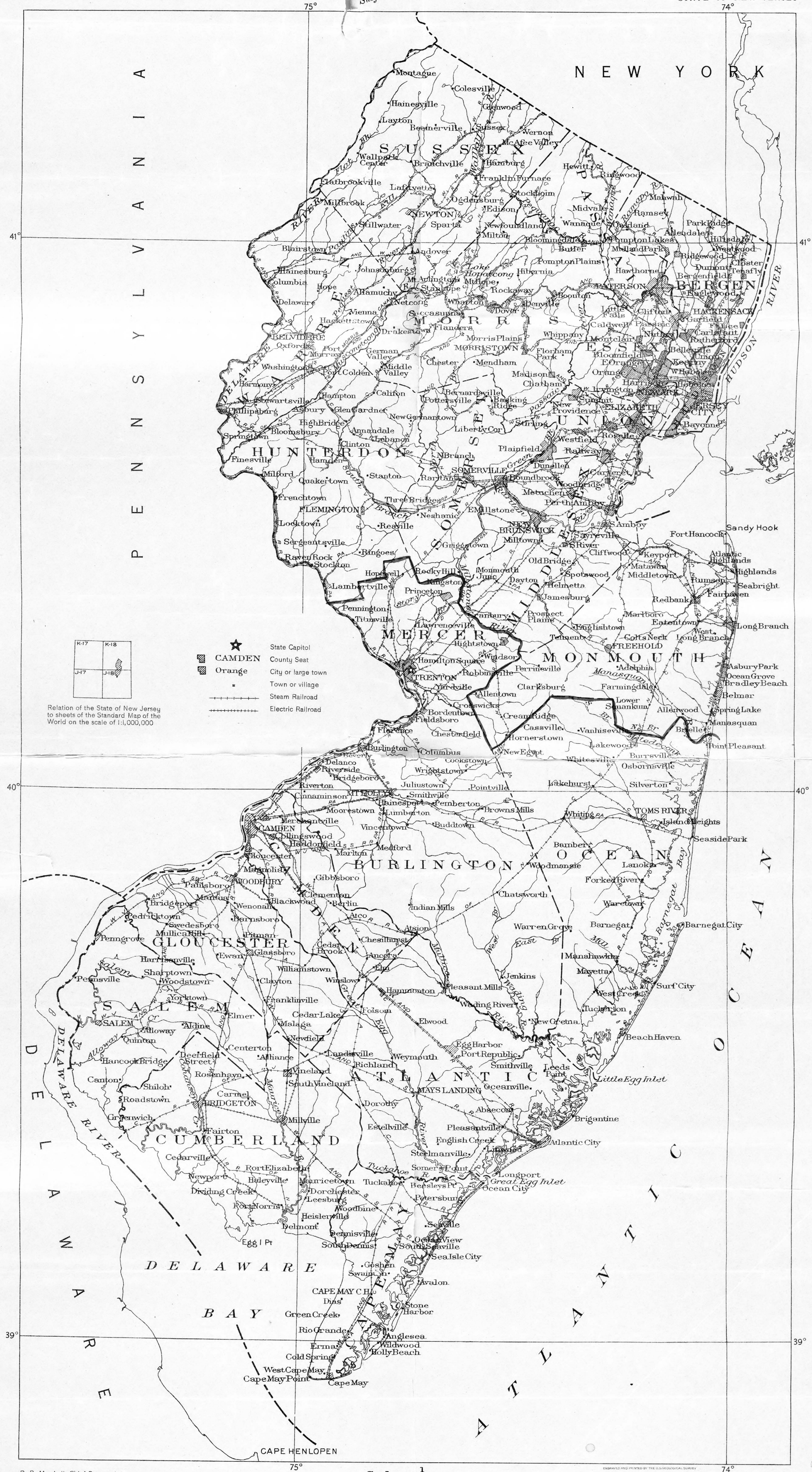


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APPEAL TO THE FEDERAL RESERVE BOARD

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. Leigh 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, Counsellor 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

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 MARRELL, 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 \$117,000,000 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 these 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 coterminous, 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 --

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. These 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 these 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.
to be inserted
later*

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 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 ~~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 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 ~~making~~ 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 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 right 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 or 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 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

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

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. LEIGH 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. I, 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

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:

"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 ~~district~~ 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."

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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

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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

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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

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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

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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."

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~~x~~ 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

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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

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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.

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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

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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

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

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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

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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

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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 please, 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 prescribes 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 reserve city, you would put four of the reserve cities of the Atlantic States, Boston, New York, Philadelphia and Baltimore, 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 territory 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, either 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 fact, 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 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 distinct

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.

The third is preferential freight rates, which I have already alluded to. Mr. Newcomer, when testifying for Baltimore ^{at} ~~and~~ 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} ~~amend~~ therefore as an absolutely fair and impartial -- I would not like to say -- ^{arrangement} ~~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

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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

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\$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

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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.

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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-

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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

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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

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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 ~~the district~~ ^{Richmond} 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

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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-

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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

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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

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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

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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.

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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

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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.

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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

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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-

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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

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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

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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

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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

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 ~~XXXXX~~ 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

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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-

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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

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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

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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 ^{Law} 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

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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-

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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-

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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-

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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

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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

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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.

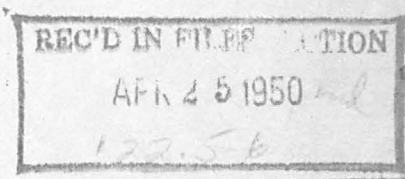
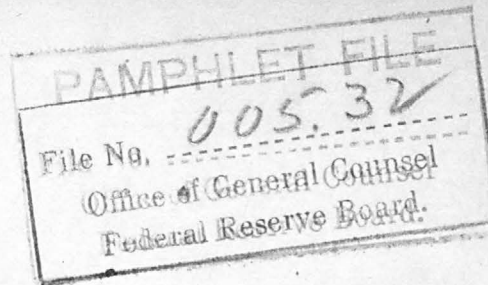
The CHAIRMAN: We want to express our appreciation of the great ability shown by both sides in presenting

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this case. We will take it under advisement and later advise you of the decision.

(Whereupon, the hearing was adjourned).

Enclosed with letter from
(Huntton to Secretary of Board
under date of Dec. 15, 1914)



BEFORE THE FEDERAL RESERVE BOARD.

IN THE MATTER OF THE
DESIGNATION OF THE FEDERAL RESERVE
BANK IN DISTRICT No. 5.

REPLY BRIEF ON BEHALF OF THE RICHMOND
MEMBER BANKS OF FEDERAL RESERVE
BANK OF DISTRICT No. 5.

EPPA HUNTON, JR.
AND
LEGH R. PAGE,
Counsel of Respondents.

EVERETT WADDEY CO. RICHMOND, VA.

BEFORE THE FEDERAL RESERVE BOARD.

IN THE MATTER OF THE
DESIGNATION OF THE FEDERAL
RESERVE BANK IN DISTRICT No. 5.

REPLY BRIEF ON BEHALF OF THE RICHMOND MEMBER BANKS OF FEDERAL RESERVE BANK OF DISTRICT No. 5.

Before replying to the Brief filed by the petitioners in behalf of the City of Baltimore, we respectfully direct the attention of this honorable body to the fact that the Brief in behalf of Baltimore is in disregard of Regulation No. 1 of the Federal Reserve Board in the matter of procedure in appeals from the Reserve Bank Organization Committee; first, it is filed "on behalf of the citizens of Baltimore," whereas, Regulation No. 1 makes the majority of member banks located in the city requesting a review the petitioners; and, second, the Brief is filled with matter wholly new and not contained in the record before the Organization Committee, whereas the said Regulation No. 1 provides that "The Board will not hear testimony, but the parties will be limited to the record before the Organization Committee."

The Brief for Baltimore is in point of fact a presentation of her claims on entirely different grounds from those originally relied upon.

While we do not make objection to consideration by this honorable body of any new matter which Baltimore may desire to present in the attempt to strengthen her case, it is manifestly impracticable to reply fully within the time allotted to us, even if permitted, to any new contentions, statements or statistics which require on our part research, verification and the preparation of counter statistics.

We respectfully submit, however, that we decline to be parties to such violation of the rules of procedure laid down by this Board and feel that it is expected of us that we reply to those parts of the Brief only which refer to matters in the record before the Organiza-

tion Committee. We submit to the Board what consideration it will give to those parts of the Brief not in the record and will ourselves cite certain instances only to show how unreliable are the statistics contained therein.

In the statement of the RESERVE BANK ORGANIZATION COMMITTEE relative to its decision determining the Federal Reserve Districts and the location of the Federal Reserve Banks under the Federal Reserve Act, the Committee gave its reasons at some length for designating Richmond instead of Baltimore as the Federal Reserve City for District No. 5.

The Committee's reasons given in said statement are alternately attacked in the Brief filed on behalf of the citizens of Baltimore as based upon a misconception of the purposes of the act, or as inconsistent with the grounds upon which the selection of other Reserve Cities was made, and finally inference is made unmistakably that the Committee was actuated in designating Richmond by motives other than those disclosed in its statement.

While we shall undertake to amplify the several positions taken by the Committee in its designation of Richmond as a Federal Reserve City of District No. 5, by giving additional facts in the record, we deem it unnecessary to defend the Organization Committee from the criticisms made against it.

