

FEDERAL RESERVE BOARD FILE
350.21

Pittsburgh
vs.
beerland c 6

#99

BEFORE THE FEDERAL RESERVE BOARD

- - -

PETITION TO THE FEDERAL RESERVE BOARD ON APPEAL FROM THE DECISION OF THE ORGANIZATION COMMITTEE IN ESTABLISHING THE REGIONAL RESERVE CENTER FOR THE FOURTH DISTRICT IN THE CITY OF CLEVELAND, O., INSTEAD OF PITTSBURG, PA.

-

Washington, D. C.

-0-

January 13, 1915.

-*o*-

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

HEARING BEFORE THE FEDERAL RESERVE BOARD

**AN APPEAL BY THE CITY OF PITTSBURG FROM THE DECISION OF
THE ORGANIZATION COMMITTEE IN ESTABLISHING THE REGIONAL RE-
SERVE BANK CENTER FOR THE FOURTH DISTRICT IN THE CITY OF
CLEVELAND INSTEAD OF PITTSBURG.**

WASHINGTON, D. C.

JANUARY 13, 1915.

**Hon. William Gibbs McAdoo, Secretary of the Treasury, and
Chairman of the Federal Reserve Board:** The meeting will come
to order. Gentlemen, I regret very much that I am not person-
ally able to remain and hear your arguments today. I have been
away for two weeks, and very pressing matters in the Department
make it impossible for me to attend this hearing. I wish to
say, however, that so far as I am concerned personally, my
mind is absolutely unbiased by any decision that I may have
participated in as a member of the Organization Committee. I
feel about this matter as I have from the beginning, that what
we must do here is to act with reference to the interests of
the entire country, and not with respect to the local interests
of any community or any section of the country. The matter
is one very largely of administration, and I feel that these

hearings are very useful, and that it is a very proper and necessary thing carefully to review the action of the Committee as the law contemplates, and I am delighted myself to get all possible light upon any issue that may be raised with respect to any of the districts or any of the cities. As the proceedings of the meeting will of course be stenographically reported, I shall have opportunity to read those proceedings at the appropriate time, and to take such action with respect thereto as may seem proper, so far as my own individual action is concerned. The Board will of course give you gentlemen very thorough and a very patient hearing, and it will be their disposition to do what is the right thing to do in the circumstances; so I must ask my associates if they will excuse me for the reasons I have just stated, and to go on with the hearing without me. Good morning.

Hon. Charles S. Hamlin, the Governor of the Board: Gentlemen, with regard to the procedure, I suppose Pittsburg, being the moving party, would have the right to open and to close, and I would suggest that Pittsburg open for a half hour, to be followed by the other parties for an hour, with the right of Pittsburg to close one half hour; and of course if at the end of that time either side wanted a very few minutes to sum up or answer anything we would be very glad to give them that privilege. Therefore I call on the counsel for Pittsburg to open.

Mr. William Watson Smith, Counsel for the City of Pitts-

burg: Would it be just as satisfactory to the Board if Counsel for Pittsburg should make the Pittsburg argument complete, and reserve the right to close in five minutes, if it seems desirable for us to make any additional arguments, after the other side has finished?

The Governor of the Board: Yes.

Counsel for the City of Pittsburg: I think it would rather expedite the matter and save time.

The Governor of the Board: We should have to limit you to five minutes, or such time as you left unused.

Counsel for the City of Pittsburg: I am sure we will not take the entire hour.

The Governor of the Board: If there is no objection, that is perfectly agreeable to the Board.

Mr. John J. Sullivan, Counsel for the City of Cleveland: It is entirely satisfactory.

The Governor of the Board: There is no objection to that?

Counsel for the City of Cleveland: No objection.

ARGUMENT BY MR. WILLIAM WATSON SMITH, COUNSEL FOR THE CITY OF PITTSBURG.

Gentlemen, as a preliminary matter, we would like the consent of the Board to file, not as evidence, which I understand is not allowed at this time, but merely as the application of member banks, asking to have the right to intervene in this

proceeding, petitions from sixty-two per cent of the member banks of this district. This is a quasi-judicial proceeding, and it is common practice in all the courts of the country to permit interested parties to intervene on application. There is nothing new about this, because our brief has been filed here since last summer, and we refer to this matter fully in the brief.

