or Kentucky, West Virginia and Pennsylvania, particularly,--and compare with the

part of Ohio traversed by these great systems, there can be no argument about it, gentlemen, that Pittsburg far outshines Cleveland in the matter of transportation.

Now I do not think that there is much more that I can say about this. I do think it is interesting historically to consider how this center has developed there. It is just the same with this country as with every country. When the nation began to extend its boundaries at first, we were settled just as a narrow fringe of population along the Atlantic, and as the country grew, this population began to shift westward, and finally proceeded over the Appalachian Mountains. A great author has said that the most important factor involved in the settlement of the west was the Ohio river, which, with its tributaries on the east, extended for a thousand miles into the heart of the continent, because, gentlemen, we are now speaking of a time when there was no means of transportation. It is always the history that the nation migrates along the river bottoms where the grass is short, and where there is grass for the cattle, and in that way a great line of trade was running through this district along the Ohio river. The river itself had practically no rapids in it, a smooth river, easily navigated by the small boats of those days. Later the railroads came along, following the lines of trade thus marked out, and they ran east and west, and not north and south.

See what happened! There would be a few houses take root here and there along this east and west movement, and they

would build a little church, and if natural facilities and resources warranted, they would grow into villages and towns, and these towns would trade back and forward between each other; perhaps one would exchange bacon for some other commodity, and then they got into the banking business, and today, and for a hundred years, there has been a great line of transportation running east and west through this district. It does not run north and south. Now if Cleveland is selected instead of Pittsburg, that causes a reversal of the current; we are trying to make business run north and south in the district, whereas it runs east and west.

Is it not a significant thing, gentlemen, is it not most convincing with respect to the just claims of the city of Pittsburg, that out of 766 member banks in the district, 476 of them--over sixty two per cent-- have signed these petitions that lie before you? It is human nature to climb into the bandwagon. Cleveland apparently won this case before the Organization Committee. See what a handicap that was, because people naturally like to go with the winner. And yet, gentlemen, you find that the mature deliberate judgment of over sixty two per cent of the bankers of this district is that Pittsburg should be selected instead of Cleveland. And we find these men signing these petitions and intervening in this proceeding here before you, asking that that change should be made. Could there be any stronger evidence of what ought to be done in the district than this fact? My friends say in their brief that these banks perhaps signed these petitions because they thought

the case was lost anyhow, and it did not make any difference. I think that is an argument that ought not to be addressed to this Board. Gentlemen, the men who have signed these petitions are responsible officers of the banks of this district; they are not trifling with you. Our conception of our duty to this Board which sits here in a quasi judicial capacity would not permit us to file any papers which did not represent the real settled convictions of the people who signed them, and I think it is a mistake to make an attack of that kind upon the good faith and candor of these people who have come here and made themselves parties to this proceeding and have asked you to change this bank from Cleveland to Pittsburg.

Now I have submitted figures here which have not been controverted, and which cannot be controverted by my friends from Cleveland. With all deference, gentlemen, I submit that the trade and commerce of the district, the purposes to be served by this act, the relationship of the city to the established lines of trade and commerce in the district, the mature deliberate judgment of the bankers of the district, -- all speak for Pittsburg in this proceeding. What more can we say?

We wish to thank you, gentlemen, for the very patient and courteous hearing that you have given us, and we submit this case to you with all confidence as to the result.

ARGUMENT OF MR. S. H. TOLLES,
OF COUNSEL FOR THE CITY OF CLEVELAND.

v

Gentlemen of the Board, what figure, if any, these so-called petitions will cut, I do not know. I am not aware just what they are for. We have not seen them; they have been filed here this morning. I of course do not know just what they consist of. You have had before you in almost all hearings, either of the Organization Committee or of this Board, claims of various cities in respect to these voting matters, and you had an original vote taken by yourselves, I believe, which is recorded in the report of the Organization Committee to the Senate of its work.

What you said about those matters in the hearings, or what the Organization Committee said about those matters in the hearings before it, was that unless they saw the sort of letters or other solicitations which went out in order to get these votes, they did not seem to them to be of considerable importance, and what we said in our original brief is perhaps all that I would say upon that subject now, except that Cleveland has not thought it becoming to canvass this district or solicit votes for the retention of the reserve bank at that place. If it is not there suitably located, it ought to be changed, and Cleveland prefers to stand rather upon the showing to be made for the location of the bank there than on any electioneering or drumming throughout the district to obtain signatures, and what is said

upon that subject in the brief is contained upon pages sixteen and seventeen, and to it I will add no more at this point.

We call attention there to the fact that the signatures -- three hundred and four of them -- are all of officers of banks in the little district of Pennsylvania, about the size of Pittsburgh, while of the outside four hundred and sixty-two banks, they claim to have one hundred and seventy-two votes. Now, how they were obtained, and what measure of pressure or drumming or solicitations -- except such rumors as come from time to time of solicitations throughout the district -- I have no means of knowing. Cleveland has conducted no such canvass, and stands upon the appropriateness of the selection made by the Organization Committee for the location of the reserve bank at that point.

Another notable thing, perhaps, in the discussion, is that that first proposition is quite typical of Pittsburgh. We have heard little of reasons for the location of the bank at Pittsburgh, except the supremacy of that city, -- which its citizens are always ready to admit at any point and in any proceeding, but of reasons why the district would be better served, or why there would be any advantage, other than the gratification of the pride of Pittsburgh, in the matter, we have heard very little, and in our brief we have undertaken to a very large extent to discuss the question upon the considerations which we believe actuated the Organization Committee, rather than any extensive criticism of the making of statistics upon this point or the

other.

Now just one or two other preliminary things: The statement was made, and is made in the brief, that Cleveland and her business are localized, and that Pittsburgh's market is world-wide. Well, now, even if we consider the latter statement as true, the latter is purely an outgrowth of the imagination of the man who wrote the brief, or those who furnished him the information. There is no such fact to be found in the record of the hearing before the Organization Committee, or in any evidence in this case, and as a matter of fact it is as far from the truth as anything could possibly be. There is no city, unless it be New York, perhaps, whose trade is more diversified or widespread, both throughout the United States and in foreign countries, than that of Cleveland, and there is nothing in the evidence in this case to justify such a remark.

Nor do I look at this proceeding precisely as in the nature of a motion for a new trial. Here has been a final judgment; here has been the completion of the work of the Organization Committee, and of this Board, -- not only the determination of Cleveland as the location for the reserve bank, but it is actually there. It is put in operation there. There has been a final judgment; the expense of its establishment has been incurred; its forms have been printed; its equipment has been purchased, and it is there doing business. This is more in the nature of a proceeding after judgment to set aside a judgment, which can only be done upon some very serious ground, either of

fraud or of very clear mistake, or because the location there is in some way prejudicial really to this reserve system, and it seems to me no such showing has been made here.

Now, gentlemen, in going over this case, a rather amusing reflection struck me as I was preparing some information for you as to the purposes of this federal reserve act, and as to your duties and obligations under it, and it suddenly occurred to me that quite likely every one of you had read the act before you assumed the performance of your duties, and that probably you had pretty clearly defined ideas as to what it was intended for, the evils it was intended to meet, and how it was supposed through this act those evils would be met, and it further occurred to me, and the suggestion perhaps grew out of the arguments in the Richmond case, that probably neither the Organization Committee nor yourselves had heard any advocate upon his feet on any question touching any of the subjects of your work who had not undertaken that same course of instruction as to what the act meant, and what your duties under it were; and so I thought my transgression in that respect would be very slight. Although I may fall into the same trick to a small degree myself, I hope I will not waste much time about it, because I think you are already fully advised.

The only surprising thing about the discussion of the gentleman from Pittsburg is that he said nothing about making water run uphill, that has appeared in every argument which I have heard thus far from every other source on the part of those who

are arguing in favor of the concentration of the placing of the reserve bank in one of the congested or concentrated financial centers of the country. It is the same sort of feeling, and that which actuated the opponents of the law itself, and of the reserve bank plan, that you would take the money away from these congested centers, and distribute it among other portions of the territory where now it does not go. I think the general feeling, perhaps, -- and that will illustrate and will be all I will say upon the purposes of this act, or your duties under it, because, as I say, you are already advised in advance about that. That is, the feeling of the community had come to be that the flow of money did not follow natural courses, that it had been made to flow uphill, or rather had been pumped uphill, first, toward certain intermediate or secondary financial centers, and in the last analysis to the great financial center, New York City, and that it had been made to flow up hill by special inducements which could be offered to bring it there, by reason of the fact that the control of the money of the country had fallen into a very few hands at this last center, and I think it was a feeling very general in the community that there were dangers and evils connected with that condition that these few men in the financial centers could use this money for the more profitable business, perhaps, of speculation upon the stock market. They could obtain higher rates for money used for that purpose. They could devote it to the huge enterprises with which they were themselves in touch, to the exclusion of those

not so favored, and to the exclusion of the small dealers and the farming community throughout the country, and that the additional reward which might be had for money under those circumstances was the suction force which was pulling the flow out of natural channels up to this center, -- this great financial center. Now I think the feeling was that that unnatural flow was to be corrected by this act, and that money was to be -- the money of the country was to be -- allowed to circulate and flow in its natural courses, so that the wealth producing products of the country and the credits which were obtained from their disposition, their sale, might be utilized at the point of origin of the credit without having to go to New York to get the money to solve these credits, so that the farmers of the community, when it became time to market their crops and get them to the center markets, and so that the small business people throughout the community, might have locally means of turning their credits into money, without going through these large exchanges to the financial center of exchange in New York City; so that when the Organization Committee and this Board came to lay out districts and locate banks -- reserve banks -- in those districts, there is no doubt those considerations were in their minds.

Now the Organization Committee has completed its work. The public, which has had this feeling in reference to the inadequacy of our financial system, -- and I am not stopping here to discuss whether their fears were well or ill founded, -- has

been waiting with great patience, in the belief that many of the financial hardships of the country, many of the periods of depression, such as we are now passing through, would be remedied, when this system was once on its feet and in full operation, thus furnishing an elastic and safe currency which would be uniformly distributed throughout the entire territory, and putting an end to the financial difficulties which have from time to time troubled us, so that the crops might be financed, so that the ordinary small industries in the interior might with equal readiness get their financial supplies, as could the large people in the large centers, from the aggregations of capital there.

Now, in carving out these districts, the law did lay down -- and that's the end of my lecture on the law -- the proposition that in cutting them out you should give due regard to the convenience and course of business. No such limitation and no such direction was given with reference to the location of the bank in the district. Now I am not saying that those considerations should be cast aside, but they were omitted from the law, and for the obvious reason that one of the very prime purposes of this law was to change the course or interfere with the unnatural course in which money had been flowing in this country, and get it distributed in its normal flow and in its normal locations, so that it is obvious that Congress had in mind that purpose in the establishment of this act, and did not limit you in the location of your banks in the districts in any sort of way.

Now this work has been done, as I said at the outset. The bank is in operation, the expenses of its organization have been incurred; and yet Pittsburgh is here before it has been run -- How many months, two or three? (Suggestion from Pittsburgh counsel: Two months.) -- wanting the thing upset, and the work which you have done thus far cancelled, and the bank re-established and moved from there. It seems to me it is an unbecoming thing to ask at this juncture, but perhaps it is Pittsburgh's right to ask it. Unless some serious prejudice to the operation of this system can be shown by Pittsburgh, why should not the test of time be awaited, to see if this location is working hardship to anyone, because it is in the power of the Board to correct any hardship or any wrong at any time when it occurs, and not now, at the very inception of the business, begin making these changes. For what happens? You heard last week that Baltimore must have the bank moved from Richmond up there. You will see next week that some counties of New Jersey want to get out of the Philadelphia district and into some other. If Philadelphia loses that end, she will want to gain at some other point, and you will have to consider giving Pittsburgh certain territory in that district, or what not; so that once you begin breaking into the system which you have established, you have started a train of things which has no end. Everything that may be suggested by local pride anywhere will be brought to bear upon this Board, in order to shift and change, and there will be no end to it. Now I admit that if, in

the operation of the system, you find any territory which is punished, or any territory which is not well served, or any bank which is not well located, it is your duty at any moment to change it, but why break into this system until there is an opportunity to test out the workings of it?

And your work is not by any means done yet. There lie before you many troublesome problems to work out before you can say that your system is established, a success -- a final success. No doubt you have every day puzzling questions of one sort and another come up in connection with the getting of this system going smoothly and successfully, and you have them to deal with, and what you want most of all is the hearty co-operation of the banks in the system -- the member banks -- in the working out of these problems. Now so far as your experience goes thus far in this work, I think you will find that to quite a flattering degree you have had that hearty ready assistance from Cleveland banks and from the system there, far more so than you have perhaps from Pittsburgh. Probably the proceedings which ensued upon the first call for gold deposits in the reserve bank, among the banks of the Fourth District, are familiar to this Board. Probably the responses from these two cities in respect to your cotton and your gold propositions are matters of knowledge to all of you, and the manner in which those things were handled by the Cleveland banks, and the readiness and heartiness of their responses in respect of them, I think compare quite favorably with those of the banks of Pittsburgh, and I will not go into details about it.

It follows, of course, from what I have been saying, that you can not, from mere figures, locate banks in reserve districts. And, therefore, it is that I have not criticized, beyond the extent to which they are criticized in the brief, the statistics presented by Pittsburgh. Of course, New York, Boston and Chicago, from the very necessity of the thing, had to be taken. Possibly the same is true of Philadelphia, though I doubt if that be so in this district. But those cities in the districts in which they are located were of such character that of course you could not think of any other location for the bank. But even that seems to be an alarming circumstance to some of the special friends of this reserve act. I noticed recently in the papers -- while I don't take much stock in those things -- that Representative Glass and Senator Gore were afraid a couple of the money devils had gotten into the saddle in Chicago and were not operating the bank there in the interest of the people. It only illustrates the fact of the underlying view which was had of this system, and what it was going to do, -- that it was not a system for congested centers, but was a system for decentralization and for getting the money flowing about among the people.

Now I think -- I do not like to speak of those things very much, and I shall not go much into it -- but I think one of the most persuasive things to the Organization Committee, which led to its selection of Cleveland as a location for this bank as against Pittsburgh, was what I may perhaps call the atmosphere

in which this bank was to be launched. That involves not only the present state of statistics; it involves past history, both of banking business and of government, out of which grows the atmosphere in which this bank is to be placed. Now if anybody had asked, -- Where will we put this bank in the Fourth District, constituted as it is? Shall it be Pittsburgh?--I think the natural feeling would be to answer, -- No, if there is any other suitable place for it, and for this very reason, that its political history, its banking history, as appearing in the public records in the past, does not create the atmosphere in which one would choose to put a bank which is to be the center of this district, where the money of the district must go, and to which the entire district must look. I do not say this out of any enmity to Pittsburgh. It is probably her misfortune rather than her fault. But those things are a matter of history, a matter of public knowledge, and I haven't the slightest doubt that it was the character of Cleveland's growth, of its civic advancement, of the conservatism and steadiness of its banking business, that influenced the Organization Committee in its favor. The records of her national banks in your department here will show her as being absolutely free from the slightest scandal or failure during all those years. The conservatism of its growth, as well as its speed, and all these matters, I have no doubt, were very strong factors in inducing the Organization Committee to select Cleveland as a place of the proper atmosphere in which this bank should be put, if there were no other

reasons to militate against it.

Now, as I say, the growth of Cleveland banks has been steady and conservative. Although counsel has made the statement here, admitting that Pittsburgh banks do get deposits in from all over the country by offering certain inducements to get this money to flow up hill to Pittsburgh, he says the same is true of Cleveland. I challenge that assertion as not being borne out by the record of the testimony taken before the Organization Committee. There can be found in the testimony taken before the Committee evidence of the admitted fact on the part of Pittsburgh of the manner in which deposits have hitherto been drawn in from the country, even outside of the business range of the Pittsburgh banks. Cleveland banks do pay some interest on deposits, but not at all of the sort, nor do they offer inducements of the sort, as I read the testimony, which Pittsburgh has offered. Indeed, I have heard it said that there is one bank there which has deposits from every State in the United States, drawn in by this process. Whether that is true, I don't know.