As a preface to our reply, we respectfully call attention to the fact that the Organization Committee named by Congress to perform the difficult task of designating "not less than eight nor more than twelve cities to be known as Federal Reserve Cities * * * and shall divide Continental United States, excluding Alaska, into districts, etc., etc.," was made to consist of the Secretary of the Treasury, Secretary of Agriculture, and the Comptroller of the Currency; that Congress entrusted this work to this Committee knowing at least the incumbents of two of such offices, and that the determination of this Committee was reached after "Every reasonable opportunity had been afforded applicant cities to furnish evidence to support their claims for Federal Reserve Banks; and that the majority of the Organization Committee, including its Chairman and the Secretary of Agriculture, were present at all hearings, and stenographic reports of the proceedings were made for their deliberate consideration. Independent investigations were, in addition, made through the Treasury Department, and the prefer-

ence of each bank as to the location of the Federal Reserve Bank with which it desired to be connected was ascertained by independent card ballot addressed to each of the 7,441 national banks throughout the country which had formally assented to the provisions of the Federal Reserve Act;" and, "Following its policy declared at the very outset, the Committee refused to be influenced by the purely local and selfish claims of cities or individuals, and discharged the duty imposed upon it by Congress after exhaustive investigation and study of the entire country, with unbiased minds and according to its best judgment." Extracts from Statement of Federal Reserve Board, pages 361 and 365 of the record.

It is a rule of law, generally followed in both State and Federal practice, that great weight should be given to the conclusions of trial courts and masters who have the opportunity of hearing the witnesses testify, observing their capacity and acquainting themselves with circumstances and surroundings not open to appellate courts, and that such conclusions should not be set aside or modified except in cases of palpable error and mistake.

For which reasons, and because of the character and qualifications of the members of the Organization Committee to perform the task in question, we confidently submit that their decision should be affirmed unless plainly wrong.

The contentions of Baltimore, as set forth in the Brief, are divided under four principal heads, with an infinite number of subdivisions.

Baltimore has had several months to prepare this Brief. The time, seven days, allowed the member banks of Richmond, within which to prepare a brief in reply is too limited to admit of answer in detail to the many theories and contentions advanced by Baltimore.

Reference to the synopsis of these contentions, which appears at length in both the petition and the Brief of Baltimore, shows that they are all variations of the same general idea. It will be seen by inspection of this synopsis that it is impracticable to reply to these contentions *seriatim* with any continuity of argument. They are too closely inter-related, going back and forth from one heading to another, expressing but one central idea in different forms, all growing out of the size of Baltimore. In reply, we shall, therefore, treat them as a whole.

At the outset, Baltimore takes exception to the fact that the Committee did not first designate the Reserve cities and then proceed to arrange the districts.

This position seems to be taken by Baltimore because the designation of Reserve Cities is mentioned first in the act and upon the assumption that Baltimore would have, under such a course of procedure, stood a better chance of being selected.

In taking this position, Baltimore arrays herself against what must be admitted as the controlling purpose of the act, viz: that the traditions, habits and common understandings of the people, as well as the character and growth of industry and the banking connections of the different sections of the country, to be divided into sections, required the most careful consideration.

It is perfectly evident that the division of the country into districts was far more important and complex than the designation of Reserve Cities. The fact that certain large cities might be clearly marked out in advance as proper locations for Reserve Banks in nowise modifies this.

It is one of the admitted purposes of the act, a purpose admitted in debate, to bring about financial local self-government as far as may be consistent with stability and the general safety, to restore to normal conditions financial movements and relations which have been artificially built up by the old National Bank System.

To illustrate Baltimore's conception of the purposes of the act, we quote from its Brief, on page 70, as follows:

"The principal purpose of Congress, however, in devising the addition to an existing system was evidently not so much to improve conditions at ordinary times, as to provide a more satisfactory system in times of stress."

In the Brief of Baltimore, paramount importance is given to the size of her population and the magnitude of her resources, without taking into account the unfamiliarity of her people and her failure to employ her resources with the balance of the district.

Incontestably, Baltimore is the largest city in population in the district, and her banking resources greatly exceed those of any other city, but it does not, therefore, follow, as Baltimore assumes, that she is the natural commercial, industrial and banking center of the fifth

district; that all business in the fifth district naturally converges at Baltimore; and that in every essential respect, in commerce, finance and industry, she is about five times as important as Richmond to the Fifth District.

Upon this point, and upon the question of due regard to the customary course of business in the fifth district, the testimony establishes Richmond's superior importance to the district.

The determination of the location of the Reserve City of any district we deem to be primarily a banking problem. This is not admitted in terms in Baltimore's Brief, but her argument is directed chiefly toward this point of view as is indicated by the Synopsis of Parts 1, 2 and 3, which, as stated, is reviewed by us as a whole, having regard only for those facts and principles set forth in, or germane to, the record.

The Organization Committee states, on page 368 of the record, that "it should be borne in mind that the Committee could consider primarily only the statistics with reference to assenting banks. In this section of the country, as in most others, the assenting banks were the national banks."

Baltimore, page 79 of Brief, also takes exception to this position, and complains that in determining the Reserve Cities all banking power outside of the national banks was ignored by the Committee, and advances the theory that "the new system is, on the contrary, intended to constitute but the governing or regulating part of a comprehensive system embracing all banks."

It is new doctrine that the "system" will seek to regulate anything outside of itself.

Baltimore furnishes no proof whatever, and there is none, that the Organization Committee in making its decision ignored all banking power outside of national banks, *and due consideration of that portion of bank resources of the district, outside of the national banks, entitled to most consideration, namely, State banks, would inevitably lead to a decision in favor of Richmond.*

In considering the power, operation and development of the system as a whole, it was natural, logical and essential to consider primarily the present component parts, and, second, the banks likely to come in it.

On page 21 of the Baltimore Brief, the division of her banking power is given as follows:

	Resources.
National banks	\$114,973,000
State banks, trust companies and stock savings banks	80,183,000
Mutual savings banks.....	102,708,000
Total	<hr/> \$297,864,000

In the Comptroller's annual reports the resources of the trust companies of Maryland are given as \$74,000,000, statistics for Baltimore not being separately given. It may be reasonably and safely assumed that the trust company resources of Maryland are centered in Baltimore, there being only three other cities in Maryland of more than 10,000 inhabitants. It is certainly fair to Baltimore to assign \$70,000,000 or more to the trust company resources of Baltimore. The limited time at our command does not enable us to ascertain the exact figures.

The combined resources of mutual savings banks and trust companies are, therefore, approximately \$172,000,000, or 58 per cent. of the local banking resources.

Trust companies have a field of their own and it is hardly within the limits of probability that many, if any, of them, considering the regulations imposed upon commercial banks, will enter the system as trust companies.

Mutual savings banks would not, of course, in the nature of their business, become members.

In considering Baltimore's banking resources with reference to the Federal Reserve System, therefore, only the national banks primarily, and the few State banks, secondarily, could reasonably be taken into account, and, with these facts in mind, it is clear that the commercial banking resources of Baltimore, particularly in relation to the fifth district, are not of the potentiality which is claimed.

As a further fact illustrating the usefulness of this great portion of Baltimore's financial resources to the banking interests of the rest of the fifth district, we call attention to the itemized statement of resources on page 19 of the Brief, showing \$128,000,000, or 43 per cent. of the whole in "investments, bonds, securities, etc."

Therefore, since, in fact and theory, the location of the Reserve Bank is, in its essence, primarily a banking problem, we shall proceed to analyze the banking conditions and resources of the fifth district and present evidence to show which city is in a position to perform and is performing the greatest service to the district, with the maximum of economy, *and further showing that within a few years there have grown up relations between Richmond and the larger portion of the territory, so intimate and wide-spread, that the decision of the Organization Committee, after defining the area of District No. 5, could not have been otherwise than it was without violating the economics, as well as the physical and financial facts of the situation, and the convenience and desires of those most intimately affected, as appears in the statement of the Organization Committee.*

Baltimore contends, pages 89 and 90 of Brief, that the Organization Committee had absolutely nothing to do with the increase in the growth of Richmond, and particularly with the ratio of increase. This opinion is expressed in this language:

"The Committee, however, properly had absolutely nothing to do with increases as such."

"The Committee has to do with the present, not with the past, or with dreams of the future."

While it is proposed to refute the contentions of Baltimore with the presentation of facts which relate to the present, this view is so unsound that it cannot go unnoticed and unchallenged.

In considering the operation of the system, it is futile to contend that there must not be taken into consideration the vitality and growth of certain component parts, and of outside interests most likely to become component parts, when such parts have been progressing at a rate which, if continued for a reasonable time, will completely overlap Baltimore and Maryland. *There is no other factor so strongly indicative of the trend of trade.*

Analysis of the Banking Situation in the Fifth District.

In the fifth district there are, approximately:

National banks	484
State banks	1,122
<hr/>	
Total number of banks.....	1,606

Distributed as follows:

	National Banks	State Banks	Total
Maryland	103	65	168
District of Columbia...	12	24	36
West Virginia	117	162	279
Virginia	132	228	360
North Carolina	72	353	425
South Carolina	48	290	338
	<hr/> 484	<hr/> 1,122	<hr/> 1,606

For convenience, and because of limited time to determine accurately, this includes the whole State of West Virginia, although a very small part of that State is not in this district.

Of the number of banks, both State and national, there are in the three States, Virginia, North and South Carolina, 1,123, against the number in the rest of the territory, 483.

It is, perhaps, more than fair to Baltimore to assume that one-third or ninety-three of the West Virginia banks are in what may be claimed as Richmond's territory. As a matter of fact, out of 144 banks voting in a poll taken by Richmond, seventy-five voted for Richmond first and second choice, Baltimore not being the first choice of but four of them. See Richmond Brief, page 46.

Therefore, it is obviously fair, and will answer every purpose of the comparison, to say that in the territory which Richmond can serve more quickly, conveniently, efficiently, and with greater satisfaction to those served, there are 1,216 banks, as against "Baltimore territory" 390 banks.