Counsel for the City of Cleveland: Mr. Chairman and gentlemen of the Board: It seems to me that unless something further is known of the method in which these applications are entered, and what sort of a campaign has been proceeded with in order to obtain them, that they ought not to be interjected into this proceeding at this point. We have had no notice hitherto of any such proceeding. All we have had is a statement in the brief filed by Pittsburg in the first instance, that a certain number of banks had sent in votes to them in favor of Pittsburg as a location, and we have not conducted any investigation or inquiry along those lines, and we know nothing of the procedure which has resulted in these applications, and it seems to me they are not proper in the case.

The Governor of the Board: What is the nature of the petitions you ask to have admitted?

Counsel for the City of Pittsburg: The petitions are in the same form, signed by the officers of these banks in which they say this,

".....1914.

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

Sirs:

"Believing that such action will make it more convenient to conduct our business and will facilitate the proper operations of the Federal Reserve Act, the Bank ofrespectfully petitions your Honorable Body to designate Pittsburgh instead of Cleveland as the Federal Reserve City in the Fourth Federal Reserve District.

.....Bank,

By....."

The Board will realize it was impossible for us to have the original petitions filed here signed on the same paper by all parties. That was out of the question, and it is certainly a surprise to me that a technical objection should be raised by counsel for the other side, because as I have stated, and it is probably known to members of the Board, this is common practice. I am not offering anything in the way of evidence at all, may it please the Board. We are merely offering applications of parties who say to you that they would like to join in this proceeding and would like to be heard. Now these are all member banks in the Fourth Federal Reserve District. They have as much right to be heard on this as anybody in the world. Nobody could have the same right as these member banks. They have given reasonable notice. You have had printed schedules, alphabetically arranged, ever since last summer, giving the names of these banks on your files here. There was no objection to this raised in the brief by counsel for Cleveland, and they had had copies of the brief, and we submit that clearly

these should be received, not as evidence, but as parties who wish to be heard. We could not put those signatures all on one paper, may it please the Board. How could we do it? If there was to be a technical objection, it seems to me the first thing Cleveland should have done was to refer to it in the brief, because this case was made up on the briefs, as submitted here.

Counsel for the City of Cleveland: All we have had was a statement on page twelve of the brief of appellants that out of so many banks a certain number had expressed themselves to the Pittsburg people in favor of that location. We have made such comment on that as was desired in the brief, and we have had no schedule of what banks they were, -- just the statement that so many banks in number had done thus and so, which has given us no opportunity for investigation of any specific facts without going around the whole district and inquiring of every man. We have had no information as to which banks they were. You will find on page twelve of the brief all the information we have had hitherto on that subject, and I would suggest that this is not the proper procedure at this time. We know nothing of the kind of a campaign that has been conducted to get the votes. Those are all questions which the Organization Committee thought very material in considering petitions which were presented by one side or the other in these controversies, -- "What kind of letters did you send out to get them?" "What kind of influence did you bring to bear to get them?" "Were they spontaneous or drummed up?" And the Organization Committee gave

very little credence to that sort of thing, as you will see from their proceedings, unless it was found they were perfectly spontaneous expressions of the banks throughout the district. Now that is the situation here. We know nothing, up to this point, except this general list which goes into no specifications, and it is a thing that we have no way of meeting or saying anything about, unless we know how they were obtained or who is urging them, and for what reason; and I therefore think they are incompetent and improper at this stage in the proceedings, and that we should proceed on the record as it stood, when we came here.

Counsel for the City of Pittsburg: I submit that is easily answered. If Cleveland desired to meet this issue she could readily have sent committees around as Pittsburg did, and invited people to intervene on her behalf. Certainly, gentlemen, the presumption is that these papers signed by these officers of banks were signed in good faith and intended to convey the real sentiments of these banks. I feel there is nothing more we can say, except we ask the usual right to have intervening parties in this proceeding. Under the necessity that rested upon us it was a physical impossibility to get these signatures all on one paper. The banks were scattered in various parts of the District.

The Governor of the Board: I think the Board will admit those subject to objection, and of course ultimately subject to our determination as to whether they are legally before us.

Counsel for the City of Pittsburg: Now, there is one other matter. I want to argue this case within the smallest compass, and I would like to insert here, for the purpose of reducing into small compass the evidence that was taken before the Organization Committee,-- a letter from the Pittsburg Industrial Commission printed at length in our brief, pages one and two, not for the purpose of introducing new evidence, but for the purpose of collecting in convenient form all evidence submitted at the hearing; and these figures have not been questioned and cannot be. I do not wish to go a hair's breadth beyond your limits as to the introduction of new evidence. I merely offer this to put this matter into convenient form, and if you will permit me to do this, gentlemen, I will not have to refer to pages of testimony. Our case will be contained in this brief, which consists of fourteen pages. The Cleveland brief does not question these figures.