Another thing, though not of much importance: In speaking of the capital stock of banks, we have an institution in Cleveland which has deposits of nearly sixty millions, which hasn't a dollar of capital stock. That is our Society of Savings, which perhaps contains the largest aggregation of deposits of any institution in the State, but figures not at all in the column of capital stocks which are set out in the statements.

So much for the past. At present the comparisons by which

it is sought to give Pittsburgh its great supremacy, which is the topic of the talk we have heard this morning, is the metropolitan district of Pittsburgh, as compared with Cleveland. The situation is a little curious in that respect, and I took some pains to look at the Census report from which these figures are taken, and I found that the so-called metropolitan district of Pittsburgh contained over 400,000 acres -- Some good mathematician may put that into square miles! -- of which 370,000 odd were outside of Pittsburgh; and that the so-called metropolitan district of Cleveland contained a trifle over 100,000 acres, of which 75,000 or 76,000 were outside the city limits; so that the area of the districts under comparison is enormously out of proportion, in the first place, and obviously the so-called metropolitan district of Pittsburgh takes in practically all the territory of Pennsylvania, that is, the territory of Pennsylvania outside of the corporate limits. Cleveland does not. It so happens that Cleveland on its immediate fringe, keeping within the ten-mile rule adopted by the census report, does not have manufacturing communities. But for the purposes for which we are looking at this question, it is surrounded by a fringe of manufacturing cities all within banking range of Cleveland, all of whom have their banking connections with Cleveland, which would make the scale -- I haven't stopped to figure it out -- but certainly would represent an aggregate of business, I believe, quite as large as that of Pittsburgh's metropolitan district, if not larger. And so far as the cities themselves are concerned, there is very little difference in the figures at

present, although the prospects of the future are quite different. You take Akron, with its enormous rubber industries, which is south, and the fringe of a dozen cities of that kind, which are within the banking district of Cleveland, and not within the so-called metropolitan district, which is made the subject of these comparisons; so that they are not of very much value in that respect, if you are to determine solely upon questions of statistics, which I think you will not do.

Now as to building: I picked up a Sunday paper last week which contained Dun's report of building for the year 1914. I found Cleveland's expenditures by the report, which is a matter of public knowledge, public record -- it is not a thing which requires testimony -- something over twenty-seven millions; Pittsburgh, eighteen millions.

In 1850, Cleveland was the forty-third State in the United States; Pittsburgh the thirteenth or fourteenth, -- I am not sure which. In 1910, Cleveland had come up to the sixth; Pittsburgh had advanced to the eighth. And at the rate of relative growth, when our next census comes, Cleveland will have over a million of population in comparison with a very much lesser number at Pittsburgh. And it is to be noted that Pittsburgh, in the decade ending in 1910, took within its limits the large city of Allegheny, just across the river, while Cleveland has had very little addition to population from annexation in that period.

Now as to the stability of growth, there was handed me by a friend a little communication which perhaps expresses better than I can the thought upon that subject:

"In Cleveland there is centered the greatest variety of industries, and diversified products of any city in the United States, and these products are shipped to every civilized country in the world.

"The failure of a wide demand for any one or a number of products made in Cleveland, does not seriously disturb the general industrial condition, as no one or series of products, dominates the industrial condition of the community.

"It establishes a well balanced community from an industrial as well as a financial point of view. This is evidenced by the fact that Cleveland exchange is always acceptable anywhere; so much so, that it is only second to New York and Chicago. In this respect, the conditions in Pittsburgh are and have been for years decidedly the opposite.

"These are conditions that create a normal and natural channel of trade that ensures a great future growth.

"On the other hand, Pittsburgh is the center of one great industry, on which its very industrial existence depends. When a wave of depression comes in the steel industry, the city becomes paralyzed."

and I think that anybody who will compare Pittsburgh and Cleveland today will strikingly see the difference in the fluctuations which come from depressed conditions in the city of Pittsburgh. The steadiness of Cleveland's business and of its growth, the lack of periods of great inflation and of depression, which are unknown there, tend towards creating a condition in which a bank of this character, to which the people look, should be placed.

Now some comparative figures are set out in the brief, and I wont stop to talk about them, except to say that in the last ten-year period, 1904 to 1913, the latest time to which definite date could be obtained, the value of manufactures in Cleveland increased 95.1 per cent; in Pittsburgh, 11.1 per cent. Deposits in banks, Cleveland, 66.1 per cent; Pittsburgh 36.2 per cent. That matter is easily explained, and the future prospects of these two cities are easily understood, when you remember that Pittsburgh at the time of the organization of the steel corporation did have a position of preeminence in the metal trade that has departed since that time. The enormous plant at Gary, the enormous plant at Duluth, the enormous increases in the plants of the South, the doubling up of the plants at Loraine and of Cleveland, in this same district, have distributed the manufacture of steel, so that never again will it be said that Pittsburgh is the center of that trade. She is not geographically located for it. Other provisions have been made so that Pittsburgh is now one of the manufacturing centers of the country and not the manufacturing center. So that for the future, looking to the surroundings in which this bank will be placed, every prospect is that not only was the decision correct for the conditions existing now, but will be so more and more as time goes on.

Now one or two other points remain that I want to speak of. I see my associates looking viciously at me, so I will hurry on.

There are other things to be considered besides those of which I have spoken. One is convenience of the district, for the district at large, not of Pittsburgh. The bank is not to

be put at Pittsburgh, as is urged in the brief, because Pittsburgh will want to borrow most of its money. That is not the purpose of locating a reserve bank. I find in the brief filed on Pittsburgh that it will probably be the heaviest borrower in the district, and therefore it will be more useful to have it there. That would not be proper. The bank should be located for the convenience of the entire district, and a very great part of the district is Ohio. It is not only a manufacturing community, but very largely an agricultural community, and scattered all through it are various little manufacturing towns, and places such as Columbus and Chillicothe, and other manufacturing centers, aside from the little fringe around Cleveland, which extend all over the State, that need banking facilities, as do the farming communities, for the movement of their crops, so that they, as well as the large borrowers of Pittsburgh, will have to be considered in the location of this bank.

Now there are tabulated in this brief, and I will not stop to read it, because I assume, of course that you gentlemen read these briefs, a compilation of the time in which Cleveland may be reached, as compared with Pittsburgh, from all other towns in the district, and mail service from those places. It begins on page seven of the brief. I haven't the time to go over it in detail, and refer you to the brief. There is not a place in the district that is out of communication with Cleveland so that a letter deposited on one day will not be there for the next day's business.

Then, too, the course of trade: that is discussed also in the brief. Of course, when the country was originally developed, the development began upon the Atlantic seaboard and worked west. It got up through New York and up the coast, which was the highway at first, also over the Alleghenies and by Pittsburgh, then up to the lake and on west. But the country has grown and filled up and developed, until an enormous commerce has grown up from North to South, particularly through the Middle West. So that we not only have the trunk lines reaching from the Atlantic seaboard to the West, but as soon as you get within the limits of Ohio and go on East, you strike, every few miles, lines of railroads from the lake ports to the South, connecting of Great Lakes and the south seaboard, Baltimore, and what not, and ultimately New Orleans. So that it cannot be said in this day that the commerce of this district is to the east and to the west. It is in both directions. And every large city in Ohio, beginning at Ashtabula, and going on to Fairport and Cleveland, and on all through the State, has, I should say, a dozen lines, of railway. A very large part of this agricultural trade and of the trade of these smaller manufacturers of whom I spoke, is from north to south over these lines of road, and that is discussed also at greater length in the brief.

But it is said that we are not geographically well located, but that we are perched up on the head of the Lake, which shuts off more or less from commerce, and that they are located somewhat near the center of the district. Not only in a geographical sense is it true that the Lake is our northern boundary.

What is the Lake except a great source of commerce, of which an enormous quantity passes back and forth into the Fourth District, and of which, so far as the Fourth District is concerned, Cleveland is the natural gateway, and through which it largely passes? There is more trade produced and brought into and out of the district from that highway, I venture to say, than from any other direction or equal portion of the boundary of that district.

I do not need to speak of what we all know of the commerce of the Northwest through the Great Lakes, the enormous quantity of timber which comes down, the enormous quantity of ore, and the general merchandise all through the months of navigation, a large part of the production of which is financed at Cleveland. Practically all of the shipping is financed at Cleveland, so that Cleveland is the clearing house for substantially that mass of commerce which comes in in that way. So that so far as the commerce of the district is concerned, we are not on the northern edge, while Pittsburgh is in the extreme corner. It is more convenient for Pennsylvania companies, but not so the rest of the district, and there is one thing which is often overlooked, and which was overlooked -- and by the way, counsel ventured to make a curious statement, that no one came into the district from the Lake. He forgets that the Lake boats carry thirty millions of people a year on their lines.

Mr. Wm. Watson Smith. You misunderstood me.

Mr. S. H. Tolles. There is an enormous passenger traffic through the lakes. But I misunderstood counsel.

Then there is the Canadian trade. It appears from statistics -- and I see the same thing in government reports, pub-

lished in last Sunday's newspaper, that the Canadian business is largely imports, very little exports,^{so} that the balance of trade is very largely against her all the time. Heretofore that has been advanced from England. She is said to have borrowed three hundred and fifty millions in 1912, and two hundred and fifty millions in 1913, to finance those balances against her, and under present circumstances, and that is what brings the thing more forcibly to mind just now; that source of supply is cut off, and she is obliged to finance in this country those purchases which she makes.

Now it is true as a matter of fact that out of this fourth District comes a very large proportion of the coal, for instance, which carries on our industries. A very, very large part of that is settled for at Cleveland. So much has this commerce increased that a very large part of the very large Cleveland institutions, which I wont stop to mention, coal, oil, and other manufactures, have close affiliations or relations with Canadian business of like sort, either by branch houses or other arrangement, so that there is an enormous commerce of that character out of the Fourth District, of which, Cleveland has, I believe, far the greater share. So that a great deal of Canadian exchange originates there and is largely financed from that city. I was told the other day by one of our bankers that there was a single item in their bank of \$300,000, to the credit of a Canadian firm.

At any rate, the commerce is large, and Cleveland is the natural gateway and clearance place for it, so that it brings --

the Lake brings -- Cleveland into the commercial center, it bring quite as easy of access as Pittsburgh, in a geographical sense, in the center of this district, and makes an appropriate place for the location of this bank.

Now I have undertaken to touch upon all the points which are involved in the decision of this organization committee, so that I might not be charged with simply standing up and advertising Cleveland. I have undertaken to show that her present business conditions, business history, and the banking history, make her furnish an entirely suitable atmosphere for the location of this bank, and that her trade position, in connection with the commerce of that district is such as to make her the logical and reasonable location for the reserve bank. I thank you, gentlemen, for your attention.

ARGUMENT OF MR. NEWTON D. BAKER,
OF COUNSEL FOR THE CITY OF CLEVELAND.

Gentlemen of the Board, I do not want to take up much of your time, but I should like to make one or two observations on the larger aspects of the case from the Cleveland viewpoint. There are one or two things that probably I can say that may be helpful. First, with regard to the petitions that are filed here. As I understand it, they are to be taken into consideration by the Board. That seems to me to be a referendum--trying to determine this question by a referendum--in which only those are permitted to vote whose favorable attitude has been previously determined. They have gone about the district and got the banks that are favorable to sign petitions of this kind, but the chairman of that meeting is not putting the negative of the question. He is not asking those who entertain an opposite view to express that. Our complaint is that that evidence is not entirely informing to this committee, and that no part of this proceeding involved the count of noses, that the positive noses were counted and the negative noses were not.

Now may I turn to another thought? This is not the place for testimony, and I am not going to try to testify. But I know the city of Pittsburgh very well. I have many cordial relationships there, and if I may say that very tenderly to my friends of Pittsburgh, the great difficulty

is that the city has a statistical imagination. It is trying to present Pittsburgh in bookkeeping terms, and to present Pittsburgh to the world as a balance sheet. That is exactly what this Organization Board could not do. It would have been very easy for Congress, when it was drawing this law, to designate cities in which reserve banks should be put. All the statistics that can be extracted from the Bureau of Statistics of the United States were as available to the congressional committee having this matter in hand as they are to the gentlemen of Pittsburgh or the gentlemen of Cleveland, and if the thing was, in the view of the legislative body, to have been determined by a count of the population or the amount of bank balances, or the amount of deposits, and capital stock and surplus, it would have been an exceedingly easy thing for the congressional committee to have proposed a scheme by which that should be determined. Population might have counted three, and bank clearings might have counted two, and so on. It might have been as mathematical as the Pittsburgh imagination. But that is exactly what Congress was not trying to do. Congress was trying to launch a new scheme. It was trying to find a way to allay the public distress of the whole banking system of the United States. There were all sorts of terrifying and inflaming phrases current in the public mouth about the bank business of the United States and

the money trust and the centralization of money with particular persons and in particular places. And Congress, in the largest possible way, was attempting to capture the imagination of the country by liberating it from the terror of that misconception. And so they put into the hands of an Organization Committee the largest possible discretion. They didn't tell them that it must be done by this, that or the other rule. They gave them practically unlimited discretion, and then the Committee did the thing that your body cannot do; they went around over the country and they talked with men of affairs, and they examined the public press of the various cities to which they went. They got what my friend, Mr. Tolles (of counsel for the city of Cleveland), has called the "atmosphere" of each place, that subtle psychological envelope that makes things possible or impossible because of the public attitude of men towards it. As a result of it, this Organization Committee decided that Cleveland was a better place for this bank than Pittsburgh. I venture to say this, if I can say it without affront to my friends from Pittsburgh, that if the common man of the street in that district had been told that the Government of the United States was going to try to establish an agency upon which the plain people of the country could rely to preserve an uncontrolled and elastic currency system in the country, and asked, -- Where do you think it ought to be, -- his instant reply would have been, -- Cleveland. Not because Cleveland has a larger population; Athens only had thirty or forty thousand people when it was the greatest place in the world, --

numbers do not count, not because of any bank balance, but because there is a set of public men which is not only hospitable to new ventures and hopeful of this experiment on the part of the Government, but an attitude of the public mind which is not so restless, which has not been disturbed, and is not now disturbed, by the same sort of evil thinking that afflicts--I say it with great kindness towards my friends of Pittsburgh, because I cannot make them feel how much I am interested in the working out of the Pittsburgh experiment--the public mind, the atmosphere of that city.

Cleveland is a curious place. I have lived there some twelve or fifteen years, and I have seen it modified as a civilization in a way that I think I should have great difficulty in conveying to you in words, but which, if you lived in Cleveland, you would realize. When I went to Cleveland twelve or fifteen years ago, there was the same attitude of the public mind towards bankers and banks that there is in most places in America towards lawyers and the law. The class was in disrepute. But during the twelve or fifteen years there has been this change on the part of the banks and people that in all the public affairs of that community, in the financial operations of the city, in the relations that ought to exist between governmental agencies of one kind and another, the banks of Cleveland have accepted a kind of trusteeship for the public interest, and are aiding, by counsel and advice, to preserve the public credit

and to guide along wise channels public finance, and that has been so far accepted by the people of that city that for the Mayor of Cleveland to be seen in the company of bankers no longer implies that there is some scheme on foot to sell the city! It means that there is a helpful cooperation coming, however, between public officers and men who have vindicated their right to be trusted. That is perfectly characteristic of the Cleveland district, and so when this Reserve Board came to Cleveland, they found it was a city which had not had quite so much growth in an industrial way as Pittsburgh has had, but they found that it is a city that has grown more rapidly than Pittsburgh, a city of more diversified industry, a city that is not weighed down by the predominance of one industry, but a city in which there has been a tremendous advance made in the solution of the problems which have been regarded as the gravest menace to the integrity of our American institutions. It is a city now in which public service problems, problems of public service corporations, no longer need to trouble. It is a city in which there are few, if any, labor disturbances of any sort. The relations between capital and labor have been established on a cooperative basis. It is a city in which enormous numbers of our foreign-born people have come to live. Seventy-five per cent of the people that live there are foreign-born, or the children of foreign-born parents. Yet so law-abiding are they, so enthused with the American spirit, that even in these tense

times of international strife, there is not even a street parade.