See Richmond's Brief, page 46, and evidence hereafter adduced.

The ratio of 5 to 1 which Baltimore continually proclaims against Richmond is nearly reversed here.

With due consideration to not only "dreams of the future," but to reasonable probability of future development, it is not illogical to suggest that self-interest will in the near future incline Washington to that field which offers the best prospect of profit in the use of her resources, which field certainly lies south of her and with which field she is not at present familiar.

It is fair to treat Washington as neutral territory, but it will not materially affect either the figures or the purposes of the comparison

here given, to allow Baltimore's claims to Washington's resources, although said claims are not supported by a single line of evidence.

In comparison with the ratio of growth of her own State as well as with that of the city of Richmond and every State in District No. 5, the national bank resources of Baltimore show a retarded growth, the causes of which may well give her anxiety.

The fitness and the preparedness of Baltimore to become the Reserve city of District No. 5 is the vital point of issue raised by that city.

If Baltimore desires this tribunal to know the volume and growth of Baltimore banking capital and other matters pertaining thereto as the same are known to Baltimore herself, we especially refer this honorable board to the report of the Commission for the Revision of the Taxation System of the State of Maryland and City of Baltimore, pages 287 and 288, from which the following is taken:

"The Banking Conditions in Maryland.

"Ten years ago the total capital in Maryland of national banks was \$17,050,000; in 1912 it was \$17,607,000. This was an increase of only \$557,000, or 3 per cent., which compares most unfavorably with other States.

"Baltimore city has over two-thirds of the banking capital of the State.

"The following shows the changes that have taken place in the amounts of capital, surplus and undivided profits in ten years in Baltimore:

	1903	1912
Capital	\$12,403,260	\$11,790,710
Surplus	6,514,400	7,970,010
Undivided profits	1,532,060	2,082,787

"Compared with the increases of banking capital that have occurred in other States, the Maryland increase is far from satisfactory.

"Innumerable requests have been made by the commercial interests in Baltimore for increased credits and for a development of banking facilities. Any person interested can receive sufficient assurances that the business interests have not sufficient banking funds to successfully carry on their business. This complaint is not exceptional, but

general, and nearly all classes of business men who are large borrowers must have either Philadelphia or New York financial connections."

The geographical relation of Baltimore to the banking resources of the district is elaborately treated in the Appendix to the Baltimore Brief.

The following statement will show in illuminating comparison the real position which Richmond occupies to the banking resources now in the system, and to those banks which may with reason be counted upon as most likely to come into the system. The relative geographical positions of Baltimore and Richmond on the map will be readily carried in mind in examining these statements.

COMBINED STATEMENT OF NATIONAL AND STATE BANKS.

(As classified in the Comptroller's Reports.)

IN THE FIFTH DISTRICT, SHOWING COMPARATIVE RESOURCES IN 1902 AND 1913.

This statement is made to show the concentration of resources of those banks in the fifth district which now enter into and are likely to become a part of the Federal Reserve System. Statistics of "State Banks" in the District of Columbia are not accessible.

Aggregate Resources.

	1902	1913	Increase	Per Cent.
Virginia (including Richmond)	\$ 94,728,000	\$218,211,000	\$123,483,000	130
North Carolina . . .	33,322,000	117,316,000	83,994,000	252
South Carolina . . .	28,138,000	95,185,000	67,047,000	238
	<hr/>	<hr/>	<hr/>	<hr/>
	\$156,188,000	\$430,712,000	\$274,524,000	176
West Virginia	\$ 73,454,000	\$153,766,000	\$ 80,312,000	109
Maryland (includ- ing Baltimore) . . .	\$123,613,000	\$199,525,000	\$ 75,912,000	61
Resources of national and State banks in Virginia, North Carolina and South Carolina as above			\$430,712,000	
Add banks of West Virginia which voted for Richmond as the location of Reserve Bank (see record)			43,392,000	

Total resources of national and State banks in the fifth district of which Richmond is the natural and most convenient Reserve City	474,104,000
All other banks in West Virginia (including that portion not in the District, about one-eighth)	110,374,000
Maryland (including Baltimore)	199,525,000

Washington and the District of Columbia being counted as neutral territory.

When it is called to mind that within the area of resources designated as Richmond territory there are, as hereinbefore stated:

National and State banks in number	1,216
And in Baltimore territory only	390

it is plain to see where, in the present operation of the system and in its future development, violation would be done to the convenience and customary course of business which are required to be regarded by the act, if the Reserve Bank were located in Baltimore.

When to the foregoing are added the further facts that, even not including that portion of West Virginia in which relations with Richmond are more close and convenient than with Baltimore, there are in the three States—Virginia, North Carolina and South Carolina—5,920,000 inhabitants in an area comprising 119,000 square miles, against 2,950,000 inhabitants in the rest of the district in an area covering only 30,000 square miles, it is easily seen that without indulging in “dreams of the future,” the inevitable development in the Richmond territory, possessing in overwhelming proportions all the factors essential to any development—population, area, natural and financial resources, number of banking institutions, all the factors which enter into the transactions of mankind—it is easily seen how greatly Richmond is superior to Baltimore as the location of the Reserve Bank.

The following statements show the growth of banking resources of Baltimore and the State of Maryland, as compared to the other principal cities and States in District No. 5:

We do not think the figures need any comment, but will merely direct the attention of your honorable body to Baltimore and Maryland and Richmond and Virginia.

STATEMENT OF NATIONAL BANKS OF THE COUNTRY FROM
THE COMPTROLLER'S REPORTS.

SHOWING RATIO OF GROWTH IN COMPARISON WITH BANKS IN THE FIFTH
DISTRICT, IN 1902 AND 1913.

Aggregate Resources.

NATIONAL BANKS IN THE WHOLE COUNTRY.

1902	1913	Increase	Per Cent.
\$6,114,000,000	\$11,037,000,000	\$4,923,000,000	80

NATIONAL BANKS IN THE FIFTH DISTRICT.

	1902	1913	Increase	Per Cent.
Maryland	\$30,575,000	\$ 56,989,000	\$26,414,000	86
Baltimore	82,019,000	110,896,000	28,877,000	35
Washington	27,661,000	58,191,000	30,530,000	114
District of Columbia	1,975,000	2,140,000	165,000	8.5
West Virginia (all)..	33,751,000	88,611,000	54,860,000	162
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

Capital, Surplus and Undivided Profits.

NATIONAL BANKS IN THE WHOLE COUNTRY.

1902	1913	Increase	Per Cent.
\$1,201,000,000	\$2,046,000,000	\$845,000,000	70

NATIONAL BANKS IN THE FIFTH DISTRICT.

	1902	1913	Increase	Per Cent.
Maryland	\$ 7,474,000	\$10,277,000	\$ 2,803,000	38
Baltimore	20,415,000	21,901,000	1,486,000	7.3
Washington	5,111,000	11,855,000	6,744,000	132
District of Columbia	577,000	679,000	102,000	18
West Virginia (all)..	6,792,000	17,908,000	11,116,000	163
Virginia	8,238,000	22,396,000	14,158,000	172
Richmond	3,725,000	10,365,000	6,640,000	178
North Carolina	5,021,000	12,988,000	7,967,000	158
South Carolina	3,436,000	9,883,000	6,447,000	188

COMBINED STATEMENT OF NATIONAL BANKS AND *STATE* BANKS OF THE COUNTRY, AS CLASSIFIED IN THE COMPTROLLER'S REPORT, SHOWING RATIO OF GROWTH IN COMPARISON WITH BANKS OF THE 5TH DISTRICT FROM 1902 TO 1913.

Aggregate Resources.

NATIONAL AND STATE BANKS OF THE WHOLE COUNTRY.

1902	1913	Increase	Per cent.
\$8,423,000,000	\$15,180,000,000	\$6,757,000,000	80

NATIONAL AND STATE BANKS OF THE FIFTH DISTRICT.

Maryland (including Baltimore).	\$123,613,000	\$199,525,000	\$ 75,912,000	61
West Virginia (all)	73,454,000	153,766,000	80,312,000	109
Virginia, (including Richmond).	94,728,000	218,211,000	123,483,000	130
North Carolina ..	33,322,000	117,316,000	83,994,000	252
South Carolina ..	28,138,000	95,185,000	67,047,000	238

With respect to the wishes of the banks of the district as to the location of the Reserve City, Baltimore is satisfied neither that the decision be left to the banks nor to the Organization Committee.

On page 83 of the Baltimore Brief the following appears:

"With respect to the division of the country into districts and the designation of Federal Reserve Cities, the act leaves nothing whatever to the decision or vote of the member banks. On the contrary, it leaves the matter to be determined by the Committee and the Federal Reserve Board, with due regard to the customary course of business and without regard to State lines."

and on page 87, the following appears:

"The 'one bank one vote' method, which Congress refrained from applying to the designation of Federal Reserve Cities, but which the Committee professes so to have applied in the fifth district, not only subordinates the interests of the country as a whole to local interests, but also subordinates to the wishes of the bankers in the district (i. e., the national bank officers and directors) the wishes of the owners of the banks (i. e., the stockholders) and the customers, (i. e., the general commercial, industrial and agricultural public which deals with the banks).

The Committee itself, however, has not really been governed to any substantial extent by the votes of the member banks either in dividing the districts or in designating the reserve cities."