Counsel for the City of Cleveland: I do not understand this offer of evidence without having the evidence.

Counsel for the City of Pittsburg: There is the original letter; that is the copy, this is the original of which the brief contains a copy, and takes up in two pages matter scattered in this bulky record, and I do not want to refer to it.

The Governor of the Board: Is that part of the record?

Counsel for the City of Pittsburg: No, sir. The testimony was introduced in the form of witnesses, and these figures as

given substantially in this letter are scattered throughout the record. They are not any new matters at all, not matters as to which there has been any question before the Organization Committee, or here. There cannot be any question as to them. I ask this for the sake of convenience,- or for your convenience, as well as mine. If there is any question about the authenticity or accuracy of those figures, it should have been stated in the brief. There was nothing of that kind.

Counsel for the City of Cleveland: In the Pittsburg brief there is a letter of which this is said to be the original?

Counsel for the City of Pittsburg: Yes, sir.

Counsel for the City of Cleveland: Now if it has any pertinence at all, it is in the brief already, and I do not quite see the point of offering the original of the letter. This letter in the brief, or the copy of it in the brief, has no pertinency except insofar as based on testimony contained in the original hearing before the Organization Committee, to which reference can be made, and those references can be made in the brief precisely the same as in this way.

The Governor of the Board: I understand that all the facts mentioned in the letter are in the record?

Counsel for the City of Pittsburg: I think they are; I am sure that substantially all these facts are in the record; and if I am in error as to any of them, it is not to my knowledge. Since my friend says to argue from this printed copy, I will do that, but I thought the Board would like to

see why we printed this letter, and we ought to produce the original of the letter.

The Governor of the Board: I suppose if those facts are all in the record, counsel could actually read the facts stated in the letter, so it is not very material; but technically, as new evidence, I should have to rule against it, if counsel should insist. There is nothing to prevent counsel from reading the letter as part of the argument and stating the facts contained therein. (To counsel from Cleveland:) Do you still object to having the letter read?

Counsel for the City of Cleveland: Why, it is immaterial to me, whether the reading is done from that paper or out of here. I do not want it in the record as additional evidence.

The Governor of the Board: I do not think it should go into the record as additional evidence, because counsel could state the facts of the letter in argument as in the letter. With that understanding, I think we will have no trouble with it.

Counsel for the City of Cleveland: It is all here in the brief.

Counsel for the City of Pittsburg: With the permission of the Board, the question involved in this appeal is whether Pittsburg shall be designated instead of Cleveland as the federal reserve city in the Fourth District, and we wish to say at the outset that we yield to no one in either patriotism or public spirit. We ask nothing for Pittsburg at the hands of this Board which would in any way interfere with this great system. On the contrary, we are here in the interest of the Fourth Federal Reserve District, and on that basis we wish to be heard.

The brief filed by our Cleveland friends rather delicately conveys the intimation that we are guilty of something almost like an impropriety in bringing this case here, as if this were, in other words, an attack on the Organization Committee. I assure you, gentlemen, that nothing is further from our minds. We are here in no spirit of harsh criticism. That reminds me -- the suggestion reminds me-- of the story of the Southern judge. There was a judge in one of the southern States who was very unfortunate in the appellate courts. Almost every time he tried a case, or decided a case, if it was appealed, his decision was reversed. Finally, this judge had occasion to try an important case known as the "Brown Case," and he decided it and it was promptly appealed to the Supreme Court. In due time the Supreme Court met and handed down their decisions, and on that day the lawyer who had won the case in the court below went into the chambers of the trial judge, and said, "Judge, I am glad to tell you that the Supreme Court has affirmed your decision in the 'Brown Case.'" The judge looked at him and said, "Do you mean that the Supreme Court has taken my view of the 'Brown case'?" "Yes, Your Honor," said the lawyer. "Well," said the judge, "I think I am right anyway!" (Laughter on the part of the Board). Now, gentlemen, we do not come here in that spirit at all! We believe that in the hurry and stress inseparably connected with this organization work, a mistake has been made in selecting Cleveland instead of Pittsburg, and we come here to argue that question out with you, believing that we can convince the members of the

committee and this Board that a mistake has been made which this Board will be glad to rectify.