Now this attitude of mind is a thing this Organization Committee felt, and properly felt, and they decided it had a growth greater than Pittsburgh, and they selected the city of Cleveland. And now it is done. The Committee has decided that. And in the argument which is addressed to you, they ask you to undo that, to put this bank on wheels and roll it out of Cleveland and roll it into Pittsburgh, and leave it there until somebody agitates you enough to roll it out of Pittsburgh and put it into Cincinnati.

In this argument there is not one sentence of argument about the inconvenience resulting since the avenue was opened. There might have been supplementary evidence if it turned out that the lines were not sufficiently facile to enable banking business to be done. They might be asking for a branch bank in Pittsburgh. Not one sentence on the subject. They adhere to the original record. By reason of the bookkeeping ability, by reason of the columns of figures shown, indicating that what has been done ought to be undone, and the effect of it, - if you were to yield to that, if you were to be persuaded in that regard, it would mean that the bank should be changed from Cleveland to Pittsburgh, - a thing, I think, unwholesome to the public imagination itself. It would give an air of instability to the bank. It would be an admission that nothing is fixed and determined about it. It would make people

distrust the permanence of the thing, and with the country in its present situation, with the hope burning high in every heart that the work the gentlemen are doing is going to have an immediate and permanent effect in the country, to undo what has been done, to change what has been regarded as fixed, to make temporary and fleeting what we have come to accept as settled, would give everybody the feeling that the hope of relief from the Board must be deferred until further settling and unsettling could be provided for.

When this question was first mentioned, the city of Cleveland took this view, and it stands by it now. We said this Board is to have the benefit of all the information we can give it, not material only, but spiritual, if I may use that word in this connection, and when its decision is known and made known, then we are going to stand by that decision! When the determination is made, our coats are going to come off, and we are going to try to make a success of the enterprise, wherever it is! We invite our friends from Pittsburgh to emulate that spirit. We adhere to that today. From the beginning of the discussion of the question of a reserve bank, the attitude of the banks of Cleveland has been helpful, constructive and hospitable. There is no other city where a bank has been established where a stronger spirit of cooperation has existed. And Cleveland is in that attitude. We believe it to be a place where the bank will find itself in an environment of helpfulness and cooperation, and having it remain there will

give an additional idea of the solidity of the institution which Congress tried to establish with its law, and left to you gentlemen to complete.

ARGUMENT IN REBUTTAL BY MR. WILLIAM WATSON SMITH,
COUNSEL FOR THE CITY OF PITTSBURGH.

Gentlemen, when I hear an argument, either in court or before a commission, I always think it fortunate that we have a body that can decide, because we will never get an agreement of counsel as to the merits or demerits of a proposition. My friends from Cleveland look at Cleveland through rosy glasses, and I have been really impressed with the eloquence with which that view has been portrayed to you, as if it were almost the acme of perfection. And I am not here to say a word against Cleveland, and I suppose we look at Pittsburgh through our rosy glasses. So it is up to you to decide. But it is fortunate that there are members of this Board who are familiar with both cities.

As far as being the center of education, and of art, and of proper civic ideals, we are not at all afraid to submit Pittsburgh to any test which Cleveland may present.

I wont attempt to go over all the points in which I will be obliged to disagree with the gentlemen. There are two or three small matters that I want to speak of.

Reference has been made to these bank petitions. In Pennsylvania, out of 306 banks, 304 have signed. In Ohio, out of 378 banks, 107 have signed. In Kentucky, out of 73 banks, 57 have signed. In West Virginia, out of 9 banks, 8 have signed.

As to this question of a congested financial center, gentle-

men, you must know that neither Pittsburg nor Cleveland has ever been a financial center in the speculative sense. The stock market of either Pittsburgh or Cleveland is a very small thing. It amounts to very little. Neither of these centers has been a speculative center, and nobody has advanced that argument, to my knowledge, until today. In fact, they are both industrial centers of a kind, Cleveland being much smaller than Pittsburgh. Pittsburgh money has never been used for speculation. It has been used for the business of that great metropolis. The pay roll of Pittsburgh require a million dollars a day in hard cash, more than three times as much as in Cleveland. That is why we think this reserve bank should be placed there, because, other things being equal, we think it ought to be placed where the money is needed, not for speculation, but for commerce.

As to Pittsburgh's growth: She is in her suburbs almost a completed city. You cannot tell when you leave Wilkinsburg by anything on the ground. It is a compact city of over a million of people. And that is where the growth of Pittsburgh has been, because the city has almost been filled up. To show the comparison of growth, it is an incontroverted and introvertible fact that the tonnage of the Pittsburgh district has increased one hundred per cent in the last eight years. That is the standard of Pittsburgh's growth.

Now I wont go over anything else at all except this one matter: I think my friend, Mr. Tolles, must have been mistaken

with his lead pencil when he made his calculation to show that the metropolitan area of Cleveland was 100,000 acres and Pittsburgh 400,000. The figures we have given on page five of our brief are taken from the United States Census.

Mr. S. H. Tolles, of Counsel for the City of Cleveland: That is where I got mine.

Mr. William Watson Smith, of Counsel for the City of Pittsburgh: And I would like the case to rest on this comparison. I say it is right. It is a comparison of the Pittsburgh and Cleveland metropolitan districts, - Vol. 10, page 945.

Mr. S. H. Tolles: There is a separate chapter devoted to the metropolitan district of Cleveland and of Pittsburgh, in this report of 1909.

Mr. William Watson Smith: This report says 700,000 acres in Pittsburgh, 400,000 outside the city.

Mr. S. H. Tolles: I am not referring to that.

Mr. William Watson Smith: I am referring to it. And they are going not on a proportion of four to one in area, but on the same area exactly, if I understand the figures.

Mr. S. H. Tolles: I think I have that report here.

Mr. William Watson Smith: It needs to be looked at.

The Governor of the Board: Is there anything else?

Mr. William Watson Smith: I think there is nothing.

The Governor of the Board: The Board will take the matter under advisement and advise you of its decision.

(Thereupon the hearing was adjourned.)

BEFORE THE FEDERAL RESERVE BOARD

*

IN THE MATTER OF PETITION OF MEMBER BANKS OF NORTHERN NEW JERSEY
FOR CHANGE IN THE GEOGRAPHICAL LIMITS OF FEDERAL RESERVE DIS-
TRICTS NUMBERS 2 AND 3.

-o*o-

Washington, D. C.

-

January 20, 1915.

o*o

Reported by
Rexford L. Holmes,
Shorthand Reporter,
322 Southern Building,
Washington, D. C.

BEFORE THE FEDERAL RESERVE BOARD

In the matter of
PETITION OF MEMBER BANKS OF NORTHERN NEW JERSEY FOR CHANGE IN
THE GEOGRAPHICAL LIMITS OF FEDERAL RESERVE DISTRICTS NUMBERS
2 and 3.

Hon. Chas. H. Hamlin, Governor of the Board: Gentlemen,
we are ready to hear this petition now. I suppose the banks
of northern New Jersey, being the moving parties, would have
the right to open and close, and I would suggest, if it is
agreeable to you, that the opening take a half hour, with the
right of the other parties to reply, and they will reply, for,
say, an hour; then they may have the right to close for half
an hour; then they may have the right to close for half an
hour; and if then, at the end of that time, either party de-
sires to sum up for not exceeding five minutes, we would be
very glad to give them the opportunity. So if the counsel or
representatives of the New Jersey banks will open the case, we
shall be glad to hear them.

ARGUMENT BY MR. WALTER M. VAN DUSEN, CHAIRMAN OF THE NEW
JERSEY BANKERS ASSOCIATION, NEWARK, NEW JERSEY.

Gentlemen of the Board: As I said a few moments ago

-2-

(referring to statement made before the hearing began), we are here simply as bankers and business men to put a proposition before you which we feel is simply a business proposition. We feel that it affects very materially the conduct of our business, and would also like to point out that the condition in this petition before you is different from the other cases which you have had. This is not a contest between cities; it is simply a feeling on our part that we have been placed in an unnatural district, and it is simply our request that we be placed in our natural district. It is different from the other cases of counties or districts that want to be changed which will come before you later in that --

The Governor of the Board: (interrupting): Excuse me just a moment. I forgot to state that the Secretary of the Treasury, owing to an unexpected emergency, is unable to be here this morning, but of course, the entire arguments will be taken stenographically, and he will go over them carefully.

Mr. Van Dusen (continuing): As I was saying, none of the other cases that will come before you later of the counties that desire changes are as closely related to the Federal reserve city as is northern New Jersey. We therefore feel that there should be no confusion in this case as compared to the others. We have not seen any official statement of the reasons that prompted the Organization Committee to assign us to the Philadelphia district. Our friends in Philadelphia knew that it was done so as to equalize the districts, but at that we hardly

understand why places several hundred miles distant from New York City, like Buffalo and Syracuse and Rochester, and the entire western part of the State, were put in the New York City district, and the communities-- the important communities-- contiguous to New York City were not put in that district, - communities that are very closely related both in a business way and in a financial way, to New York.

I am going to run over just a few of the points of close contact between the banks of our section and New York City. They are set out in some detail in our brief, and I am not at this time going into detail about those, because I know that you gentlemen will give very careful consideration to the facts that we have put in the brief.

I would like to mention one point before going into that, and that is in regard to the wishes of the northern New Jersey banks. We have filed with your Board petitions signed by one hundred and twenty-three of the member banks located in the district which we asked to have changed. The capital and surplus of those banks signing is something over thirty-one million dollars; their deposits are over one hundred and fifty-six million dollars. The petitions were not signed by nine banks in that district, the capital and surplus of those not signing being a trifle over a million dollars, and their deposits a little over five million dollars. The nine banks that did not sign were banks located along the dividing line of the district,

most of them being up on the Delaware River, which is served by the Belvedere Division of the Pennsylvania Railroad Company; and their trains run down to Trenton, and there make close connections with Philadelphia trains. Many of those banks stated to us that they were half way between, and it was immaterial to them. None of them positively refused; none of them opposed our efforts; and these petitioners did not at any time solicit banks.

Originally we asked the banks of northern New Jersey if they desired us to present a case for the change for them, and most of them replied in the affirmative. We then sent out petitions without any solicitation.

Originally the Organization Committee took a poll of the banks of the country as to the reserve city they desired to be affiliated with. The poll shows that of New Jersey one hundred and eighty-eight banks voted. This is in the entire state. Of those, one hundred and twenty-two voted for New York, and sixty-five for Philadelphia. That is almost the exact proportion of member banks lying in the northern part of the State, and in the southern part of the State, and while we have not access to the poll, of course, to know what banks voted for particular cities, yet the proportion shows very clearly that the banks of northern New Jersey voted for New York, and those of southern New Jersey for Philadelphia,--their natural districts.

Those of you gentlemen who are familiar with the geography of New Jersey know that the State narrows in the middle just

about at Trenton. It is^a very thinly populated section across the State right there, and there is a very clear division of the connections of the State right there, northern New Jersey being contiguous to New York, and having the bulk of their business with them, and southern New Jersey being very close to Philadelphia, with excellent communications, and having most of their business with Philadelphia.

I might also mention that at the preliminary hearings Philadelphia never asked for northern New Jersey as part of their District, and I am very sure that our friends at Philadelphia were fully as much surprised as we were at finding they had had northern New Jersey given to them.

I do not want you gentlemen to think that we are attacking the Organization Committee. That is the farthest from our thoughts. But we feel that they laid down certain principles to guide them which were not followed out in this particular case. We feel that that was probably due to a lack of realization on their part of the intimate relations between our section of the State and of New York City. They laid down certain principals that I would like to call to your attention. This is from the Secretary of the treasury's report, in which he prints the decision of the Organization Committee of April 2, 1914. They say:

"Among the many factors which governed the committee in determining the respective districts and the selection of the cities which have been chosen were:

"First. The ability of the member banks within the district to provide the minimum capital of \$4,000,000 required for the Federal Reserve bank, on the basis of six per cent of the capital stock and surplus of member banks within the district.

"Second. The mercantile, industrial, and financial connections existing in each district and the relations between the various portions of the district and the city selected for the location of the Federal Reserve bank.

"Third. The probable ability of the Federal Reserve bank in each district, after organization and after the provisions of the Federal Reserve Act shall have gone into effect, to meet the legitimate demands of business, whether normal or abnormal, in accordance with the spirit and provisions of the Federal Reserve Act.

"Fourth. The fair and equitable division of the available capital for the Federal Reserve banks among the districts created."

As I said, that has been the only point that we have heard on which we feel they could have based this division, and as I said before, we hardly understand why a point several hundred miles away should be included in the New York districts, and points like ours, two miles away, were not included in making that equitable division.

They go on to say:

"Fifth. The general geographical situation of the district, transportation lines, and the facilities for speedy communication between the Federal Reserve bank and all portions of the district.

"Sixth. The population, area, and prevalent business activities of the district, whether agricultural, manufacturing, mining, or commercial, its record of growth and development in the past and its prospects for the future."

The guiding reasons in laying out the district were very well summed up by Professor Hicks. He said:

"First. Geographical convenience, which involves transportation facilities and rapid and easy communication with all parts of the district.

"Second. Industrial and commercial development and needs of each section, which involves consideration of the general movement of commodities and of business transactions within the districts and the transfer of funds and exchanges of credits arising therefrom.

"Third. The established custom and trend of business, as developed by the present system of bank reserves and checking accounts. In laying out the districts and establishing the headquarters for reserve banks, every effort will be made to promote business convenience and normal movements of trade and commerce."

Now you know without my quoting it, the provision of the law which lays down that the districts shall be laid out "with due regard to the convenience and customary course of business." The framers of that law put in only one qualification, one guide-post in the laying out of the districts. They made no other qualifications except that one. They were very wise in putting that qualification in. They saw clearly that banking business follows the natural course of commercial business. It rises out of -- grows out of -- the commercial business, and therefore they put in that guide-post for the laying out of the districts, that one qualification, and we feel that the Organization Committee, probably through a lack of the intimate knowledge of our close communications with New York, did not appreciate the closeness of those relations.

Now I am going to take just a few moments to point out to you some of the points of relationship. A very good criterion of the relationship of the banks to the commercial houses is

the volume of checks which the banks handle on particular cities. We find in our banks through New Jersey - northern New Jersey - becoming more so the closer we get to New York, that probably it will run close to ninety per cent, and in many cases more than that, of the checks, as compared with the two cities of Philadelphia and New York, that are on New York.

We have also obtained statistics from the railroads of northern New Jersey, - from the principal trunk lines that run through there. We asked them for the number of passengers that they transported between New York and points in northern New Jersey, or vice versa, The replies which we have received show that over sixty million passengers a year are transported between northern New Jersey and New York City, or vice versa, over trunk lines, and there are many of them running through the northern part of New Jersey. A net-work of railroads tends toward New York; they center at New York, and the facilities for transportation there are very rapid. In fact, one of the distinguished members of your board contributed very largely to the facility of transportation between our State and New York through the tubes which are laid under the Hudson River; and it rather surprised us that after putting us three minutes from New York in another capacity he aided in putting us three hours from Philadelphia.

We have placed in the brief here, beginning at page nine, a statement of the time that it takes to go from downtown

New York to various points, the principal industrial centers in northern New Jersey. We have contrasted that time with the time that it takes to go from downtown New York to various parts of New York City itself, taking the entire confines of the municipality there, and I hope that you will give consideration to those when you come to consider this matter. I am not going to go into all of them, but I would like to mention just one or two. Of course in Jersey City the banks there -- the principal banks there -- can go to the principal reserve bank in New York in five minutes. From Newark, we can go from our ^{an} bank to the Federal Reserve Bank in New York in half/hour. Twenty minutes is the time for the through train, whereas even to go to uptown New York, Twenty-third Street, or Fifty-ninth Street, or One Hundred and Twenty-fifth street, those large centers, takes considerably longer.