In presenting the claims of Baltimore before the Organization Committee at the hearing at Washington, Mr. Waldo Newcomber took a different view of the value of the opinions of the banks in the district concerned, as did Mr. Ingle who followed him on the stand. Great importance was then attached to the views of bankers and merchants in the argument made before the Organization Committee, and ten and one-half of the fifteen pages of the Brief, afterwards printed in the record, is taken up with extracts from letters from merchants and bankers from Virginia, North and South Carolina, Georgia, Alabama, West Virginia, and points as far west as Ohio, Illinois, Missouri, and northwest to Minnesota.

Mr. Newcomber testified:

"We have had a large number of letters sent to us, and within as brief a time as a week ago today we sent out letters asking the different banks and merchants in the South whether they cared to express a preference for Baltimore. We have with us, actually filed with our Secretary, some ten hundred and fifty letters which are entirely irrespective of a very large number received from various banks which have not been sent to the Secretary of the Association, and which I personally know amount to four or five hundred more, and they are coming in at the rate of one hundred and one hundred and fifty a day. I just want to mention the fact, which I think is interesting, that of the ten hundred and fifty-two letters filed with the Secretary of the Association, seven hundred and fifty-two express a decided preference for Baltimore as their first choice, and two hundred and eighty-two state that they have committed themselves to some town in their locality, presumably for patriotic reasons, and if they cannot get it there they would like to see it in Baltimore."

Mr. Ingle, following Mr. Newcomber on the stand, went at great length into the preference that had been expressed by various communities from Florida on the south to Maryland on the north for Baltimore as a Federal Reserve Bank.

As long as Baltimore thought the bankers and merchants preferred her, it was a convincing reason why she should be named, but when the duly authorized agents of the banks and banking associations of

these States spoke, and after the poll had been taken by the Federal Reserve Board, the preference of bankers is no longer worth considering, and their choice, which Baltimore had striven unsuccessfully to gain, is belittled, and declared to be of a "sentimental character, and evoked by campaigning methods."

Baltimore contends that she is nearer, in point of time, to the greatest volume of national bank resources in the fifth district, and gives the result of computations to prove this in Appendix B, Page 121 of the Brief.

We have been unable in the time at our disposal to test the accuracy of these tabulations except in one or two instances, which do not agree with the information at our command.

The principle upon which the final result is computed we believe to be wholly fallacious.

In considering which of two places is nearer to the centre of resources of a district with the purpose of determining which is more conveniently located with reference to the rest of the district, it would appear that the resources of each city itself, in turn, should be excluded from the computation.

In other words, the issue would properly seem to be whether Baltimore is nearer to the centre of resources of the rest of the territory including Richmond, or whether Richmond is more accessible to the rest of the territory, including Baltimore.

The Brief for Baltimore, however, takes into account Baltimore's proximity to her own resources, which are placed at zero in point of time, and while the same rule is applied to Richmond, Baltimore's whole resources being larger than those of Richmond, apparently turn the scale in her favor.

Deducting in the case of each city the resources of that city, which obviously is the correct method, would reverse the result.

Baltimore would then stand, according to her tabulation, at some average point of time between one-half hour and thirty-four and one-half hours within reach of \$453,000,000 resources, while Richmond would within the same time be in reach of \$516,000,000.

Again,— Richmond is within $\frac{1}{2}$ hour to $14\frac{1}{2}$ hours of \$473,000,000 resources, while Baltimore can reach only \$380,000,000 resources within these periods.

On the other hand, when it comes to distant points, Baltimore is 15½ to 34½ hours from \$72,000,000 resources, while Richmond is thus distant from only \$42,000,000 resources.

The mean distance (hours) of Richmond from \$122,000,000 resources which must take in Baltimore is stated by Baltimore as 5½ hours, and her distance from \$66,000,000 resources which must include the District of Columbia, is set down at 4½ hours.

The actual average time of six trains daily carrying mail from Richmond to Washington is three hours seven minutes. This is an error in computation on the part of Baltimore of one hour and twenty-three minutes, or 44 per cent.

In the case of Baltimore, apparently 5½ hours mean distance in the tables, taking the time from Washington to Baltimore at one hour thirty minutes, as given by Baltimore, the actual average time from Richmond to Baltimore would appear to be four hours thirty-seven minutes, an apparent error on the part of Baltimore of 53 minutes, or 19 per cent. These corrections would operate on at least \$170,000,000 resources in favor of Richmond against \$51,000,000 in favor of Baltimore.

In the same manner Baltimore lays claim to being nearer than Richmond to \$18,000,000 national bank resources in Virginia, but gives Richmond a closer proximity to \$30,000,000 national bank resources in West Virginia, and of course to all the bank resources of North and South Carolina,—Appendix A.

These tabulations comprise 17 pages of the Baltimore Brief, and are therefore treated here at length because of the importance which is apparently attached to them.

In their bearing upon the questions at issue these tables, even if correct, and not arbitrary and fallacious in method of computation, are not comparable in value to the statements presented by us indicating the distribution of bank resources by States of the district, the number of institutions, comparisons in growth, area, population, material resources, etc., and the relative position of Baltimore and Richmond to all these factors.

In this connection, the Brief for Baltimore, page 51, makes this surprising statement:

"Practically the whole district being within one business day of either Baltimore or Richmond, the question of distance obviously becomes immaterial."

"The exact hour in the day at which a mail transaction is consummated is unimportant."

It is well known among bankers that if mail arrives, or transactions are consummated after Clearing-House hours, which usually occur early in the day, it means the frequent loss of a banking day.

The mean distances, measured in time, in the Baltimore tables, cannot, therefore, be given the value assigned them. The hours of arrival of mails enter into the question in a vital way.

The overwhelming volume of bank mail is dispatched after banking hours, and in the case of the smaller banks particularly, usually at a very late hour in the day.

A difference of a very few hours in the arrival of mail at any point will and does often make the difference of a banking day.

The course of the mails is not alone to be considered in this connection, for it is to be assumed that representatives of the member banks will be compelled in the ordinary course of business to make frequent visits to the Reserve Bank. It would be a matter of great consequence to many bankers to lose the ten hours of time between Richmond and Baltimore and return. Upon the point of convenience and time in consummating bank transactions, we respectfully refer to the testimony of the witnesses from North and South Carolina at the hearing before the Organization Committee in Washington, to which reference is made, in another connection, hereafter. Reference is also made to the two maps accompanying this Brief, one showing the centre of the national bank resources, the centre of production and the centre of population of District No. 5, and the other the mail advantages of Richmond over Baltimore.

Having due regard, therefore, to the convenience of those who transact the business, as well as to the customary course of business, we maintain that Richmond is the most convenient and suitable place for the Reserve Bank of District No. 5.

On page 16 of the Baltimore Brief the statement is made that "Richmond has no exports or imports at all," and on page 74 the

statement is made that Baltimore "creates foreign exchange from the export of grain and similar products alone amounting to over \$40,000,000," and reference back to page 16 is made.

The inference appears to us to be made that Richmond handles no foreign exchange. While there is no direct evidence in the record on this point as to Richmond, we could, if permitted, readily present evidence to show that a very large volume of business is transacted in Richmond which creates foreign exchange, which exchange is now being handled by Richmond member banks.

This foreign exchange is relied upon to furnish a considerable part of the business of the Reserve Bank, if located in Baltimore.

Practically all of the foreign exchange made in Baltimore, as testified by witnesses at the Washington hearing, page 787, is sold in New York, where it can continue to be sold.

Among other inaccurate statements in the Baltimore Brief there are two under the heading "Agriculture," pages 8 and 9. These give statistics not in the record. In refuting these statements without violating the rules laid down by this honorable body, we refer to a letter from Smyth Bros.-McCleary-McClellan Co., submitted with hundreds of other documents accompanying the Brief for Richmond, a part of the record, showing that of two items, horses and mules, in which she is credited by Baltimore with no business, Richmond handles more in a month than Baltimore handles in a year.

With reference to Richmond as a distributing point involving railroad communications, we respectfully refer to page 17 of the Richmond Brief showing the selection of Richmond as the best distributing point on the Atlantic Seaboard next to New York.

This brings us to one of the most important factors in determining the supremacy of any city in a given district,—the matter of freight rates.

Mr. Waldo Newcomber, at the hearing in Washington, made the following statement:

"Baltimore is unequalled among the eastern and southern cities of the country. 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 centres enjoying the

advantages of freight rates lower than those established. * * * Lower freight rates are granted Baltimore, not arbitrarily, but by virtue of her position in the apex of that favoring curve of the Atlantic Coast which reduces to a material extent the distances to and from other eastern parts." Pages 721 and 722 of testimony taken before the Organization Committee.

In a statement prepared by Mr. W. T. Reed, President of the Chamber of Commerce, of Richmond, filed as part of the Brief on behalf of the Committee representing Richmond before the Organization Committee, the following appears:

"The railroads serving the above-mentioned territory years ago recognized Richmond as the proper distributing point, and the above as the natural territory to Richmond, owing to the fact that they were enabled to give quick service, and from one to four days quicker delivery than Baltimore, or any city north of us. In view of this fact the rates into this territory were fixed at an average approximately of thirteen per cent. lower than Baltimore. The average first-class rate in the territory designated by the railroads as the natural territory to Richmond is 75.2 cents per hundred pounds, while the average first-class rate to the same territory from Baltimore is 86.4 cents per hundred pounds, giving Richmond as advantage on the first-class rate of 11.2 cents per hundred pounds, or approximately 13 per cent. This relative proportion in favor of Richmond applies to class and commodity rates, and, in some instances it is greater in favor of Richmond."

We also refer to the map, page 41, of the Richmond Brief, showing Richmond's "Preferential Freight Rate Territory," embracing the greater portion of the area now in the fifth district.

It is significant that in the Brief filed on behalf of the citizens of Baltimore no further mention is made of the fact that "Freight rates are prime factors in the purchase and sale of commodities, and in shaping the normal flow of trade." In this respect, therefore, Baltimore must be considered as having abandoned her claim.