There is one peculiar situation in New Jersey also that really is not true of any other section of the country, and that is the tremendous number of commuters which we have living out there, who go into New York on business. In fact, I think that a very large number of the banking officials and directors of New York live out in New Jersey, - a very considerable proportion of them. That commuting element ties our section up to New York as no other suburb and section is tied up to any other city, because of the congested nature of New York's population. They have got to get out into the country, and doing business

in New York, it is natural that their trade follows there very largely, and many of those men are connected with the local banks in their towns. The Board -- the stockholders of the local banks are almost -- are very largely, -- in those commuting towns, made up of the New York business men, and that tie is extremely close. Then, on account of the New York bankers living out through northern New Jersey, they come into contact and know the needs and requirements of New Jersey very intimately.

Then there are situated in northern New Jersey a number of very large industrial centers, some of the largest in the country. Almost all of those large industries have New York offices; in fact, I do not know any considerable industry in the city of Newark that does not have a New York office. Frequently a very large amount of their business is handled from their New York office, and in addition to that, many of them keep New York bank accounts; consequently we are in very close competition with the New York banks for the business of our own people. That is one point where it would be extremely injurious to us if a barrier is erected between us and our natural center. We are all having that used against us by the New York banks. Their solicitors are pointing out to them that the placing of northern New Jersey banks in the Philadelphia district will affect their handling of their business, and therefore they should transfer their business to New York, if they have not

already done so.

The fact that so many of the New York bankers and the directors of those banks live out there in New Jersey, and that they are connected with these New Jersey industries, the fact that so many of these industries keep a portion of their bank accounts in New York, the fact that so many of these industries are financed in New York, and the fact that so many of them borrow heavily through selling their paper on New York brokers, because the New York brokers have a peculiar knowledge of the needs of northern New Jersey and of their industries, -- are all matters that should receive serious consideration.

The election of directors of the Philadelphia bank demonstrated to us conclusively that it is impossible for us ever to hope to elect a director from northern New Jersey in that bank. The preponderance of banks against us in Pennsylvania who were naturally following state pride prevents this entirely. The only representation which we can have is by the grace of the Federal Reserve Board. We cannot hope for any representation of right. Now you may say that the same thing will be true in New York. We admit that it is, but it is not material to us in the case of ^{the} New York bank, if we were attached to that district, because of the knowledge - the acute knowledge - of New Jersey industries and conditions which I have just mentioned. In fact, the New York bankers probably have a broader knowledge and a better knowledge, generally speaking, of our condition and

needs, than any bankers in northern New Jersey, because of necessity, the protection and the knowledge of the northern New Jersey banker is circumscribed to his own locality, because there is no north New Jersey center of commerce and industry except New York.

The foreign exchange business of course, of northern New Jersey is quite extensive out of and through New York; the foreign business, also the purchases and sales to foreign countries are handled entirely through New York concerns. The shipment comes in, for instance, consigned to a Newark house, and the Newark banks is instructed almost invariably to turn the papers over to a New York broker to handle. It is extremely convenient to handle that business through New York City.

Our friends in Philadelphia pointed out that in our brief we underlined the word - the provision of the law - where it says that due regard shall be given to convenience and the course of business. We underlined the word "shall". They came back and said we ought to give equal emphasis to the word "due", -- "due" regard shall be given. We turned to Webster's dictionary, and in that connection we found that the definition there of the word "due" was "adequate," and we are very glad of that suggestion from them, because we feel that it simply strengthens our case, that instead of the word "due" being qualifying or limiting, it is governing and the essence of one of our main contentions is that adequate consideration was not

given to the customary course of business and of banking.

The state institutions in New Jersey are very strong and active competitors of ours, and we are on a pretty even basis in our competition with them. They of course have freedom, perfect freedom, to place their reserves in their natural centers, and we have got to meet that competition, and should not be placed at any disadvantage in meeting it.

There is another point, and a broader point, of view to take in regard to the state institutions. It is the desire of you gentlemen, I know, to get the state institutions in as members of this system. To make this system its fullest success requires the membership of that large number of strong institutions under statesystems - under state charters. Now from my knowledge of those institutions, in our section of the state, they will not consider joining the system with the handicap of an unnatural district. That positive statement has been repeatedly made.

Now we are seeking the success of this system just as sincerely as you gentlemen are, and we simply ask that you give us the fullest opportunity to develop it successfully, and we point out to you that in getting the cooperation of the state institutions, this has erected almost an impassable barrier to that.

Some of the other departments of the Government recognize the ordinary course of transactions there, for instance the exchange of Post Office Department transfers; the Postmasters --

the local postmasters -- transfer to the postmaster at Newark their receipts, - their money order receipts.

One of the banks in sending in that transfer to their local postmasters sent a check to the postmaster at Newark recently on Philadelphia, and the postmaster at Newark returned it with a polite note stating that he could only accept Newark or New York exchange, that Philadelphia exchange was not acceptable there. The same thing is true of the internal revenue department, the head of the fifth district is located at Newark and they refused to accept any checks except those drawn on Newark or New York.

There are two gentlemen here from Hoboken, and Jersey City, who would like to make a little special statement to you on their behalf, and if they may at this time, it will only take a very few minutes. Mr. Edwards, of the First National Bank of Jersey City.

STATEMENT OF MR. E.I. EDWARDS, PRESIDENT OF THE FIRST NATIONAL BANK, JERSEY CITY, N.J.

Gentlemen: I just want to read you a little brief that I dug out of this as it relates to Hudson County, which is on the border line of New York, as you all know, that part of northern New Jersey which is within the metropolitan district, and I have written this so I will be able to give it to you complete: (Reporter's note:- The following is a verbatim copy of Mr. Edward's argument, as read and submitted by him to the Board in typewritten form.)

ARGUMENT OF MR. E. I. Edwards , CASHIER AND DIRECTOR OF
THE FIRST NATIONAL BANK OF JERSEY CITY

TO THE FEDERAL RESERVE BOARD.

GENTLEMEN:

THE FIRST NATIONAL BANK OF JERSEY CITY, of which I am
Cashier and a Director, while agreeing with the able brief and
argument made by the New Jersey Bankers' Association in favor
of the inclusion of North Jersey in the territory of the Federal
Reserve Bank of New York, rather than in that of Philadelphia,
desires to add a few words on behalf of the Banks in Hudson
County. We have a population of nearly 600,000, about one-
fifth of that of the State.

It may be that we were lax in failing to urge our cause
before the Organization Committee, but we relied on the full
knowledge possessed of the situation by one of the members of
that Committee, the Honorable Secretary of the Treasury.

Hudson County, and especially Jersey City and Hoboken,
are really a part of the financial metropolitan district of New
York: four of our banks are members of the New York Clearing
House itself, and clear daily through that institution, as do
the banks within the City of New York. We can send a messenger
in less than five minutes from our bank to the Federal Reserve
Bank of New York; indeed we are nearer in time and distance
than nineteen-twentieths of the Banks in the Borough of Man-
hattan itself.

Our Bank, as its low number will show, came into the

National Banking system immediately upon its organization and established its course of dealing with the New York Banks. Our reserves have always been kept in New York, never anywhere else.

The great bulk of the checks drawn on our Bank are paid through the New York Clearing House.

From October 1, 1914 to January 15, 1915 (79 days) our average daily New York exchange was \$1,019,646.95.

From January 2, 1915 to January 15, 1915 inclusive we paid through the New York Clearing House 24,890 checks aggregating \$11,121,351.54, while during the same time from all other sources, including our counter, we only paid 13,708 checks amounting to \$8,239,576.86.

When we require credit or currency we can obtain it from New York City in less than an hour.

Our North Jersey Banks generally do but little business through Philadelphia; this bank absolutely none at all.

By reason of our large daily draft on New York we are required to keep a large daily reserve there amounting on the average to over \$2,000,000.

The reserve which we would require to keep in Philadelphia would amount to \$350,000, and would be so much dead money as this Bank has not been a borrower in many years.

The tendency in Northern New Jersey of late years has been to the organization of State banks and Trust Companies, rather than to National Banks. Quite recently one of our largest Banks surrendered its federal charter and consolidated with a Trust Company. I predict that if we are not transferred to the New

York District, there will not be a National Bank left in Hudson or Essex Counties in five years time.

Many of our customers are large manufacturers having their factories in New Jersey with their offices in New York; most of these would leave us if we cleared our checks through Philadelphia, involving from four to six days delay rather than through New York, where the result is known the next day. Letters have already been sent by New York Banks to many of these large dealers calling their attention to these disadvantages and soliciting their business.

The Federal Reserve Act was passed to facilitate and not to hamper banking, and the exchange of credits: the act says that the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States.

The draftsmen of that act were shrewd business men, knowing of just such situations as the one now before you; they provided for the contingency.

The mere fact that the change would somewhat decrease the capital and deposits of the Reserve Bank of Philadelphia should not weigh a moment with your Board: the act seeks not the aggrandizement of any locality but the convenient and customary course of business.

The whole matter resolves into a very narrow compass - the Banks of Northern New Jersey and especially those of Essex and Hudson Counties are not country banks or beehives for the saving of money to be invested in the purchase of paper in distant business centers, but active discount business banks

having their main business with New York City, and turn over over 25% to 30% of their assets every day at the call of their customers.

They are accustomed to the methods of New York and so are their customers.

With Philadelphia as their reserve city active banks would simply have to put by 5% for a reserve for that city, where it would be of no value and yield no income, and at the same time keep up their reserves and deposits with the New York Banks in order to cover the daily drafts of their customers. This would be hoarding money.

Mr. Rhoads in his brief for the Reserve Bank of Philadelphia, able banker as he is, appreciates the weakness of his cause, and suggests several palliatives which might be put in operation. But he can make no promises that either the New York or Philadelphia Banks will accede thereto.

But the most naive suggestion made by Mr. Rhoads is that if the necessities of Northern New Jersey should require it a Branch of the Philadelphia Reserve Bank could be established in Northern New Jersey. This begs the whole question. Why go to the expense and detail of a branch bank here, when we have in New York a Reserve Bank which fulfills our requirements?

Mr. Rhoads' appeal for delay has no merit. If the change is to be made there is no time like the present, just as the system is under way.

Respectfully submitted,

I would like to submit that to the Board.

Mr. Walter M. Van Dusen: With your permission, I would also like to introduce Mr. W. W. Young, of the First National Bank of Hoboken.

ARGUMENT OF MR. W. W. YOUNG, CASHIER OF THE FIRST NATIONAL BANK OF HOBOKEN, NEW JERSEY.

Mr. W. W. Young: Gentlemen, I have written a short memorandum here with reference to our position in Hoboken and Jersey City in connection with this subject which I will read to you:

(Reporter's note: - The following is a verbatim copy of Mr. Young's argument, as read and submitted by him to the Board, in typewritten form.)

ARGUMENT OF MR. W. W. YOUNG, ON BEHALF OF MEMBER
BANKS OF NORTHERN NEW JERSEY.

The Federal Reserve Board:-

In support of the able argument by the Chairman of the Banking and Currency Committee of the New Jersey Bankers Association, I wish to make an appeal to you in behalf of the banks of Hudson County, and particularly the banks of Hoboken and Jersey City, for a change of assignment from District #3, in which the National banks of our County were placed by the Federal Reserve Organization Committee, to District #2 (New York), because Hudson County is New York from every business and banking standpoint, and we feel that in this connection we are in a stronger position to object to our present assignment than banks of any other section of the country.

Since the days of civilization, ferries have connected the City of New York with Hoboken and Jersey City, and the completion of the McAdoo Tunnels has placed us within a few minutes reach of the center of New York's financial district.

We have five (5) National banks in the two cities, four (4) of whom are Clearing House members, having been affiliated with that institution for over a quarter of a century. Bank representatives go to New York from our County four or five times daily, and attempting to transact the volume of business done with New York, in Philadelphia will not only radically change business methods, but will result in a loss of accounts

-2-

evidenced by the fact that at present many of the New York banking institutions are soliciting business in this county on the grounds that better and quicker service can be had with New York City banks than with Hudson County banks clearing through Philadelphia.

When our National banks applied for membership in and assented to the provisions of the Federal Reserve Act, they did so under the impression that the Districts would be apportioned with due regard to the convenience and customary course of business, and with that idea in mind, they feel that the Committee's action in placing them in a district remote from that in which their business has always been conducted, will work hardship, and result in increased expenses and certain loss of business.

Indulging in figures will result in repetition of data compiled by the Banking & Currency Committee, as set forth in their brief, but the importance of this question to our New York Clearing House banks cannot be too strongly emphasized.

We can go to Federal Reserve Bank in New York in a matter of minutes, but to the Federal Reserve Bank in Philadelphia it means hours, and should it be necessary to rediscount paper with Philadelphia, this very difference in time will make it next to impossible to secure the accommodation on the day that it is needed.

Your answer to these objections may be that a branch of Federal Reserve Bank #3 will be established sufficiently near or even within Hudson County so that adequate service may be given, but we believe this impracticable as it will create

-3-

additional expense to be borne by the stockholders, who are most desirous of availing themselves of the facilities already established in Federal Reserve Bank of New York.

Competition with state institutions has been and is keen, but we feel that it is not the desire of the Federal Reserve Act to handicap the National banks in meeting this competition or to hamper their usefulness in communities in which they are located, but rather that the desire is unanimous with the Board and the banking fraternity of the country to perfect and organize the system so that the State institutions may be induced to join the association, thereby furthering the best interest, financial strength and credit protection of the country.

To that end our member banks are most anxious to cooperate with the new law, and trust that the rules and regulations that are in future to govern them will permit them to do so.

We, therefore, earnestly request that a change in the assignment of Hudson County be made to the Federal Reserve Bank in New York on the grounds that this county is as much a part of New York City as though it were within its confines.

Respectfully submitted,

First Nat'l Bank, Hoboken, N.J.

(Signed) W. W. Young, Cashier.

Approved:

Hudson County National Bank
Jersey City, N.J.

Second National Bank
Hoboken.

Mr. Walter M. Van Dusen: And Mr. Rue, president of the Second National Bank of Hoboken, would like to say a few words in connection with this, if he may.

ARGUMENT OF MR. . . RUE, PRESIDENT OF THE SECOND
NATIONAL BANK OF HOBOKEN, NEW JERSEY.

Mr. Chairman and gentlemen: Whatever I might say would be cumulative. We feel that it has all been gone over very thoroughly. I represent, as president, the Second National Bank of Hoboken, organized in 1887 with a capital of one hundred and eighty-five thousand dollars. We have now a surplus of three hundred thousand dollars, and have been having dividends ever since our organization. We are a busy little bank; we are eight minutes from New York by the tube,-- not quite as close to New York as the First National. We send our messenger there with currency two or three times a week, to gladden the hearts of our New York banks. We are building up a large manufacturing center. Although many of our citizens have offices in New York, they keep accounts with us. We represent five trust companies and a savings bank which deposit with us. Their checks are paid on the next day after deposit with us, in New York, through the clearing house. It would be a great inconvenience for us to be compelled to remain in the Philadelphia district. I may say we have kept an account in Philadelphia ever since we have started. I have been the president, and know we have kept an account there for purposes of collection, and items in

that direction, and this has facilitated our business, but if we shall have to go into it as the act contemplates, it will be a great hardship.

I thank you for having given me the opportunity of speaking to you.

Hon. John Skelton Williams, Comptroller of the Currency: I would like to ask Mr. Edwards a question. Mr. Edwards, I see that you say here (referring to typewritten manuscript previously read by Mr. Edwards, and then submitted to the Board): "Many of our customers are large manufacturers having their factories in New Jersey with their offices in New York; most of these would leave us if we cleared our checks through Philadelphia, involving from four to six days' delay, rather than through New York, where the result is known the next day." Evidently in making that statement you are not looking forward to putting the clearing system in operation by which checks would be cleared through the federal reserve banks?

Mr. Edwards: How could we send them to New York if we are in the Philadelphia Reserve District?

The Comptroller of the Currency: The idea is that checks would be worth par in both New York and Philadelphia, in all probability, or approximately -- practically par. It is expected there would be no difference between the cost of New York and Philadelphia exchange in the language of the Federal Reserve Act.

Mr. Edwards: In Jersey City we have a tobacco factory, the largest plant of the American Tobacco Company, as you know; we have the American Sugar Refining Company, the largest plant they

171

have; we have the Joseph Dixon Crucible Plant, -- the pencil and crucible plant, the largest in this country; we have the American Atlantic and Pacific Tea Company, the greatest distributor, probably, of tea in this country; we have, -- those are the only ones I can think of quickly. Those accounts are very, very large; those are the people who are being solicited, to my personal knowledge, because I have letters from the banks in New York which were sent to me by those companies.

The Comptroller of the Currency: But you make out a difference of five days between New York and Philadelphia?

Mr. Edwards: I send exchanges in the morning. It leaves our bank at nine o'clock. I think you will recognize this. We bill the sheet and send it to New York; it goes through the clearing house at two o'clock. I have every check back that is not good, or that is short, or anything the matter with it.

The Comptroller of the Currency: Do you mean on New York City?

Mr. Edwards: I mean on Brooklyn; of course it is all New York City now, but within a radius, I suppose, of fifteen minutes from the center, -- Is it not, pretty nearly? I have those checks in the bank at two o'clock on the same day. They must be back before three.

The Comptroller of the Currency: Where do the five or six days come in?

Mr. Edwards: If we sent to Philadelphia it would take a much longer time. We send to New York three or four times a

172

day. Suppose we sent to Philadelphia at eleven or twelve o'clock, or half of the day's business to Philadelphia. Philadelphia would have to send those back to New York, would they not? If they were New York checks, then the return would be made to Philadelphia, and then returned back to us from Philadelphia. Then we might be accused of not using due diligence. We might be "stuck" for checks good on the day given us, and not good on the day returned. It is a very grave question with us. We have to send our stuff through as fast as it is possible to send it through, for the convenience and welfare of the bank and the customers. I might be mistaken in saying it would be four or five days longer, but it would be several days.

The Comptroller of the Currency: On that principle, you would have to send every check to every bank on which it is drawn?

Mr. Edwards: Through New Jersey. We have correspondents all through New Jersey.

The Comptroller of the Currency: You would not claim you would have to make direct collections by sending checks to the particular cities on which the checks are drawn, would you?

Mr. Edwards: I cannot understand how I will get checks back that might be short or something the matter with them from Philadelphia in time.

The Comptroller of the Currency: What percentage of bad checks are there?

Mr. Edwards: You cannot figure out any percentage. One

of ten thousand dollars is as bad as a thousand for ten dollars.

The Comptroller of the Currency: Probably would be one-one-hundredths of one percent?

Mr. Edwards: Might be, but I doubt that. The First National Bank of Jersey City is very conservative, and always has been. We do not loan any money "on the street" in New York, as they call it, but only to business men in Jersey City, and then we keep our reserve in New York, and any more that is there our reserve agent in New York loans. We do not know the people in New York.

The Comptroller of the Currency: The only objection comes in the matter of clearing checks, does it not?

Mr. Edwards: No, several things. You would be surprised -

The Comptroller of the Currency: What are the other things?

Mr. Edwards: Our being members of the clearing house means much to us. You take the banks in Hudson County that are members of the clearing house and those not, and compare the assets and deposits. We claim to give every possible convenience and speed in our bank that would be possible in New York City.

The Comptroller of the Currency: As far as borrowing money is concerned, it is immaterial to you?

Mr. Edwards: We try not to borrow money. Some day we must, but we try not to. We never buy paper, because we feel we do not know enough about it. We know the people in Jersey

City and their needs, and loan them all we can. If we have any surplus, we send it to New York City, and they use it as they please, subject to call.

The Comptroller of the Currency: Of course you have relations with New York banks?

Mr. Edwards: We are turning over large deposits every day, twenty-five to thirty percent, -- I think I can go a little further than that and say from thirty-five to forty per cent of our deposits every day, as you can see. I give you an average of seventy-nine days of exchanges there in which our average deposits are six and one-half millions. It might reach to seven, but I doubt it very much. I mention that fact purposely to show how vast our exchanges are, and our demands, so that the reserve we must keep must necessarily be large. You know that the fact of these banks clearing through the clearing house in New York forces us to keep a balance that will warrant our doing that, and we try to do it. We can -- I can leave the bank, and I do not think I am stretching it a particle when I say I can get there in five minutes; I have done it hundreds of times, not to the Federal Reserve Bank, but to banks in that vicinity. We are across the tube at Exchange Place at the ferry just a half-minute from the tube, and we land a block from Broadway on Cortland Street, and it is about five blocks, so you can see for yourself, and Mr. McAdoo has made it possible for us to go across there in two minutes. I think the running time is two minutes.

Mr. Van Deusen: Three minutes.

Mr. Edwards (continuing): Three? I know it is a very short time. It is a case of "On again, off again, Finnigan!"

ARGUMENT OF MR. PARKER S. WILLIAMS, COUNSEL FOR THE FEDERAL RESERVE BANK OF PHILADELPHIA, PHILADELPHIA, PENNSYLVANIA.

Gentlemen, the nature of this proceeding is such that the arguments can be handled much better by bankers than by counsel. There are practical questions of convenience concerning the operation of this system that counsel would be very bold to pretend or claim that he could answer.

We naturally do not wish to put ourselves in a position of opposition to this convention of the New Jersey banks. This is not a case similar to the proceedings held before you last week or the week before, where there were rival claims of two cities to be made reserve cities. It is merely the request of certain bankers in our territory to be removed to a district where their convenience will be greater, and we entirely sympathize with all that they say of the reasons which they adduce why they should be a part of the New York district.

It would be impossible in view of the record of the proceedings, to maintain -- we could not if we wanted to -- that we asked for northern New Jersey. We are very glad to have northern New Jersey, but we neither asked for it nor expected it in even the larger district that Mr. Rue, representing Philadelphia before the Organization Committee, asked for on the basis of ten districts throughout the country. It included southern New Jersey south of a line drawn east of

Trenton, and certain other cities. in the smaller district that he asked for, he asked for Pennsylvania, southern New Jersey, Delaware and the eastern shore of Maryland. Now what we have got is of course obvious, -- the whole of New Jersey, the whole of Delaware, and about two-thirds of Pennsylvania, and all of Pennsylvania east of the Alleghenies, roughly. We have a compact district; it is the smallest of all, and well adjusted, we think, to take care of its needs on the basis of its resources and its industries. Now, to take away from us these one hundred and thirty-two banks of northern New Jersey would amount, roughly, to this: A reduction in our subscribed capital from \$12,528,000 to \$10,577,700, and in our deposits, as of December 11, 1914, from \$19,359,000 to \$16,195,000.

Now, that might not be important on the basis of our seeking an aggrandizement for our district, but it does seem to me important on the basis of preserving an equitable division, and not impairing our ability to take care of our needs. Of course we are ready to admit the close financial and commercial relations between northern New Jersey and New York. It would be impossible to controvert many of the statements in the petitioner's brief on those points, and if the matter of convenience and of trend of business were the only ones that the Organization Committee -- were the only factors the Organization Committee -- had to consider in apportioning the districts, there seems to be no doubt whatever but northern New Jersey would have been included, but there are other factors, and as Mr. Van

Dusen has read from the report, the two factors that seem to be most in point, and to have afforded the reasons which have influenced the Organization Committee, were the ability of each district -- the probable ability in future in normal and abnormal times -- to take care of its own needs, and secondly, the equable divisions of the reserves throughout the country; and it must have been as Mr. Van Deusen points out, there is no ground set forth as to why northern New Jersey was included. It was not expected by those who appeared before the Organization Committee that it would be included, but a consideration of these factors referred to by the Organization Committee in their report showed clearly it was such reasons as these that overcame the natural division, and got northern New Jersey, just as western Connecticut, out of the district of New York with which they are most closely associated.

I need not enlarge on the careful consideration given by the Organization Committee to all these facts. Anyone who did not attend the hearings, but who has the six or eight weeks necessary to read the stenographic reports of them, would have any doubts as to the careful consideration of these various questions eliminated. Our position is that we think that no territory so important as this should be removed from our district without a corresponding territory supplying equivalent capital and deposits being added, and we feel that should only be done as an unavoidable necessity, because it would open wide, taking territory at the expense of another district, a re-

adjustment all over the country, and it is just a question whether the actual inconvenience resulting to northern New Jersey under the present apportionment is such as to justify such a wholesale reapportionment of the twelve districts. I do not think our view is based on timidity. If we had either the western part of Pennsylvania/^{including Pittsburg} or the territory including Baltimore added, I suppose the first thing to be done by either ^{cities} of those/would be to take the reserve bank away from us! (Laughter on the part of the Board.) But it is the idea of the actual task involved and does the actual situation to-day justify that?

Now, I feel an embarrassment in seeming to oppose the statements on behalf of northern New Jersey, because I recognize them all, and to oppose or belittle inconveniences which they set forth would hardly seem in good taste, and yet it seems to be justifiable. Now, as to how this apportionment will affect the close relations previously existing between northern New Jersey and New York. I shall take very little time all told on general discussion, but I would like to quote, as stating the theory better than I could do it, Mr. Willis' testimony in one of the hearings in New York. It is reported on page 141 of the stenographer's notes, and this is what he says, on the general theory and effect of the apportionment:

"Under this bill there is nothing whatever to prevent existing banks from going on keeping their funds with correspondent banks in New York just as they have done heretofore. The bill distinctly authorizes them to keep such funds with New York banks for a period of three years. x

x x x Moreover, the bill further so reduces the amount of reserve which is required of such banks that they can continue to keep balances with the New York correspondent banks if they so desire after the end of the three year period. In other words, under this bill, with the greatly lessened required reserve that it presents, there is absolutely no reason why existing relationships between New York banks and banks all over the country should not continue exactly as they do at the present time should it prove that the Federal Reserve system does not take the place or perform the functions now performed by the correspondent banks in New York."

I submit that forecast has not yet been shown to be wrong.

Now, as to this question of credits: The Secretary of the Treasury expressed himself on the subject at one of the New York hearings and expressed the thought that ^{has} seemed so clear to me far better than I could do. In the course of the testimony of Mr. Page, the Secretary of the Treasury said this, reported at page 206:

"The point I wanted to make with you is that the regional bank is not primarily the judge of the credit, because the paper comes up to it from the member bank. Now the regional bank of course must have intelligence enough to judge of the paper presented to it by the member bank, and also must satisfy itself that the endorsement of the member bank is itself good aside from the paper that is presented to it. So it is not so thoroughly important, I think, as you seem to feel it is, that the regional bank itself shall have the same degree of intimate knowledge of the makers of the paper as the member bank must inevitably and will always have; but of course the larger knowledge it gets the better."

As to the time consumed in going from northern New Jersey to New York, and vice versa, I do not wish to belittle the difficulties that are set forth in going from northern New Jersey to Philadelphia. I do not mean to belittle the case of the bank officer of Newton, Sussex County, who, starting at 9:10 o'clock can only reach Philadelphia at three o'clock

in the afternoon, which case is quite pathetic, if he wants to get there in time to transact business in office hours, but it seems that the nature of the business between these member banks and the reserve bank is very rarely likely to be such as to make these personal visits so necessary, and the important feature seems to be, as has been mentioned in various instances, in the hearings, the ability to mail a letter in the afternoon from the member bank, which will reach the reserve bank the next morning, and vice versa. Of course there are occasions when it would be very desirable, and I am sure I speak for Mr. Rhoads, if I say we shall be glad to keep open a little while longer on the days when our friend from Sussex County will want to make his visits to Philadelphia. But I think the occasions will be rare when that will be necessary.

Now, I have said more in this general way than I was justified in saying, because I think the question ought to be reduced to essentials, and I am only discussing the matter on the theory that we think such a great change is involved that the actual inconvenience should be sifted and determined as clearly as possible, before that great change throughout the country should be undertaken.

Now, the whole matter of the hardship to northern New Jersey, it seems to me, would depend upon this essential feature. Will the required deposits of reserves in Philadelphia under the new system, and the deposit balances they will still find it necessary to maintain in New York in order to con-

tinue their relations there and maintain their present facilities, result in tying up so much money and cutting it out from loaning purposes as to lose earnings and lessen their efficiency?

The petitioners in their brief state that they have maintained balances in Philadelphia to avail themselves of the free collection charges as compared with the charges imposed by New York. Now, I think it is appropriate, as those balances were fairly large, to refer to the nature of that free service to Philadelphia as testified to -- as stated by Mr. Rue -- at the Philadelphia hearing. He explained it better than I can do. The matter was under discussion with regard to these collection charges as compared with Philadelphia's practice of collecting checks free. The Secretary of the Treasury said, "But you collect checks free, I believe?" To which Mr. Rue replied, page 1,045:

"Only nominally free, Mr. Secretary, for this reason. Philadelphia has an arrangement which I think is unique. We do not, like other cities, allow interest on check as soon as it reaches our banks, whether it be on San Francisco, Galveston, or Jacksonville, Florida. But Philadelphia banks have arranged a schedule of time allowance based on actual experience, and if a bank from out of town sends us a check, say on Jacksonville, Florida, or San Francisco, a time allowance is made on that check until the bank receiving it can get the actual returns back, and interest is not allowed until that time is consumed."

Mr. Rue further stated on the next page:

"Of course we do not want to give secrets away as to our methods of doing business, but you know people in this country hate to pay a direct charge. They will stand an indirect charge where they will object strenuously to a direct charge. x x x x

(Page 1047) "By such plans as I stated a time allowance is made and in many cases they require a free balance

from country banks. We do not allow interest on all of those balances, but not only take that time allowance but require a balance to be retained with us without interest. And if that does not work out profitably, all the larger banks keep an analysis department and at the end of each month we know how an account stands, and even after all these devices I have described to you if our banks come out losers, we charge to the bank the expense of operating and the actual loss, so they do not get free exchange."

Now, quite large balances were maintained by the New Jersey banks. This testimony is a matter of record, and it seems a matter appropriate to refer to.

We computed on the basis of deposits referred to on October 31st just to show what difference was made on the basis of the deposits of northern New Jersey reported to the Comptroller of the Currency October 31, just before the act went into effect. ^{the deposits} On/ the banks of northern New Jersey reported the reserves that they would have been required to deposit in Philadelphia would be \$2,887,745, that is, on the basis of deposits amounting to, I think, one hundred and fifty-three million odd dollars. All but fourteen of the one hundred and thirty banks kept deposits in Philadelphia, and of the \$153,930,000 deposits, 2/12 of the new reserves with which they had to open their reserve account in Philadelphia to last a year, would amount to \$2,887,745. On that day they actually reported deposits in Philadelphia of over four million and a half dollars. Now, it does not seem a great hardship to comply with the requirement of keeping \$2,800,000, as compared with their actual deposits voluntarily maintained there to get this free collection system as described by Mr. Rue. The,

increases required would be such that it would be eighteen months before they would be required to keep larger deposits in Philadelphia than they actually kept before the act went into effect. Now, again, I am not minimizing their inconveniences and objections at all. But it does seem that all the objections to which they refer would be eliminated, or practically all, if they can continue without inconvenience maintaining their deposit accounts in New York. Our feeling is that we quite agree with the idea that it is necessary, if such a change is to be made, that it be made at once; but our feeling is that sufficient time has not elapsed to demonstrate that these apprehensions are justified. Of course it is provoking to discover a line coming between you and a district you expected to be joined with, but it has been done and much would be involved in making this proposed change; and although our suggestion may be "naive" as to establishing ^{an} exchange bank in Newark, it seems that is a function the act makes mandatory, and that would take care of every possible remaining objection.