The Brief of Baltimore makes the repeated statement that Richmond recognized the preeminence of Baltimore in any territory including both cities, page 26 of the Brief, and that "others from Richmond itself evidently realized that Baltimore is the natural capital of any district in which Maryland is the most northern State." Page 58 of Brief.

The letter of the Richmond Committee, transmitting its Brief to the Reserve Bank Organization Committee, clearly sets forth Richmond's position as to the inclusion of Baltimore and Maryland in the district. This letter, doubtless through oversight, is not printed in the record and it is, therefore, appended to this Brief.

Again, it is claimed that the banks of the district in voting did not understand that the district to be determined upon might include Baltimore as well as Richmond.

For a complete refutation of these unfounded claims, we respectfully refer this honorable body to the Brief filed on behalf of the North Carolina Bankers' Association, by George A. Holderness, president, page 315 of the record, laid before the Senate by the Reserve Bank Organization Committee, to the testimony of various witnesses who appeared before the Reserve Bank Organization Committee at Washington and to the poll of votes on page 46 of the Richmond Brief. The following are extracts taken from the Brief of North Carolina:

"When before the Committee in Washington on the fifteenth of January, Mr. J. W. Norwood, of Greenville, S. C., and Mr. R. G. Rhett, of Columbia, S. C., stated that Maryland should be added to the district outlined by the Richmond Committee, and from further study of the question it appears that this should be done, as well as all of West Virginia. And it is believed that this can be done without in any way interfering with the natural territory of any other district, since it appears to us that the North Atlantic States should be divided as follows:

"Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and the eastern part of Connecticut, with Boston as the Reserve City.

"New York, western Connecticut, northern New Jersey, with New York as the Reserve City.

"Pennsylvania, southern New Jersey, and Delaware with Philadelphia as the Reserve City.

"This leaves Maryland in the nature of a 'floater.'

"With this added territory our district would embrace the following States: Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, the eastern part of Tennessee, the eastern part of eastern Kentucky, and the District of Columbia. This territory, with its diversified interests and banking capital, would be entirely independent and amply self-sustaining under not only normal conditions, but under almost any conditions.

"Now, with this territory fixed upon, the next question is which city within this territory could best serve the whole territory. On this point we respectfully submit that Richmond is unquestionably the city. Ninety-one per cent. of the banks in North Carolina, including all of the national banks except six, have already expressed themselves in favor of Richmond, and the banks so desiring Richmond represent 89 per cent. of the capital, surplus and profits of all the banks in North Carolina, and 98 per cent. of their deposits. Of the said 91 per cent. of the banks voting for Richmond, 373 of them are expressly for Richmond as first choice, and the balance of 69 (except three for Baltimore) are equivalent to a first choice, as they name Charlotte or blank as their first choice.

"Not one of the North Carolina banks has expressed a first preference for Atlanta or Washington, and only three for Baltimore. South Carolina has expressed its preference for Richmond almost as strongly as North Carolina, and has given Atlanta only two first choice votes and Baltimore one.

"The States of Virginia, North Carolina and South Carolina, with national banking capital and surplus of \$48,000,000, are as unanimous for Richmond as the same number of institutions can be for any one thing. * * *

"As stated by Colonel Bruton when before you in Washington, it is important to have a sufficient amount of currency within easy reach of the tobacco, cotton and peanut sections of North Carolina, and this may be said of South Carolina and the more distant southern points. As shown by the time-table filed with the Richmond Brief, currency wired for from Richmond in the evening can reach the greater portions of this territory by business hours the next morning.

"Richmond, as stated by Mr. Norwood when before you in Washington, is practically one business day nearer the majority of this territory than Baltimore is."

Witnesses appearing before the Reserve Bank Organization Committee at Washington testified as follows:

Mr. Geo. A. Holderness, of Tarboro, N. C.:

Secretary of the Treasury: "I may have missed something you said while I was reading. Is it your observation that the course of trade is with Richmond, instead of Baltimore?"

Mr. Holderness: "Absolutely, sir. About twenty years ago I was a traveling man from Baltimore. I noticed that there were a great many lines of goods that Baltimore sold at that time

almost entirely. Now they have no representative in that line. Heavy groceries, heavy drygoods and domestics. Richmond has almost shut them out."

Mr. J. Elwood Cox, of High Point, North Carolina, testified:

"I think Richmond is the only city that could be familiar with the three great lines in North Carolina,—cotton, peanuts, and tobacco."

He testified further:

"I simply want to emphasize the fact that the bankers of North Carolina, as I see it, very much prefer Richmond, because all of our trade, or practically all of it, is with Richmond. We have accounts with other northern cities, but 95 per cent. of the banks of North Carolina, I think, keep accounts with Richmond. I doubt if 25 per cent. keep accounts with Baltimore."

Secretary of the Treasury: "To what extent would you have to keep accounts with other cities assuming that Richmond was the Reserve Bank of this district? To what extent, after the establishment of such a bank, would you have to keep balances in other cities, like New York, Philadelphia and Baltimore?"

Mr. Cox: "Naturally we would keep some in New York."

Col. John F. Bruton, of Wilson, N. C., testified:

"Our banks in the eastern part of the State deal almost exclusively with the producers, the farmers, and speaking for Wilson, N. C., Rocky Mount, Kinston, Greenville, and two or three other points, we handle quite a large volume of tobacco, and have to pay for a great deal of it with money—currency—and on that account a convenient point from which to get the currency is extremely important with us. If we cannot get the currency it would close up our institutions and destroy our markets. For that reason our people are intense in their desire to have their Regional Reserve Bank located in Richmond."

Secretary of the Treasury: "Where do you get most of your currency now?"

Mr. Bruton: "We get it from Richmond and Norfolk." * * *

Secretary of Agriculture: "Is it your impression that the business in North Carolina, the banking business, is related to Richmond more than to any other place?"

Mr. Bruton: "Yes, sir, I feel so, Mr. Secretary, and I feel like we would be a little away from home to take us to Baltimore."

Mr. J. C. Brown, of Raleigh, N. C., testified:

"I came really representing the State of North Carolina rather than Raleigh, Mr. Secretary. * * * The best I can do, I think, is to reaffirm what has already been stated about Richmond, its ideal location, midway between the North and South, and its intimate relations with both sections. The fact that Richmond, already known to our people, knows their needs, knows the condition of our crops, knows the character of our people, so that there need be no delay, not only in the shipping of currency back to us, but in the passing on our paper. They are thoroughly familiar with that because they have been lending money to North Carolina for a long time, and we believe that they would be able to serve our people more advantageously than any other point which could be named."

We feel that in no way can our Brief be better strengthened than by annexing to it the statement made by the Reserve Bank Organization Committee, accompanying its designation of the Federal Reserve Districts and the Federal Reserve Banks, so far as it deals with the fifth district.

It is earnestly maintained that the decision of the Reserve Bank Organization Committee is in accordance with the terms and spirit of the act, and is sustained by the record, and that its decision should be affirmed by this Board.

THE FIRST NATIONAL BANK,	}	Members of the Federal Reserve Bank of Richmond of Federal Reserve District No. 5.
THE MERCHANTS NATIONAL BANK,		
THE PLANTERS NATIONAL BANK,		
THE AMERICAN NATIONAL BANK,		
THE NATIONAL STATE AND CITY BANK,		
THE CENTRAL NATIONAL BANK,		
THE BROADWAY NATIONAL BANK,		
THE MANCHESTER NATIONAL BANK,		
THE SAVINGS BANK OF RICHMOND,		

EPPA HUNTON, JR.,

and

LEGH R. PAGE,

Counsel of Respondents.

FROM THE STATEMENT OF THE RESERVE BANK ORGANIZATION COMMITTEE
RELATIVE TO ITS DECISION OF APRIL 2D, 1914, PAGE 367 OF REPORT
SUBMITTED TO THE SENATE.

"National Bank Statistics.

"For States of Texas, Virginia, Maryland, Georgia, Louisiana and Mississippi as of March 4, 1914, according to sworn reports made to the Comptroller of the Currency:

	Area sq. miles.	Population Census 1910.
Texas, including Dallas.....	265,780	3,896,542
Virginia, including Richmond....	42,450	2,061,612
Maryland, including Baltimore...	12,210	1,295,346
Georgia, including Atlanta.....	59,475	2,609,121
Louisiana, including New Orleans	48,720	1,656,388
Mississippi	46,810	1,787,114

	Capital and Surplus.	Individual Deposits.	Loans and Discounts.
State of Texas, including			
Dallas	\$76,785,584	\$197,663,338	\$215,114,326
Virginia, including Richmond	29,732,696	90,887,858	107,410,063
Maryland, including Balti- more	28,267,876	83,217,876	91,136,942
Georgia, including Atlanta...	24,479,345	51,382,061	61,852,579
Louisiana, including New Or- leans	12,128,866	32,000,521	34,804,354
Mississippi	5,168,192	17,045,324	18,669,200

"From the above statement it will be seen that in each item, capital and surplus, individual deposits, and loans and discounts, the national banks of Virginia, including Richmond, largely surpass the national banks of Maryland, including Baltimore.

"The capital and surplus of the national banks of the State of Virginia are 60 per cent. greater than the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, including the city of New Orleans, while the loans and discounts by the national banks of Virginia are more than three times as great as the loans and discounts in the national banks of Louisiana, including New Orleans.

"While the capital and surplus of the national banks of Georgia largely exceed the combined capital and surplus of the national banks of the States of both Mississippi and Louisiana, the loans and discounts made by the national banks of Georgia exceed by \$13,000,000 the loans and discounts of all the national banks of Louisiana and Mississippi combined, including the city of New Orleans.

"The capital and surplus of the national banks of Texas amount to four times as much as the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, and the individual deposits in the national banks of Texas also amount to about four times as much as the individual deposits of all the national banks in Louisiana and Mississippi, the only States from which New Orleans received as much as half a dozen votes as first choice as the location for a Federal Reserve Bank.

"In the poll of banks made directly by the Comptroller's office, Richmond received more first choice ballots than any other city in the district—167, against 128 for Baltimore, 35 for Pittsburg, 28 for Columbia, S. C., 37 for Cincinnati, and 25 for Washington. Of the remaining 21, 19 were for Charlotte, N. C., and 2 for New York. Leaving out the States of Maryland and Virginia, Richmond received from the rest of the district three times as many first choice votes as were cast for Baltimore.

"District No. 5 is composed of the States of Maryland, Virginia, West Virginia (except four counties), North and South Carolina, and the District of Columbia. These States have always been closely bound together commercially and financially, and their business dealings are large and intimate. The reports made to the Comptroller of the Currency on March 4, 1914, by all the national banks in each of these States show in every essential respect that the business of the national banks of Virginia, including Richmond, is greater than the national banks of Maryland, including Baltimore, or any other of the five States embraced in District No. 5, as appears in the following table:

	Capital, Surplus and Undivided Profits.	Loans and Discounts.	Total Individ- ual Deposits.
Virginia	\$33,544,631	\$107,410,063	\$90,887,858
Maryland	32,390,057	91,326,942	83,217,376
West Virginia	18,209,326	56,789,538	61,421,332
North Carolina	13,527,086	44,051,033	36,051,154
South Carolina	10,332,439	28,860,456	23,330,916
District of Columbia.....	12,685,411	26,253,432	29,520,053

“Advocates of New Orleans have criticized the decision of the Organization Committee, and have given out comparative figures as to New Orleans, Richmond, and other cities which are incorrect and misleading. An analysis and study of the actual figures will be found instructive and can lend no support to the claims of New Orleans.

“From the sworn special reports recently submitted to the Comptroller of the Currency, 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 the four cities referred to are as follows:

Richmond	\$33,473,000
Baltimore	6,891,000
New Orleans	19,477,000
Washington	915,000

“The figures also 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 all the national banks in Baltimore and Washington combined. They also show that, although Richmond is not a reserve city, the banks and trust companies in the thirteen Southern States had on deposit in the national banks in Richmond on February 14, 1914, \$9,876,000, or slightly more than the banks in 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. That southern banks should carry larger balances in Richmond, where they could not be counted in their reserves, rather than in Baltimore or Washington, where they could be counted, is suggestive.

"The figures show that the capital and surplus of all reporting banks—national, State and savings and trust companies—per capita in Richmond as of June 4, 1913, was \$131; in Baltimore, \$85; in Washington, \$88, and in New Orleans, \$60, while the loans and discounts made by all banks and trust companies in Richmond, on the same date, amounted to \$393 per capita, against \$190 in Washington, \$213 in Baltimore, and \$194 in New Orleans.

"The amount of money which banks and trust companies in the various parts of the country carried on deposit with Richmond—a non-reserve city—on February 14, 1914, amounted to \$10,970,000, or nearly twice as much as the balances carried by outside banks with the national banks of Washington, which on the same day amounted to \$5,516,000, and one and a half times as much as they carried on the same day with the national banks of New Orleans, a reserve city.

"The statistics furnished the Organization Committee shows that on March 4, 1914, the capital and surplus of the national banks of Richmond, per capita, amounted to more than twice as much as the capital and surplus, per capita, of the national banks of either Baltimore or Washington, and three and a half times as much as New Orleans, while the individual deposits of the national banks of Richmond amounted to \$201 per capita, against \$86 for Washington, and \$76 for Baltimore, and \$50 for New Orleans. The loans and discounts in the national banks of Richmond on the same day were reported at \$279 per capita, against \$77 for Washington, and \$108 for Baltimore, and \$51 for New Orleans.

"Especially significant are the following statistics showing the growth in capital and surplus, loans and discounts and individual deposits of national banks in the three cities named:

Capital and Surplus.

	September, 1904.	March, 1914.	Increase Per Cent.
Richmond	\$ 3,115,000	\$ 9,914,392	199
Washington	6,215,000	11,365,000	83
Baltimore	18,262,900	19,205,900	5
New Orleans	6,250,000	6,773,000	8

Loans and Discounts.

Richmond	\$12,946,000	\$35,593,000	175
Washington	15,018,000	25,405,000	69
Baltimore	48,755,000	60,312,000	23
New Orleans	20,088,000	17,285,000	*13

Individual Deposits.

Richmond	\$11,257,000	\$25,705,000	128
Washington	20,017,000	28,491,000	42
Baltimore	40,910,000	42,553,000	4
New Orleans	19,425,000	16,857,000	*13

“In other words, the figures show that the national banks of Richmond were lending on March 4, 1914, twice as much money as all the national banks in the City of New Orleans, and 40 per cent. more than all the national banks in Washington.

“In the original decision of the Committee the various economic and other factors which entered into and determined the Committee's action were enumerated and need not be repeated here. This statement is made for the purpose of disclosing some of the details which influenced the Committee's findings.”

* Decrease.

COMMITTEE ON LOCATING FEDERAL
RESERVE BANK IN RICHMOND

RICHMOND, VA., February 17, 1914.

COPY.

*Honorable Reserve Bank Organization Committee,
Washington, D. C.*

SIRS: We respectfully transmit to you herewith our argument for a certain territory as a Reserve District with Richmond as the location of a Federal Reserve Bank.

In preparing our brief it has been our purpose to outline a well defined natural division of country as a logical zone requiring few branch banks, which we hold to be desirable.

We are fully aware that the location of the Federal Reserve Banks demands consideration of the various zones in their relation to each other, and that final determination must be in the interest of the country as a whole, and that in respect to the situation as a whole, the Committee is now in possession of more complete information and a fuller comprehension than we can possibly have. Therefore, we recognize that this consideration may involve some modification or enlargement of the zone which we have presented, and that it is the problem and the province of the Committee to make such adjustments. But we are convinced that no zone can be formed having the headquarters of a bank in the South Atlantic States which does not include all or a large part of the proposed territory.

We also believe that it must and will be recognized that the Federal Reserve System is essentially a branch banking system, with several heads instead of one, the whole co-ordinated by the Federal Reserve Board, a fact which apparently is not generally or fully understood at the present time.

The law demands a territorial distribution of the parent banks, and the exigencies of the situation will necessarily leave many important sections, and many important cities in those sections, to be served by branch banks.

We have, as we believe, conclusively shown that Richmond can best serve the whole zone mapped out by us better than any other city in it or any city north of it, and that Richmond is the decided choice of the banks in the larger portion of this zone.

It would not impair the integrity of our argument to have certain territory added to it either at the north or at the south.

It is difficult, we believe, to establish a strong zone in the South outside of the zone we have mapped out, with due regard to convenience and trade relations, and yet the South is such a rapidly developing section that within a few years, if not at present, it can justly claim and its interests may demand another Federal Bank.

The State of Alabama, with its iron and steel interests, must within a few years become second only to Pennsylvania in those industries.

The northern half of West Virginia, the District of Columbia, and Maryland might, we believe, with benefit and in the general interest be included in the zone, to be served by a branch bank in Baltimore, since the Baltimore & Ohio Railroad ties that section intimately with Baltimore, just as the railroads in the zone presented tie together the States in that zone.

Transactions of banks in that section with the parent bank might be carried on entirely through the Baltimore Branch, which could, beyond question, serve that city and section with complete efficiency and to advantage, although the whole section is within twelve hours' communication with Richmond.

The zone as a whole would, of course, be greatly strengthened financially.