If our suggestion as to the ability of maintaining balances in New York would not meet the situation -- Jersey City seems the most extreme case possible. We have the metropolis of Camden at the end of our Market Street ferry, and at the end of the possible tube some day, and we would be very unimaginative if we could not see what it meant to Jersey City, which is the same as New York for all business purposes, to have a real change made which would affect its relations. Our contention

is that even as to Jersey City, while not as convenient naturally to have their reserves in Philadelphia, it will not result in such tremendous interference with their business relations and prestige as to make them lose very large amounts of their earnings -- very many of their accounts. And, therefore, we have to take this position of opposing the northern New Jersey petition politely, -- not at all bitterly, unless there is added to us territory which will give us an equivalent amount of capital and deposits for those we should lose if northern New Jersey is taken away from us. If not, our ability to take care of our needs is likely to be impaired. Now if we are given more territory, that will be at the expense of an adjoining district, and it will wish to be made whole, and will claim very naturally to be kept in the same position, and we think that involves too great a change to make until the act and the new system have been given a trial, until we find that their apprehensions are justified, or such hardships are imminent as should be corrected, and of course in such case they will be corrected, and we still do not think the hardships expected will materialize sufficiently to justify the change asked for.

If hardships exist and inconveniences continue, then we would suggest that a trial be made of the branch bank that is authorized, and I cannot see how it could fail to remove even the dregs of the inconveniences, -- which we think it will. Now I shall not attempt to take the hour that was allotted to me, because the nature of our answer is such as I have indicated, and I

think the facts that have been presented are just the things that this Board --- I mean the gentlemen from northern New Jersey -- will wish to consider those facts in connection with the actual operation of the system, which this Board is better able to determine than any counsel or even any banker.

I thank you very much for your kind attention.

RECEIVED
FEBRUARY 19 1939

The Governor of the Board: Have you any reply?

Mr. Walter M. Van Deusen: How much time have I? I do not think I will take very long.

The Governor of the Board: We are getting so many complications here I should say about twenty minutes, adding all the time together.

Mr. Van Deusen: I think that will be sufficient. I made some notes in regard to the Philadelphia -- our friend's-brief filed by Philadelphia, and they really have introduced nothing new, so to save time, I will follow these notes rather closely.

As to the point that they make, that it will be necessary to re-adjust the districts, probably, which may involve all of the districts all over the country, I disagree with them entirely there. I do not think -- I think this is a very simple proposition, and can be solved by just this one change, without involving any other changes in any other districts, and it can be made more easily now than before the Act has gone more fully into operation. If you put into operation the clearing house functions, as completely as some of you gentlemen I know desire to do, that will involve a very great machinery, and after such a change goes into effect it would be much harder than it is now, while only a portion of the machinery is in operation. Therefore this change should be made at once.

Now our friends from Philadelphia state that they should be compensated if any change is made. A study of the figures,

I know they are dry things, but if you will consider this just a minute, it will show that they are in error in their contention that if the northern part of New Jersey be removed from their district, it leaves them as they stated with a subscribed capital of \$10,577,000. Now, that is larger than the subscribed capital of eight of the other banks even after that change is made. I take these figures -- I only want to give round numbers - from the report of the Organization Committee, as given in the report of the Secretary of the Treasury. I will just hurry through them:

Boston -- you will remember those figures were ten million five hundred thousand odd dollars, -- Boston, \$9,900,000; Richmond \$6,300,000; Atlanta, \$4,600,000; St. Louis, \$4,900,000; Minneapolis, \$400,700,000; Kansas City \$5,500,000; Dallas, \$5,500,000; San Francisco, \$7,800,000; and the remaining three districts, that is Cleveland, with a capital of a trifle over twelve million dollars, a little over a million and a half more than what Philadelphia would be; Chicago, twelve million dollars almost five hundred thousand dollars, -- or a little less than two million dollars more than that ; New York, with twenty million six hundred thousand odd dollars, but of course the larger figures for New York are due to the large number of big banks located in that city. But we do not feel that is any good reason why northern New Jersey should be placed in an unnatural district. The simple fact that it would enlarge New York somewhat and even when we consider as I pointed out to you, the banks in the northwest part of New York, several

hundred miles away, are in that district, and our friends from Philadelphia, -- Mr. Williams says -- points out one feature in the report of the Organization Committee. The principles that guided them is that which he feels governed them in apportioning this district, and that is that it was their desire that the banks might meet the legitimate demands for business, whether normal or abnormal, in accordance with the provisions of the Federal Reserve Act.

At several conferences that we had down in Philadelphia,-- I know it was stated to us down there that they felt there was not a very great borrowing demand in the district. Some of the banks in Philadelphia made this statement that there was not a very great borrowing demand in the district, and they thought that the Philadelphia district would probably be one of the strongest with in itself, and therefore one of the first to be called upon to help other districts. Now I think that will be borne out by the figures. I have, of course, unfortunately not access to the official reports of the banks, and cannot give exact figures, but the published report of the Comptroller covering October 31 shows $\frac{1}{2}$ total borrowings, both bills re-discounted and bills payable, in the third district, -- or the Philadelphia District, of a little under seven million dollars. That is the entire district. In New Jersey the total borrowings for the entire state were \$3,600,000, including bills payable and bills reducible, -- in other words, about one-half of the total borrowings of the entire district. Now I think it is safe to assume that because of the important

industrial centers in northern New Jersey, a considerable portion of that borrowing was done in that section. I know I went over the only detailed reports of the banks accessible to me, and I know that they reported \$948,500 in bills payable, or in that one city alone, one-third of the total borrowings of New Jersey, and about one-seventh of the total borrowings of the district. Therefore, we contend that instead of weakening the Philadelphia district, it would if anything strengthen it, by removing from it northern New Jersey, -- an active borrowing community. The nature of the business of northern New Jersey, the nature of manufacturing and industrial centers there, make pretty heavy demands on us in the fourth district, and there are no other sections of the Philadelphia district that are extensive borrowers, and they would be very amply able to take care of all of the rest of their district. And we therefore do not feel that you should be confused by that issue, but should consider our petition solely on the ground of the injustice and the inconvenience to which we are subjected.

The other points of the Philadelphia reply are really minor points, and do not need any extended argument.

They contend that our suggestion as to inconvenience and disturbance are not well founded, but all of their arguments in reply seem to be based on the facts that are up to the present time suppositions.

For instance, the collection feature. Now personally, I

have always been a very enthusiastic supporter of that clause of the bill, but you gentlemen know better than I do the tremendous difficulties of that problem, and you know that there are many people heartily interested in this system who are even opposing the federal reserve banks taking checks outside of their own districts, and we have a circular from the Philadelphia Federal Reserve Bank very recently that rather disturbed us because of some of the questions which were asked, -- the line of thought shown in those questions. Those questions tended to show that there was a possibility, if not a probability, that checks of one district would not be taken by another at absolute par. Of course you understand that as closely related as we are to New York, that would be absolutely fatal to the national banks that are in competition with the state institutions, and the very fact that there is a radical severance of the ordinary lines of commercial business cannot help but cause friction and inconvenience and loss.

Then as to the point that Mr. Williams made in regard to the personal contact: Now I would like to look at that from a little broader point of view than he took in his statement. I feel that these federal reserve banks, - and I am sure that you will agree with me in this, - are something more than credit dispensers; something more than currency dispensers; they are leaders in their districts; they are put there to solidify the banking of their districts; and with the new rules for bank examination, they have wonderful possibilities as counsels and as guides to the banks in the district. They can lead and mold the banking opinion there; they can, by their constant watchfulness, lead the banks along conservative lines. Now that can be done best, as you know, by a personal contact. If the federal reserve bank is in Philadelphia, gentlemen down there do not see our people from northern New Jersey very often. They do not get that close personal touch, knowledge and close contact with them that will give their advice weight. If they go to advising them in a critical time, or if they feel that a bank is doing things - not wrong, but things that are injudicious, if they have that close personal relationship that would naturally come from constant association, they will have much weight, and would understand the thing better.

I think, - I do not want to minimize the importance of personal contact, in the matter of credits. I do not think we can make loans satisfactorily over the telephone, and in fact, I can

see places in smaller communities where it might be very injurious if an officer there called up over the telephone to make a loan, and it got out. It might be misconstrued, and injure the bank, and this would be true even in the case of the larger banks, if we should take any quantity of notes by mail, and they were lost. Very few are, however; it is a remote contingency, but possibly it would cause very serious inconvenience. We can take them in and explain each note much more satisfactorily than to supply printed statements and such things; and the federal reserve banks are going to go into the credits to a considerable extent. I think you gentlemen already have plans for credit departments in these banks. I know we have already received inquiries from some of the federal reserve banks as to credits, letters from them showing that there is to be an investigation of credits, and that they are not simply to be taken on the simple endorsement of the bank.

Now in regard to that maintaining of balances in New York: As to the difference between the fifteen percent reserve-- the old reserve-- and the new one, they point out we could maintain the other three per cent in New York and still maintain considerable balances there. That is true, but that would really involve penalizing the banks of northern New Jersey as compared with banks of other parts of the district. Some of the distinguished financial officers of the Government have frequently -- have recently called attention to the fact that the reduced reserve requirements are an answer to those banks. We complained

of loss of interest due to the regional banks not paying interest on deposits. Our friends from Philadelphia practically say these benefits can be availed of by all banks of their district except those of northern New Jersey. Why should we be excepted and put to that additional cost and expense, except in competition with non-member banks. It looks like penalizing us. The balances that have been carried in Philadelphia have not been cash balances, but almost entirely collection accounts, and the bulk of them have been in transit. They were not true reserve.

Mr. Parker S. Williams: They were reported as reserves were they not?

Mr. van Deusen: Yes, legally they could be carried as reserve, but this new act has come down to the real essence of a reserve. They have recognized the fact that the old reserves were very frequently not true reserves; under the old law, we could carry our entire bank reserve in San Francisco, which is extremely illogical, and one of the features of this law is to bring the banks eventually to doing practically all of their business with the federal reserve banks, with their reserve centers, and doing practically all of their business with them.

And again the checks, for instance, the checks that they draw on the federal reserve bank in Philadelphia are not at absolute par in New York.

Now there are some very considerable state institutions

over there, - a number of large ones, so large that they do not carry accounts in other banks. Now our check given to them -- and we have to remit them very large amounts of money -- our checks on Philadelphia are not acceptable to them, absolutely not, because they would have to send those checks to a bank in Philadelphia for collection, involving a loss of some days before they actually get the money, - in other words before they could use it. Our checks might be taken by a national bank in New York, and could be deposited in the federal reserve bank in New York City, but there are so many large state institutions there and so many large concerns doing business with those state institutions, - brokerage and banking houses, - and they would not receive a check on Philadelphia at absolute par. I pointed one phase of that out to you in regard to the Post Office and Internal Revenue Departments.

And then as to the collection of items, it is not so much the collection of the item, which is very important in itself, I admit, but because of the delay in presentation. For instance, in sending, - we have a very large volume of checks on New York City, and in sending those checks to New York by way of Philadelphia, we would delay the presentation, even if one a day, and if anything happened, to the maker of one of those checks, we would probably under the law be accused of lack of due diligence.

The Comptroller of the Currency: Do you send them out

by messenger and get them in the same night?

Mr. Van Deusen: Yes, we in Newark send a messenger every afternoon.

The Comptroller of the Currency: Could you not continue to do that?

Mr. van Deusen: Yes, if we chose to maintain extra balances in New York, which, as Philadelphia pointed out, we could do on the extra three percent, which would not be sufficient however.

The Comptroller of the Currency: Is it necessary to retain large balances on New York in order to get the benefit of that relation?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: Why?

Mr. Van Deusen: They are not handling those checks for New York and it is a constant expense to handle those checks.

The Comptroller of the Currency: You mean on New York City?

Mr. Van Deusen: The clerical help, etc, would be an expense.

The Comptroller of the Currency: I do not see where that comes in; certainly not very much expense would be involved.

Mr. Van Deusen: Not very much, but considerable.

The Comptroller of the Currency: Would it be a hardship on you to collect New York checks by direct remittance, as at present, and send all others to the Philadelphia bank?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: How?

Mr. Van Deusen: Because of the extra balances that we would have to maintain there.

The Comptroller of the Currency: That is the only trouble, -- extra balances?

Mr. van Deusen: Yes, then there is also what I wanted to point out, - what I intended to point out, was the fact of the return on the items. It is important, as Mr. Edwards pointed out, to know, - especially in the case of large checks to know promptly if those are not paid, and because it is frequently necessary to catch the balance in order that they can be charged back to the balance of the man depositing them. Then, for instance, a check on our section where we have so many transactions with New York, supposing a case of a check of a manufacturing account to a custom house broker, that broker was a manufacturer in Paterson. They would not clear that transaction until they know the check is good. If he deposits that in a New York bank, and it sends to Philadelphia, - they put it in a federal reserve bank in New York and they send to Philadelphia, and they send to Paterson, they still take a couple of days at the quickest, and possibly more, and to get the knowledge it is paid will double that time. Now the depositor of that check in a New York bank--they deposit in a New York federal reserve bank, and they send it to Paterson,

gets the advice back in fully one-half the time that would be otherwise required, and those transactions are very frequent on account of our close relation-

ST. LOUIS FEDERATION

ship with that city.

The Comptroller of the Currency: Is the principal objection the requirement you may be called on to keep additional balances in New York as well as Philadelphia?

Mr. Van Deusen: No, our principal objection is the fact that it is a severance of our customary course of business.

The Comptroller of the Currency: Is it a severance? Does it involve that?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: How?

Mr. Van Deusen: In numerous ways that we have pointed out, in the carrying of our reserves in an unnatural district, and we feel that a strict compliance with the law would involve that.

The Comptroller of the Currency: You will continue to carry accounts in New York if you choose to do it?

Mr. Van Deusen: But we are penalized as against other member banks.

The Comptroller of the Currency: To the extent you may be required to carry balances there at interest which you would not carry otherwise at interest if the bank was in New York. You say you would still carry balances?

Mr. Van Deusen: I do not think so.

The Comptroller of the Currency: Would you keep all federal reserve balances in New York?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: At once?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: Of course you must after three years, but at once?

Mr. Van Deusen: Probably not.

The Comptroller of the Currency: Then you are not penalized because you are carrying balances in New York, which you carry anyhow.

Mr. Van Deusen: We are speaking of the ultimate workings of the thing.

The Comptroller of the Currency: Three years hence?

Mr. Van Deusen: And know that we must keep our reserves in cash or in the federal bank.

The Comptroller of the Currency: Then you look forward to three years hence, when you have all balances in New York banks, and no other accounts with New York banks?

Mr. Van Deusen: I feel we will do all our business with the federal reserve bank.

The Comptroller of the Currency: Only then it will be applicable, this hardship?

Mr. Van Deusen: Yes.

The Comptroller of the Currency: Only at the end of three years?

Mr. Van Deusen: But the change can be made more easily now.

The Comptroller of the Currency: Yes, but the only hardship will be at the end of that time.

Mr. Van Deusen: Yes.

The Comptroller of the Currency: But you would keep your balances there if the federal reserve bank were in New York? You would continue to keep your accounts in New York, would you not?

Mr. Van Deusen: How soon will you put into effect the clearing house function of the Act?

The Comptroller of the Currency: Suppose that should be put into effect at once?

Mr. Van Deusen: If placed in our normal district, we would undoubtedly, -- most of the banks would undoubtedly -- keep up the other balances with the federal reserve bank.

The Comptroller of the Currency: And not with their New York correspondents?

Mr. Van Deusen: And not with their New York correspondents.

The Comptroller of the Currency: That is interesting to know.

Mr. Van Deusen: I think that would undoubtedly occur. I know that would be my feeling.

The Comptroller of the Currency: You could keep your balances in the federal reserve bank if you chose, if Philadelphia exchange were on a par with New York?