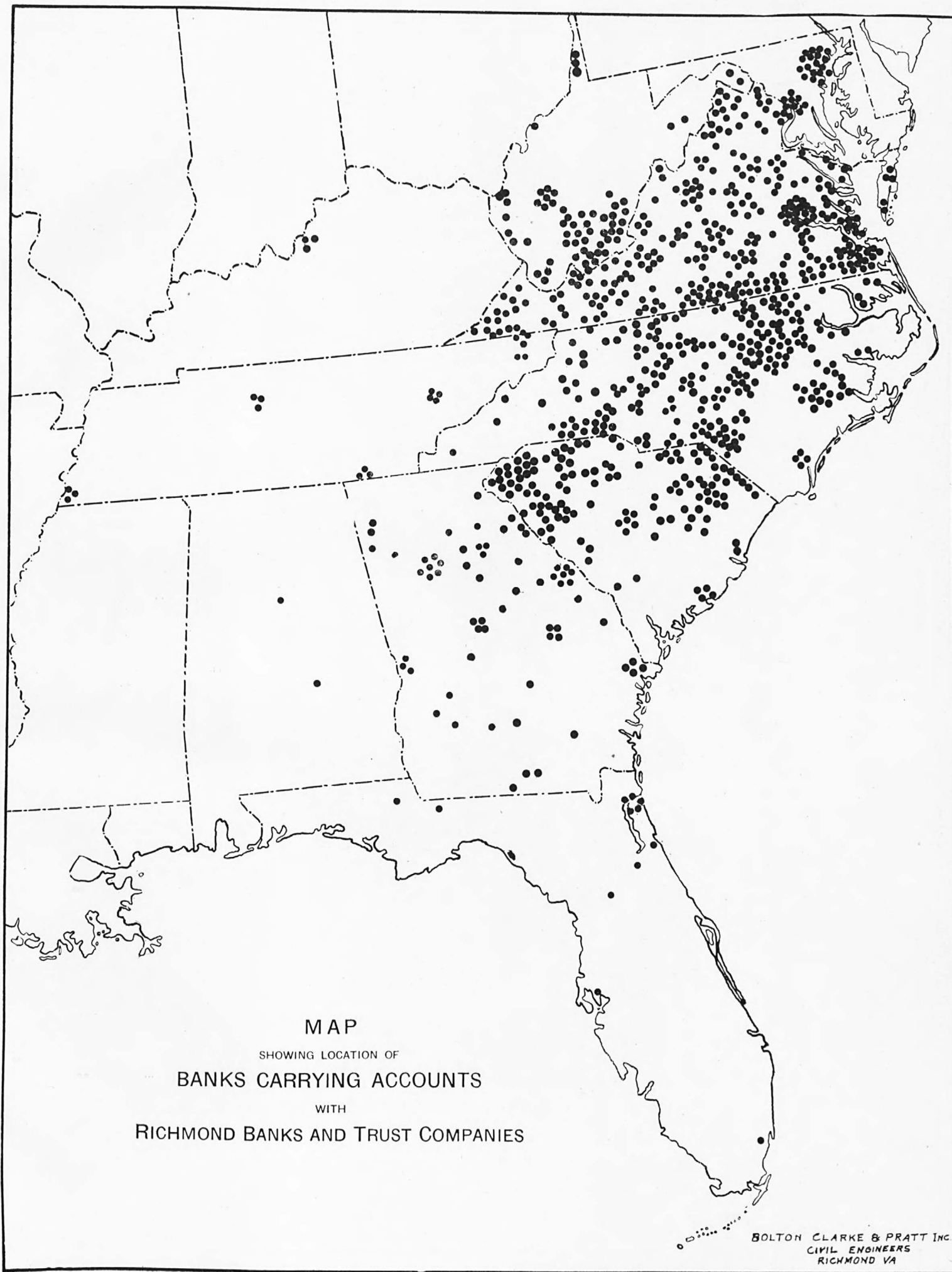
About \$3,000,000 of capital and \$9,000,000 in deposits would be added to the Federal Bank.

The banks in the entire zone mapped out by us would, we believe, be overwhelmingly in favor of it, with Richmond as the location of the Federal Reserve Bank.

Part of the minority of banks in the zone which did not vote for Richmond appeared to favor Baltimore only because they believed that the inclusion of that region would strengthen the zone financially, while they recognized the superior advantages and convenience of Richmond as a location, and the more intimate and extensive relation of Richmond to the zone, Richmond also having the great additional advantage of being one banking day nearer to a large majority of the banks in the zone, an economic consideration in itself of such importance as to be conclusive.

Respectfully submitted,

GEORGE J. SEAY,
In behalf of the Committee
representing Richmond.

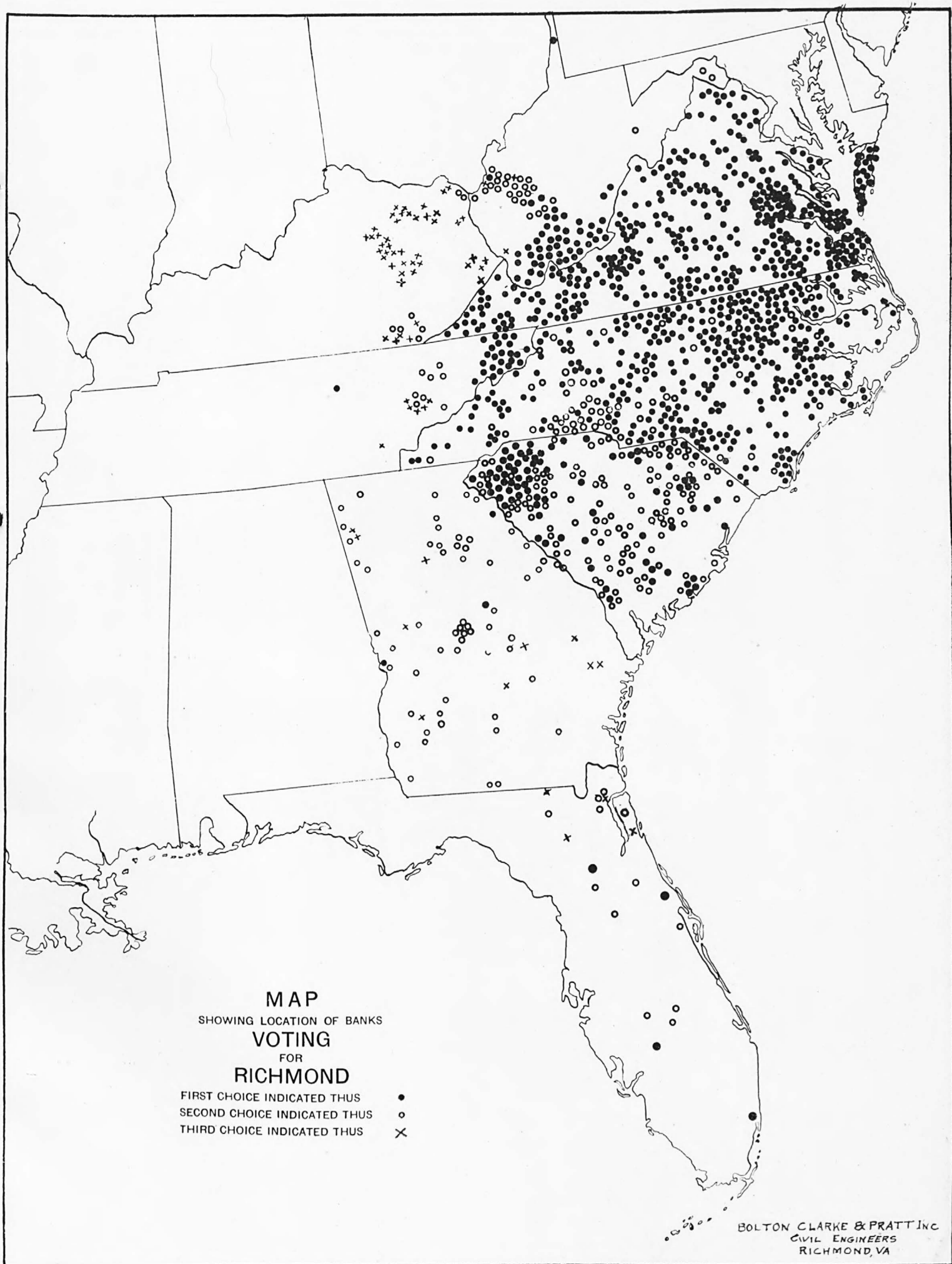


MAP
SHOWING LOCATION OF
BANKS CARRYING ACCOUNTS
WITH
RICHMOND BANKS AND TRUST COMPANIES

BOLTON CLARKE & PRATT INC
CIVIL ENGINEERS
RICHMOND VA

RICHMOND POLL OF BANKS

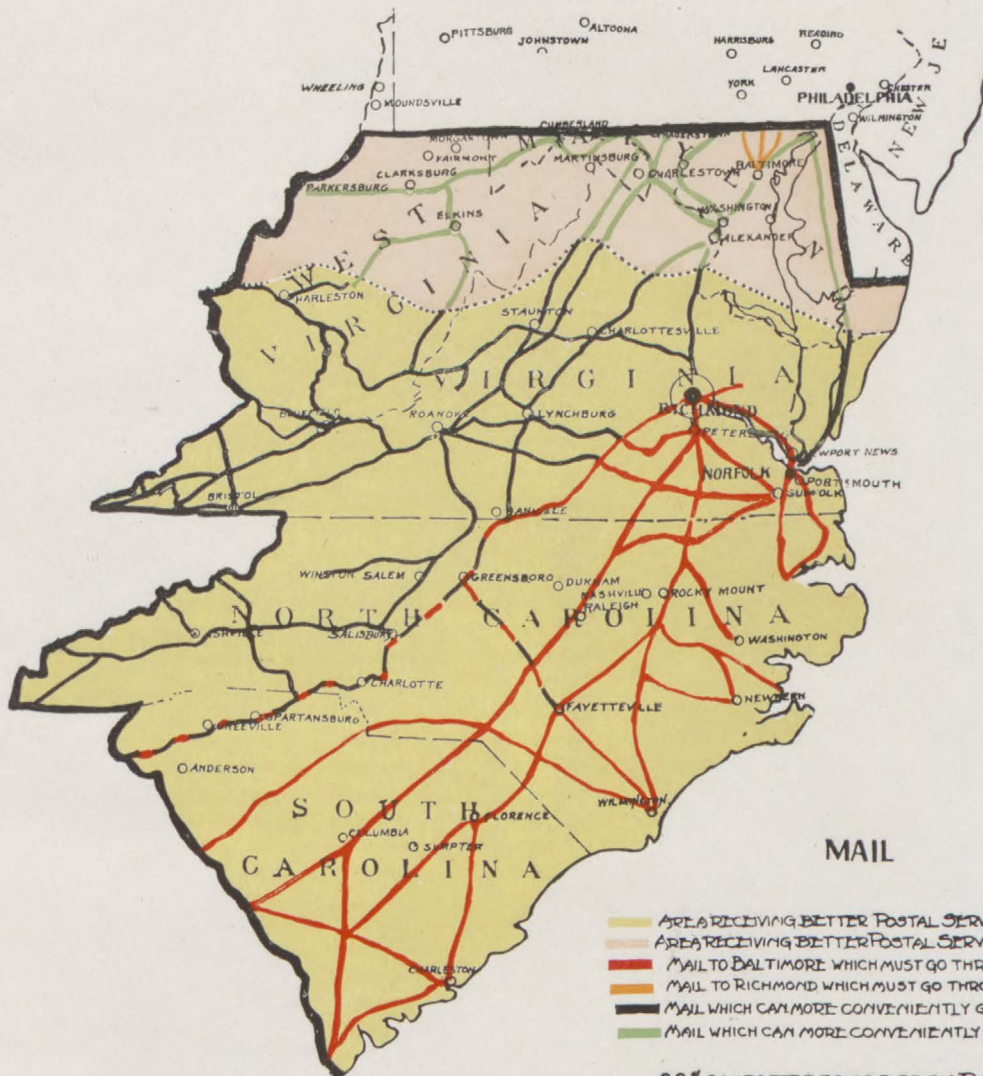
	Choice	Va.	N.C.	S.C.	W.Va.	Tenn.	Ky.	Ga.	Fla.	Totals
Richmond	1st 2d 3d	415 3	373 69	82 122	49 26 3	25 10 11	..... 7 47	4 56 12	4 12 5	952 305 78 } 1335
Columbia	1st 2d 3d	.....	.....	102 9	.....	.....	.....	.....	.....	102 9 } 111
Atlanta	1st 2d 3d	.....	..... 8	2 4	.....	6 7 2	.....	96 22	8 8	112 49 2 } 163
Savannah	1st 2d 3d	.....	..... 3	1 2	.....	.....	.....	22 30	2 6	25 41 } 66
Charlotte	1st 2d 3d	..... 1	46 17	.....	.....	.....	.....	.....	.....	46 18 } 64
Birmingham	1st 2d 3d	.....	.....	.....	.....	.....	.....	1	.....	..... 1 } 1
Baltimore	1st 2d 3d	4 11	..... 55 1	1 7	4 11 1	.....	6	3	.....	9 93 2 } 104
Washington	1st 2d 3d	1 6	10	1	3	.....	.....	.....	.....	1 20 } 21
Cincinnati	1st 2d 3d	..... 3	.....	.....	28 9	9 6 1	22 24	.....	.....	59 42 1 } 102
Louisville	1st 2d 3d	..... 1	.....	.....	.....	2 8	31 14	.....	.....	33 23 } 56
Jacksonville	1st 2d 3d	.....	.....	.....	.....	.....	.....	.....	9 1	9 1 } 10
Nashville	1st 2d 3d	..... 1	.....	.....	.....	3 1	.....	.....	.....	3 2 } 5
Pittsburg	1st 2d 3d	.....	.....	.....	3	.....	.....	.....	.....	..... 3 } 3