Mr. Van Deusen: But Philadelphia exchange would never be on an absolute par with New York.

The Comptroller of the Currency: That is begging the question, is it not?

Mr. Van Deusen: If we sent a check to one of the large state institutions there, in payment of a sum owing to them, or involving a transfer, they would not take it at absolute par. They would not accept a check on a non-member clearing house bank, located up-town, for instance, at par, -- up-town in New York. For instance, -- I do not want to mention names of banks, but you know two or three of the large state banks and trust companies, some of the oldest in New York City, and suppose we sent a check to one of them on an up-town non-member of the New York clearing house. They would not accept it at par.

The Comptroller of the Currency: If the national banks would take at par, if you wanted to pay a state bank you could give a check on a national bank if you chose.

Mr. Van Deusen: That goes back to our keeping balances there.

The Comptroller of the Currency: But there would be no great hardship if the exchange were on an absolute parity between Philadelphia and New York?

Mr. Van Deusen: That's impossible to assume.

The Comptroller of the Currency: I know, but suppose it were possible.

Mr. Van Deusen: I do not think it is.

The Comptroller of the Currency: But you do not answer the question.

Mr. Van Deusen: No, that is only one phase of it. I think this has got to be looked at in the broader -- a broader

point of view. I think that personal intercourse between the member bank and the non-member bank is of very great importance, and one little feature was brought

to my attention just a day or so ago. You are putting, I think, your office is putting the national bank examiners under the head of a chief examiner in the district, with his headquarters in the federal reserve city. Now your examiners' office there have done their real work in northern New Jersey in being able to catch crooks who have been driven out of New York City; they have been able to do that by their location in New York City, and their close touch with conditions there. They tell me it has been very common, when crooks have been driven out of New York City; they have been able to do that by their location in New York City, and their close touch with conditions there. They tell me it has been very common, when crooks have been driven out of New York, for them to come over to the banks in New Jersey, and they emphasize the value of that New York contact.

The Comptroller of the Currency: When they drive them out of New Jersey, where do they go?

Mr. Van Deusen: To jail.

The Comptroller of the Currency: That is the next step, is it, from New Jersey? (Laughter.)

Mr. Van Deusen: No, but we sent one of them just recently. There is a case in point, and that contact is of very great benefit certainly -- is an illustration and with regard to the branch bank there I feel that their suggestion of a branch is a concession of all of our contentions. If our contentions are not true, there is no necessity for any branch. If our contentions are true, and they so locate a

a branch, they have suggested it be placed in Newark. Why Newark for the branch you would naturally have located in the financial center of the community? Now the financial and commercial center of northern New Jersey -- in other words the proper location for a branch -- is New York City. There is no other financial and commercial center of northern New Jersey, so if you locate your branch in the proper place, you would have to put it in New York City, and the whole thing can be simplified by simply turning us over to our proper and natural district, and we certainly ask that that will be done for the very good reasons that we have given you, and we feel that it can be done at once, much better than later.

We thank you, gentlemen.

The Governor of the Board: A request has been made by one of the Board that a county map of northern New Jersey, showing on the map the banks of New Jersey now in the clearing house, be prepared.

Mr. Edwards: It can only be in three cities in Jersey County: Hoboken, Jersey City and Bayonne. In Jersey City, the First National Bank and the Hudson County Bank, and the Third National Bank, and the Mechanics Trust Company, in Bayonne. Those three cities are the only part of Hudson County which take almost all our Hudson County in the metropolitan district, that can join the clearing house. That answers the question, does it?

The Governor of the Board: That answers it.

Mr. Van Deusen: I prepared ten maps that I got from the

Geological Survey here, prepared with a red ink line drawn across it where we ask for a change. Those are large maps, and Dr. Willis, I believe, has those in his possession. They were sent to him at the same time as our brief.

ARGUMENT OF MR. _____, OF NEW BRUNSWICK,
NEW JERSEY.

Gentlemen of the Board: Mr. Williams raised the question -- I do not know whether he is satisfied in his mind as to whether we should penalize New Jersey. I come from New Brunswick, and I can not see where we will have any occasion to use the national reserve banks. What is the measure of damage in the first year to our institution? Twenty-four hundred dollars, money worth four per cent, for the sixty per cent we have deposited in the national reserve bank. We must maintain our balances in New York, because their payment must come through New York. We have kept accounts in Philadelphia for many years for collection purposes, but we have never drawn against these to satisfy the demand of custom, but simply to transfer balances to our reserve institution in New York where used for distribution. We do not borrow any money.

The Comptroller of the Currency: Which is your bank?

Mr. _____ : The National Bank of New Jersey. We think very highly of the Philadelphia institutions, and our relations with them have been very pleasant, and I want to say that is where we are penalized by reason of the loss of money and interest.

The Comptroller of the Currency: You would lose it in the New York bank?

Mr. : No, indeed.

The Comptroller of the Currency: I mean the federal reserve bank in New York. They would pay no interest.

Mr. : Very true, but we have no occasion to have deposits in New York.

The Comptroller of the Currency: You would not?

Mr. : There would be no occasion for it.

The Comptroller of the Currency: You would expect to close them up?

Mr. : Yes.

The Comptroller of the Currency: At the end of three years?

Mr. : At once, if we could get the clearing features.

The Comptroller of the Currency: If you could get the clearing features?

Mr. : Yes, sir. Now we have a state institution in our town, and I am sure they will take advantage of this situation if we are penalized. We have some large industries in New Brunswick, and clear about twenty-five or thirty million checks drawn all over the United States. They will get that business, and New York has been soliciting that business already from us. We have lost two accounts on that basis.

Mr. Parker S. Williams: I shall merely rely on the discussion in our answer of various points referred to by Mr. Van Deusen and these other gentlemen in this hearing. Mr.

Rhoads wishes to say a word to the Board, and I am very glad to have him do so, to equalize my position against such an array of opposing counsel.

ARGUMENT OF MR. CHARLES J. RHOADS, GOVERNOR OF THE FEDERAL RESERVE BANK OF PHILADELPHIA, PENNSYLVANIA.

Gentlemen of the Board: I do not wish to seem to oppose the situation of the northern New Jersey banks. I merely would suggest that some of the points which they have raised are capable of being handled without the difficulty that I think they contemplate. Arrangements could be made to send checks to the federal reserve bank in New York, -- direct from Newark to any other point in northern New Jersey, for credit to the account of the sending bank through the books of the Philadelphia reserve bank. That is a detail easily handled.

Mr. Walter H. Van Deusen: Are you going to collect checks outside of your own district? Has that been settled?

Mr. Rhoads: I do not see how we can fail to do it. We have to do it. The law is mandatory. It looks to me that way. It has been stated by some of these gentlemen if they had their account with the federal reserve bank in New York they could close out all other New York accounts. I would question whether that would happen, because they must handle non-member checks, and must keep some channels open to do that. I can see no difficulty in re-arranging the clearing system, if afterwards the district should be re-defined. It is a mere

detail of bookkeeping, and we are all the time changing our method of routing checks, and that could easily be done.

Regarding the reduction of our capital, I think it should bear some proportion to our line of deposits, and I think the Comptroller of the Currency has brought that matter before the country in his last report.

In dealing with the amount of borrowings in banks in District No. 3, Mr. Van Deusen alluded to direct borrowings or re-discounts, taking no account of emergency currency, which should figure in this calculation, and the emergency currency taken out in our district should be added to the amount of borrowings of banks in District No. 3. I think that will be found quite a substantial sum. In our circular of inquiry, where Mr. Van Deusen suggested some of the questions that puzzled him as to what is to be done outside the district, we merely wished to call attention to the fact that you can not get away from time and distance in such problems, and time and distance between New York and Philadelphia are minimized, whereas time and distance between New York and San Francisco are at the extreme.

As to the penalty of carrying large reserves, which we suggest is possible for them to do without reducing their present borrowing facilities, the amount of your reserves, after all, is determined by the character of your deposits rather than by mere statutory limitations. Any banker knows one bank can run on a five per cent reserve on all time deposits, and another must carry twenty per cent reserve if he has a rapid turn-over.

I merely suggest these thoughts, and thank you for the

privilege of speaking to you, gentlemen of the Board.

The Governor of the Board: Gentlemen, we take the case under advisement, and will duly notify you of our conclusion in the matter.

(Whereupon the hearing was adjourned.)

BEFORE THE FEDERAL RESERVE BOARD

PETITION OF CERTAIN COUNTIES OF THE STATE OF WEST VIRGINIA TO BE
TRANSFERRED FROM THE FIFTH FEDERAL RESERVE DISTRICT TO
THE FOURTH FEDERAL RESERVE DISTRICT.

* - *

Washington, D. C.

- o -

January 27, 1915.

Reported by
Rexford L. Holmes,
Shorthand Reporter,
333 Southern Building,
Washington, D. C.

(The hearing was convened at 11:12 o'clock a. m., with the following members of the Board present: Charles S. Hamlin, the Governor of the Board, F. A. Delano, W. P. G. Harding, Paul M. Warburg, and A. C. Miller.)

Hon. Charles S. Hamlin, the Governor of the Board: Gentlemen, the Board will be very glad to hear you now on your petition.

Mr. Charles N. Kimball, of Sistersville, West Virginia, representing the petitioning counties: Gentlemen, I appear before you representing these petitioners. There are three of the petitioning banks present in person, represented by their officers. We are here before you representing no great large community or no considerable financial interests. We are representing two small counties up in West Virginia and five national banks, these being all of the national banks in those two counties. We are not here to complain of the location of any reserve bank, but we are here asking to be transferred from one reserve district to another. We are asking to be transferred to a district with which we have always been accustomed to do business, and in which we believe a due regard to the course of business in our district demands that we be placed.

Now, I have with me a map which you see here, which will show to you the location of the counties in which these petitioning banks are located. (Exhibits map to the Board.) Webster and Tyler Counties, in which these petitioning banks are located, are shown on this map shaded yellow; they are in the extreme

northwestern portion of the Fifth District. Webster County adjoins Pennsylvania. The northern boundary line of Webster County is also the southern boundary line of the Fourth District; the western boundary of Webster and Tyler Counties is the Ohio River. The dividing line between West Virginia and Ohio is also the western boundary line of the Fourth District. Those two counties have always been intimately connected with the Panhandle Counties. We are virtually Panhandle Counties, although not within the Panhandle. The red lines here (indicating on map) show the railroads running from Sistersville, by which we are connected with Washington and Richmond. The blue lines are the connecting lines with Cleveland, Ohio.

While we are standing (The members of the Board, together with counsel, were standing up to examine the map counsel was explaining), to make it brief, the distance from Sistersville, which is the furthestmost point from Cleveland by the shortest route, is 182 miles; by the shortest route to Richmond it is 517 miles. A letter posted at Sistersville after banking hours will not reach Richmond until after banking hours the succeeding day. It is in Cleveland before banking hours the following morning. The distance and means of communication are such that a traveler can leave Sistersville, go to Cleveland, and return, in the same time that it would take a letter to go from Sistersville to Richmond. The time and distance is on or about the ratio of one to three. The distance is about three times as great to Richmond as to Cleveland. The time taken in travel is

about three times as great to Richmond as to Cleveland. The railroad fare to Cleveland is one-third less than the railroad fare to Richmond. The same ratio applies to long-distance telephone. The long-distance telephone rate from Sistersville to Richmond is three dollars for three minutes, and one dollar per minute for each additional minute; while to Cleveland it is one dollar for three minutes, and thirty cents for each additional minute. The same ratio applies to telegrams. To Cleveland we have a twenty-five cent rate for ten words, and two cents for each additional word; to Richmond a telegram rate of fifty cents for ten words, and three cents for each additional word.

Now, briefly, that sums up the location with relation to distance and time of connection between the two points.

Now we base our petition for change from the Fifth District to the Fourth District, first, upon the fact of our near proximity to Cleveland, and the Cleveland district; second, upon our great distance, comparatively speaking, and the difficulty of communication, between our district and the Richmond district; third, upon the fact that our business interests and commercial connections have always been and are with the cities and towns and banks in the Fourth District; fourth, upon the fact that "due regard to the convenience and customary course of business" demands that petitioners be placed in the Fourth District; and fifth, upon the proposition that the Federal Reserve Act was passed in aid of trade, and not in restraint of trade, and upon the fact that that Act expressly declares that the districts shall be apportioned with due regard to the convenience and customary

course of business.

Now, gentlemen, West Virginia is a small State, and probably extends over a greater proportion of territory in proportion to its area than any other State in the Union. It has an extreme east and west width of 270 miles, and extends north and south 250 miles. Its northern extremity extends twenty-five miles north of the latitude of Pittsburgh, Pennsylvania; its southern extremity extends to a latitude fifty miles south of that of Richmond, Virginia. Its eastern longitude extends to a point about fifteen miles east of the city of Richmond, and its western longitude extends to a longitude twenty miles east of the city of Columbus, so you see we are pretty largely distributed over the face of the map, although we are a small State, something like a few hundred over twenty-four thousand square miles.

Now, we have been placed in the Richmond District. We believe we should be placed in the Fourth District. Our means of communication and our business, we believe, demand that we should be placed in that district.

Now, in looking over the proceedings before your honorable body, I have noticed that the Richmond brief at no time and in no place had in mind taking in any part of West Virginia in the Fifth District other than the southern part of West Virginia; but the entire State has been placed in the Fourth District, with the exception of Hancock, Brook, Ohio, and Marshall Counties, the four counties whose boundries show are actually Panhandle^a Counties. Now, the two counties of Webster and Tyler are in

the Ohio River County. We are virtually Panhandle Counties, and not four counties in the Fourth District; and Wheeling, the largest city of the State, and the industrial center of the northern portion of West Virginia, is only thirty-seven miles from New Martinsville, and forty from Sistersville, and is the city with which we are commercially closely connected. Pittsburgh is 116 miles away. Three of the petitioning banks are located in Tyler County, three of them in Sistersville; no, four are in Tyler County, and three of them are in Sistersville, represented here in person by their officers. One of them is at Middlebourne, the county seat, ten miles back in the county. The other petitioning bank is located at New Martinsville, which is thirty-seven miles from Wheeling. We are in the same senatorial district with Marshall County, and politically, commercially, and geographically, we belong with the Panhandle Counties between the Ohio River valley and the Richmond district. We have the range of hills or mountains called the Ohio River Hills and the Blue Ridge and Allegheney Mountains. We have no means or lines of communicating with the eastward portion of the United States from the West Virginia District except where a stream cleaves or cuts the ranges, and you will notice our railroads running east and west in West Virginia, all run up the Little Kanawha, up the Large Kanawha, and down the Big Sandy in the southern end. Our most usual means of reaching Richmond and the manner in which mail is sent is either to Wheeling and out the Baltimore and Ohio east to Washington and

to Parkersburg, or over the Baltimore and Ohio to Washington, or it is possible for the traveler to go to Point Pleasant and out to Charleston, and take the Chesapeake and Ohio to Richmond east to Huntington, and take the Norfolk and Western to Richmond, but those routes are so long and so much time is required to make such a journey that that route is impracticable.

Now, in starting to Washington or Richmond from Sistersville or New Martinsville, it is necessary to take the Ohio River route and go north to Wheeling 47 miles, and there change cars or to take the Ohio River south to Parkersburg, and change cars and go east.

The running time I have given you, gentlemen, that is necessary, or the time that it takes to reach Richmond, is the actual running time. It is not the actual time that it would take a letter to travel that distance, for the reason that there are several hours lost in making connections either at Parkersburg or at Wheeling, to the Cleveland district. We go directly north to Wheeling. We have five trains each day to Wheeling. We have three lines of railroad running from Wheeling to Cleveland, -- the Baltimore and Ohio, the Wheeling and Lake Erie, and the Pennsylvania; or we can go from Sistersville or New Martinsville to Pittsburg, Pennsylvania, 116 miles away, and we have the Pennsylvania Railroad, and the Wheeling and Lake Erie, and several other routes, to go to Cleveland, which is probably the most convenient way for a traveler to go, but the mail I understand goes to Wheeling and is sent out over

these lines to Cleveland, so that so far as distance in miles is concerned, the position of Sistersville, New Martinsville, and these petitioning banks demands that they be placed in the Cleveland district.