**CAPITAL, SURPLUS, PROFITS AND DEPOSITS OF BANKS
VOTING FOR RICHMOND**

STATE	Choice	Capital	Surplus and Profits	Deposits
Virginia	1st	\$30,041,097	\$23,151,500	\$163,645,126
North Carolina	1st	\$14,542,770	\$ 7,844,000	\$ 81,996,650
	2d	2,203,100	1,252,000	8,190,000
South Carolina	1st	\$ 4,909,800	\$ 2,966,000	\$ 18,743,000
	2d	5,269,714	2,753,800	8,058,000
Georgia	1st	\$ 730,300	\$ 278,000	\$ 538,000
	2d	5,334,900	3,482,200	19,147,500
	3d	570,000	653,000	1,412,000
Florida	1st	\$ 320,000	\$ 74,000	\$ 1,690,000
	2d	1,895,000	586,000	5,676,000
	3d	245,000	262,000	2,353,000
West Virginia (16 Cos.)	1st	\$ 2,561,000	\$ 1,641,000	\$ 4,084,000
	2d	2,909,175	1,859,000	12,775,000
	3d	350,000	35,000	597,000
Tennessee (10 Cos.)	1st	\$ 908,350	\$ 423,300	\$ 6,041,000
	2d	547,500	234,000	2,379,000
	3d	1,075,000	359,000	5,664,000
Kentucky (35 Cos.)	2d	\$ 450,000	\$ 118,000	\$ 1,502,000
	3d	5,725,000	3,113,372	17,140,000
Total		\$80,587,706	\$52,085,172	\$361,631,276

Total Capital, Surplus and Profits..... \$132,672,878
Total Deposits..... 361,631,276



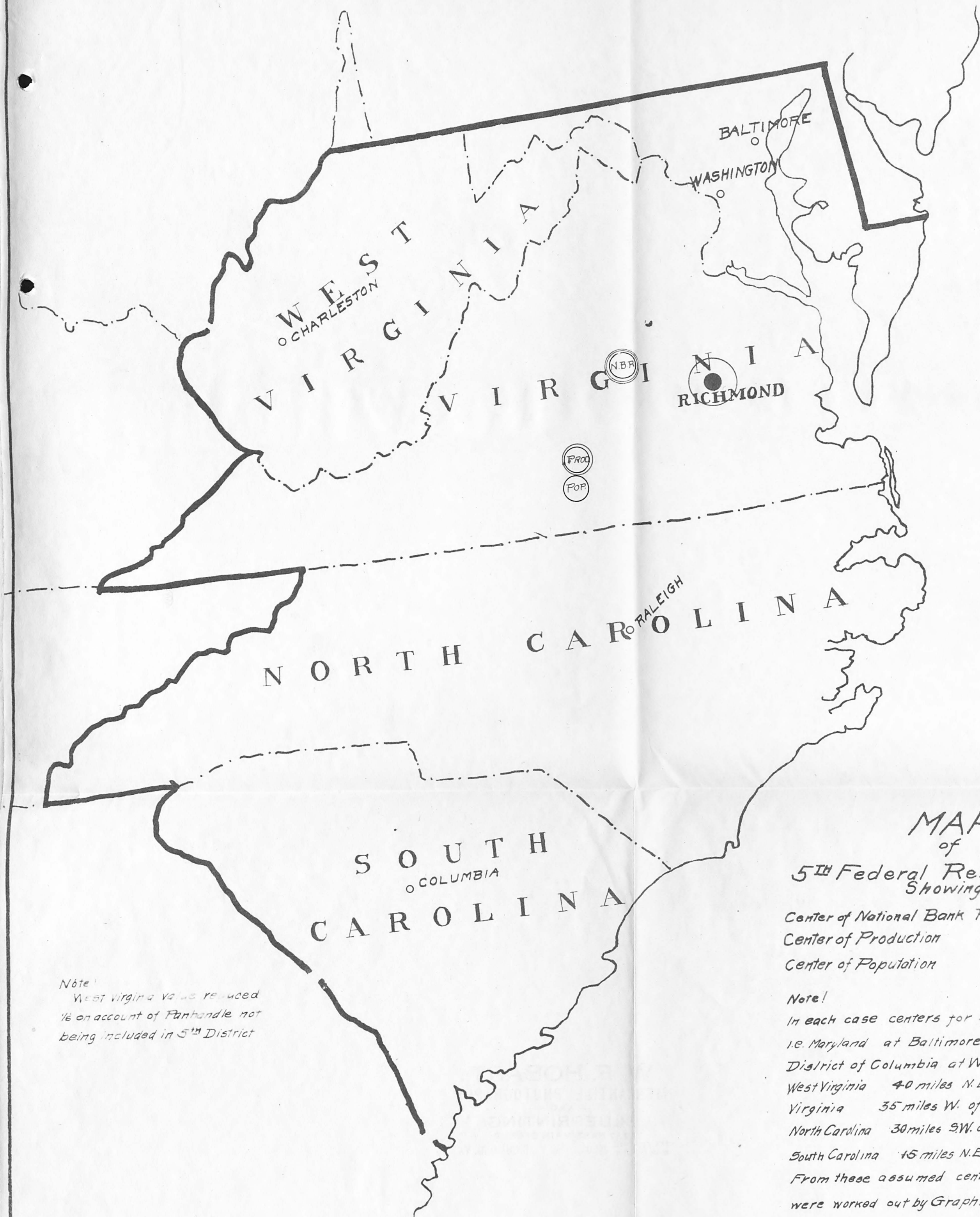
MAIL

- AREA RECEIVING BETTER POSTAL SERVICE FROM RICHMOND -
- AREA RECEIVING BETTER POSTAL SERVICE FROM BALTIMORE -
- MAIL TO BALTIMORE WHICH MUST GO THROUGH RICHMOND -
- MAIL TO RICHMOND WHICH MUST GO THROUGH BALTIMORE -
- MAIL WHICH CAN MORE CONVENIENTLY GO TO RICHMOND -
- MAIL WHICH CAN MORE CONVENIENTLY GO TO BALTIMORE -

82% CAN BETTER BE SERVED BY RICHMOND -

BOLTON-CLARK & PRATT
CIVIL ENGINEERS
RICHMOND - VA

*This map has been
carefully examined
and verified by the
Dept. of mails at
this office
May 4, 1914
Postmaster
Richmond Va.
Feb 24 1914*



Note:
West Virginia value reduced
1/6 on account of Panhandle not
being included in 5th District

MAP of 5th Federal Reserve Bank District Showing

Center of National Bank Resources
Center of Production
Center of Population

Note!
In each case centers for States were taken arbitrarily.
i.e. Maryland at Baltimore
District of Columbia at Washington
West Virginia 40 miles N.E. of Charleston
Virginia 35 miles W. of Richmond
North Carolina 30 miles S.W. of Raleigh
South Carolina 45 miles N.E. of Columbia.
From these assumed centers, the District centers
were worked out by Graphic Statics.

BOLTON, CLARKE & PRATT.
INC.
Richmond, Virginia.

Sept. 24, 1914.