So far as the distance in hours and minutes is concerned, the same demand is made, because the actual running time, the actual time taken in going from Sistersville to Cleveland by mail or by a traveler is actually one-third that that it takes the same traveler or mail to go from Sistersville to Richmond.

In other words, it takes from $6\frac{1}{2}$ to 7 hours to go from Sistersville to Cleveland, while to Richmond 17 hours is the shortest actual running time that the distance can be made in, and that is the actual running time, and not the actual time it would take because of the several hours that would be lost in making connections at Parkersburg or at Wheeling.

From Sistersville to Cleveland via Wheeling and the Wheeling and Lake Erie is but 99 miles; that would be going from Sistersville to Wheeling and out this road here (indicating on map), which is but 99 miles with running time of $7\frac{1}{2}$ to 8 hours. Sistersville to Cleveland via Wheeling and the Pennsylvania Railroad is 182 miles, or 7 hours. Sistersville to Cleveland, via Wheeling and the Baltimore and Ohio Railroad, is 209 miles, six hours and forty-five minutes; Sistersville to Cleveland, via Pittsburgh and the Pennsylvania Railroad, is 264 miles; $7\frac{1}{4}$ hours to $10\frac{1}{2}$ hours. To Richmond by way of Pittsburgh and the Baltimore and Ohio to reach Richmond by Parkers-

burg is 522 miles, with an actual running time of 17 hours; to Richmond by way of Wheeling, the distance is 517 miles, with an actual running time of $17\frac{1}{2}$ hours. One can also go to Parkersburg and Washington, and thence to Richmond, with the distance of 534 miles, or running time of 18 hours, while the distance by way of the Pleasant, and Kanawha, and the Chesapeake and Ohio, is 551 miles, or a distance of sixteen hours and twenty-three minutes. By way of Huntington, Kanawha, and the Norfolk and Western is 729 miles, or a running time of over twenty-three hours, -- twenty-three hours and fifty-eight minutes. But those, -- as I have stated, -- those routes are so long that they are entirely impracticable.

The Governor of the Board: May I ask, would you be subjected to the same disadvantage, in your opinion, if Washington or Baltimore had been designated? Are they about as unfavorably situated?

Mr. Kimball: No, sir; they are not. Washington would have been preferable, and Baltimore would have been also, because our banks carry as it is, -- but I will touch on the business relations in a moment.

The Governor of the Board: Well, I mean, with regard to Cleveland and Pittsburg, -- would they be nearer than Washington or Baltimore?

Mr. Kimball: Yes, sir.

The Governor of the Board: So that what you say would apply equally to Washington and Baltimore?

Mr. Kimball: Not to an entirely equal degree.

The Governor of the Board: Not to an equal degree?

Mr. Kimball: No, sir; because Baltimore would be just as much nearer to us than Baltimore is to Washington, rather than Richmond.

The Governor of the Board: Yes.

Mr. Kimball: There would be just that difference on this end.

The Governor of the Board: What I want to get at is this: Would this petition have been filed by you if either Washington or Baltimore had been designated? Would you still feel your proper place was in the Fourth District?

Mr. Kimball: Mr. Jackson, what would you say?

Mr. A. C. Jackson, President of the First National Bank, Sistersville, West Virginia: Yes; I believe it would. We believed our business connections are such that we all voted for Pittsburgh as a reserve point, for the reserve bank, and our vote was unanimously for Pittsburgh as opposed to Cleveland, but Cleveland is much more satisfactory than either Washington or Baltimore would be, for the reason that --

The Governor of the Board (to Mr. Kimball): I did not want to interrupt you --

Mr. Jackson (continuing): -- our business is of a nature that we are more in touch with Pittsburgh than Cleveland. We are in the oil and gas business, and they are also, so we are very closely connected, and for twenty years we have kept our

principal reserves in Pittsburgh. We have very intimate relations with those banks.

Mr. Kimball: Now, just answering your question, or touching on that phase or feature of it, the business relations of the Ohio Valley, and particularly of these two counties, are almost identical with those of the Wheeling and Pittsburgh district, and to a certain extent with those of the Cleveland district. Our business in the Ohio Valley here has been almost exclusively with -- connected with -- the oil and gas business, and also with the manufacture of glass, and steel mills. Those are the industries in the Ohio Valley. They are the same industries upon which the banking business of Wheeling depends, and also that of Pittsburgh, and to a great extent that of Cleveland. Pittsburgh has been the head of the oil and gas business for many years. Sistersville, West Virginia, has been the head of the oil and gas business in the State of West Virginia ever since oil and gas have been found in that State. Our banking has been done in Wheeling and Pittsburgh, because of the similarity of the business in which the two sections have been engaged. In the Wheeling district and Wheeling the industries are oil and gas production, glass manufacture, and the manufacture of steel and of piping, and those are the same industries that we have in our own section, in these two counties in which these banks are located.

All of these companies, all of the oil companies that produce oil, -- and I think that I am correct in saying all, -- maintain their head offices in Pittsburg, Pennsylvania; a few of them have their main offices in Cleveland, Ohio; and all of these companies pay their rentals to the farmers on their leases in checks on Pittsburg banks and on the Wheeling banks, and those checks may go through our banks, and their royalties are paid in like manner, and when oil is purchased by the pipe line companies, it is paid for by checks on the Pittsburg banks.

Mr. Jackson: The books for the oil companies are kept in Pittsburg. When we sell oil, they wire Pittsburg to get our balances, so the books are kept there, and also a large portion of the gas which is consumed in the cities of Pittsburg, Wheeling, and Cleveland, comes from our county, or is transported by pipe line to those cities.

Mr. Kimball: Some of the largest, -- or the largest -- gas pumping station in the world is located in Webster County, and the gas that supplies -- as Mr. Jackson has stated -- the gas that supplies Cleveland and Pittsburg is largely produced in these two counties. The gas not produced there at least passes through our counties in being transported to these two cities, and the direction of our business is all toward Pittsburg and toward the Cleveland district.

Now, I shall not attempt this morning to touch on the banking questions, or how these banks would be particularly

affected by carrying their reserves at Richmond instead of at Cleveland, because I assume that in the arguments that have already taken place before you those questions have been pretty well threshed out, and would apply perhaps to these banks as well as to the banks for which the arguments have already been made.

Now, as showing the line of business we have, in our printed brief, there appears a statement of the business of a certain period with these banks, showing the business of these banks with the Pittsburg district, in comparison with the Richmond district, during the last week. These five petitioning banks have kept an account of their items, and I will desire to file a copy of this with you this morning. During the week of January 18th to the 23d these five banks had only twelve items on the Fifth District outside of West Virginia, amounting to \$213.55. The items -- the other items -- on the Fifth District, -- all items of Webster, Harrison, Tyler, and Pleasants Counties, including the two petitioning banks with the two adjoining counties, -- we had 517 items, amounting to \$17,542.50. The items from all other West Virginia points in the Fifth District, -- we had 135 items, or \$5,132.37. Now that made a total on the Fifth District of 664 items, amounting to \$22,928.42. But it must be remembered that only twelve of those items, amounting to \$213, are in the Fifth District outside of the State of West Virginia, and that 517 of them were from the two petitioning counties and two adjoining counties now in the Fourth District. These

2

banks had 569 items, with \$135,000 -- \$135,337.85, on the Fourth District. That shows in a measure the trend of business, our "due course of business" in this section, and we think if the act is to be followed, which states that the banks are to be located with "due regard to the convenience and customary course of business", that then the customary course of our business in this section demands that we shall be placed in the Fourth District.

Now, as I have stated in my opening remarks, we have no complaint to make whatever with regard to the location of the reserve banks. It is purely a business question with us as to which district our business demands that we be placed in, and we think that the ordinary course of our business, both past and present, shows that we are closely allied with the Fourth District, and therefore that we should be placed in that district.

If you gentlemen have any questions to ask, we will do our best to answer them, but we think this briefly states our case, and the map shows our location geographically. The figures I have given you, and the figures appearing in our brief here, show conclusively where the bulk of our business would indicate we should be placed.

Dr. A. C. Miller, a Member of the Board: Have any of these other counties in the western section of West Virginia shown a disposition to join you?

Mr. Kimball: Not that I am aware of.

Dr. Miller: Is not the argument you have made applicable

also to Pleasants County?

Mr. Kimball: It might be applicable to Pleasants County.

The Governor of the Board: Will you just point out the other counties?

Mr. Kimball: Here they are here (indicating on the map). The same would apply also to these.

Mr. Jackson: There is only one national bank in Pleasants County.

Mr. Kimball: In several counties.

Mr. Jackson: The president of that bank called me up the other evening and inquired about our case before the Federal Reserve Board, and said they would be very glad to be placed in the Fourth District also, but had not started any proceeding.

Hon. Paul M. Warburg, a Member of the Board: Why did they not join you?

Mr. Kimball: We did not ask them, because Webster and Tyler Counties are close together, and we did not ask them.

Dr. Miller: Are the industries in Pleasants County of large consequence?

Mr. Kimball: Oil and gas is all. We have no manufactures.

Dr. Miller: And only one national bank.

Hon. W. P. G. Harding, a Member of the Board: In case a branch is established at Parkersburg, how about it then?

Mr. Jackson: Parkersburg is forty-seven miles away.

We are the same distance from Parkersburg as from Wheeling.

Mr. Kimball: Cleveland would be more convenient for us than Charleston.

Mr. Jackson: Yes, Cleveland would be more convenient.

Mr. Kimball: We have to go over two lines of railroad to get to Charleston. All of the counties, -- some one asked the question about the counties of West Virginia in the Fourth District, --all of West Virginia is in the Fifth District except these four counties here; running from these are the four Panhandle Counties, virtually. Geographically, we are as much a part of the Panhandle as these counties are themselves. We are in the valley of the Ohio River. Our industries are exactly the same. We are closely connected by railroad connection, telegraph, telephone, and the configuration of the country. West Virginia is a very rough State.

The Governor of the Board: What is the outline of West Virginia and Virginia?

Mr. Kimball: West Virginia runs here (indicating on map). This is Maryland; that comes in here; this is the West Virginia line, and the Ohio River is here (indicating on map).

The Governor of the Board: Yes.

Dr. Miller: It runs up there in the Panhandle, does it?

Mr. Kimball: Yes. This red line, which is the Baltimore and Ohio Railroad (indicating on map), is also the boundary line of West Virginia. I can not see now; it runs here (in-

dicating).

The Governor of the Board: That is the line between Virginia and West Virginia (indicating on map)?

Mr. Kimball: Yes, sir; no, here it is (indicating on map).

The Governor of the Board: Oh, yes.

Mr. Kimball: It comes down here; this is the Maryland line here (indicating on map). But all of West Virginia is in the Fifth District, with the exception of those four counties there, and we are just as much a part of that Pan-handle as those counties themselves. The Ohio River here (indicating on map) is very rough a few miles back, and mountainous, and as I said, no railroads run through except along the bed of a stream. It is impossible for them to get through.

Some gentleman asked me if the arguments we have advanced would be equally true as regards the other counties we have mentioned. They would be true as to Pleasants County, but not to Wood or the other counties south, because they are on the main line of the Baltimore and Ohio east. We are on a line of the Baltimore and Ohio running from Kanawha up the Ohio River to Pittsburg, and the Baltimore and Ohio east runs out as shown by this line here, and the Kanawha, and Chesapeake and Ohio and those lines there.

Dr. Miller: What is the approximate capital of the banks represented?

Mr. Kimball: I am glad you asked that question. This

transfer can be made without throwing out of balance the capital of the reserve bank at Richmond. The combined capital and undivided profits of the five banks is \$531,000. Their subscription to the reserve bank at Richmond is something over \$31,000.

The Governor of the Board: Are there any other questions?

Mr. Kimball: Doctor, is there anything else, or Mr. Jackson, that you would like me to speak about?

Dr. G. B. West, President of the People's National Bank, Sistersville, West Virginia (residing at 3464 Macomb Street, Cleveland Park, Washington, D. C.): I think there is nothing else.

Mr. Jackson: I think not. I believe you have covered the ground very thoroughly.

The Governor of the Board: I have a letter from Mr. Hunton (referring to Mr. Eppa Hunton, counsel representing the Reserve Bank for the Fifth District, of Richmond, Virginia). Perhaps he has advised you. --

Mr. Kimball: His partner did.

The Governor of the Board (continuing) -- that he will not be here, and that he will simply file a brief.

Mr. Kimball: I feel like apologizing to the Board because I have not perhaps been more logical, or presented this matter in a clearer manner, but I feel somewhat handicapped by the fact that we are rather overshadowed in this case by the great importance of the other cases that you gentlemen have heard; but this case is as important to us --to these five

banks -- as the other cases have been to those petitioning bodies.

Now I desire to file with you gentlemen, -- I have only two copies here, -- of the statement of the last two of these five banks, showing the items on the Fourth District and on the Fifth District, as well as the tables showing the distances and time of connection.

The Governor of the Board: Will you send a copy to the counsel on the other side?

Mr. Kimball: I will do so. I would like to have a copy made for each member of the Board, and you will have them to refer to.

The Governor of the Board: That is all right; keep those then, and mail them to us.

Mr. Kimball: We will do so.

The Governor of the Board: Gentlemen, we will take this under consideration, and advise you.

Mr. Kimball: Would you care to have that map, gentlemen?

The Governor of the Board: I think we would like to have the map. We can return it, you know.

Mr. Kimball: Gentlemen, I would like you to keep in mind this point, in considering this transfer, and that is, the identity of the business with our business, of the locality that our banks are situated in with the business of the Fourth District. The business that we are engaged in is almost exclusively the oil and gas business. Our business in Sistersville in years past, -- I think I will be correct in saying --

has been dependent exclusively on the oil and gas business.

Mr. Jackson: In fact, there would never have been any banks there had it not been for the oil and gas business.

Mr. Kimball: We have four banks there. One is a state bank. Sistersville has only four thousand inhabitants. The capital stock of each of our four banks is \$375,000, so you must see there has been a considerable business there, considering the size of the town, to warrant the establishment of those four banks.

Mr. Jackson: The deposits in the four banks are about -- over two and one-half million.

Mr. Kimball: And understand this is due almost exclusively to the oil and gas business, the rentals the people receive, the payment of royalties, and money in payment for the oil. The oil is purchased by the Standard companies, and as we have said to you, their offices are in Pittsburg, and payments are always made in checks on Pittsburg banks, and I would like to add to what I have said, that, according to the Comptroller's report, none of our banks, I believe, carries any accounts in Richmond.

The Governor of the Board: None of them?

Mr. Walter R. Reitz, Cashier of the Farmers and Producers National Bank, Sistersville, West Virginia: One small account is carried in Baltimore. That is the point where we believe we will be handicapped. We will receipt the Federal Reserve Bank in Richmond for a number of items, and have nothing on the Fifth District; all our items will be on the Fourth

District unless they collect items on the Fifth District, and that would take four days.

Mr. Kimball: I would like to call attention to this map.

Hon. F. A. Delano, a Member of the Board: Is that in your map?

Mr. Kimball: No, the map showing the location of banks carrying accounts with the Richmond banks and trust companies. Now this is West Virginia here (indicating on map), and here is the Panhandle, and our two counties are located there (indicating). Now that will give you gentlemen an idea of the banks carrying accounts.

The Governor of the Board: What is the number of that reference, -- the Senate Document?

Mr. Kimball: It is Document 485, the location of federal reserve district banks.

The Governor of the Board: We have the same information; I wanted to look that up.

Mr. Kimball: I will be very glad to leave this with you.

Now, there is another map I desire to call your attention to also, and that is a map of the vote taken on the location of the reserve bank. Our counties are located right there (indicating on map).

The Governor of the Board: We will carefully consider all this, and will advise you later.