The proceeding is analagous to a motion for a new trial. We all know what that is. It has been the experience of our judges all over this country -- the best and the ablest of them -- that in the hurry and stress of a trial a judge sometimes makes a mistake in deciding a point which he would not make if he had opportunity for mature deliberation, and that those matters are corrected by a motion for a new trial on which the case is argued by counsel. Briefs are submitted; the court is given due time for consideration; and then reaches his conclusions. And I need not tell you that new trials are frequently granted, and in fact they are often or sometimes granted, by the courts themselves, without any application from counsel. This is a proceeding of that kind. We are not attacking the Organization Committee here. We think that this work of the Organization Committee was a great piece of constructive work. I think it is remarkable when you consider what has been done here, dividing this country up into these twelve districts, and designating these federal reserve cities, and so little criticism of the action of the Committee. It is easy to criticize; it is difficult to do constructive work. And, gentlemen, this work of this Committee is real constructive work in the best sense of that term, and it is no attack on the Committee when we say we believe when you have more time than you had at the presentation of this matter before

the Committee to go into it more fully, you will agree with us that Pittsburg should be designated instead of Cleveland.

Now, gentlemen, as I understand it, there are three main purposes of this great statute: First, to make the banking resources of the country available for trade and commerce, as distinguished from speculation; second, to collect a large part of the bank reserves in twelve great reservoirs, where they can be available for use in times of stringency, just as the armies on the other side of the water keep men in reserve which can be sent from place to place as they are required; and, lastly, to provide an elastic currency.

Now there are other features and purposes in this legislation, but these I have named I think are the principal ones, and if you sit down and analyze those purposes, you will find they can all be reduced to this one purpose, this one cardinal principal, that lies behind this act, namely, the act is intended to make the banking resources of the country available for trade and commerce, as distinguished from speculation. Now that is my text, and I will try to stick to it as closely as possible.

If I am correct in that statement, gentlemen, then unless there is some strong reason to the contrary the reserve banks should be located where the trade and commerce of the district centers. Let me be frank about this at the start. I do not say that mere size should in all cases govern; I do not say that because one city is more important financially, and from the standpoint of trade and commerce, that nec-

essarily that city should be selected against a smaller city. I do say that unless there is some strong reason to the contrary, the city of the greatest importance, or the community of the greatest importance, in finance, trade, and commerce, should be selected; and I freely concede, gentlemen, that there may be circumstances, such as geographical position, convenience to the entire district, acquaintance with the trade of the district,--matters of that kind, which might outweigh these other matters and would make it proper to locate the bank in the smaller instead of larger city, but I think I can show you gentlemen that in every one of these particulars Cleveland is completely outshadowed by Pittsburg. Now, first as to the question of the financial supremacy of Pittsburg: Gentlemen, there are in the Fourth District seven member banks from the City of Cleveland; there are twenty-seven from the City of Pittsburg. The member banks of Cleveland have aggregate capital and surplus of \$14,000,000. The banks of Pittsburg have aggregate capital and surplus of \$53,000,000. The deposits in the Cleveland banks are \$40,000,000; in the Pittsburg banks, \$130,000,000. It was said before the Organization Committee that Pittsburg offered special inducements to get these deposits, and it is true that Pittsburg does pay interest on some of those deposits, I think, rising as high in some cases as three per cent, or Pittsburg may give facilities, such as free collection of checks, in return for deposits.

She never gives both; it is always a chance of choosing between the free collection of checks and an interest on deposits. And the same is true of Cleveland. They stand on an exact parity in this particular; there is no difference whatever. Pittsburg offers no advantages to bring bank deposits there that Cleveland does not offer; just exactly on the same footing. And however it may be about bank deposits, gentlemen, this is true, that you cannot bring banking capital and surplus into a metropolis by artificial methods. Banking surplus and capital follow trade. Every banker knows that.

And so we have the situation, Pittsburg having \$53,000,000 of capital and surplus against Cleveland's \$14,000,000. If you extend this comparison beyond the mere city limits, it becomes worse for Cleveland. Cleveland is situated in Cuyahoga County, Ohio; Pittsburg in Allegheny County, Pennsylvania. There is not a single national bank in Cuyahoga County, Pennsylvania; there are thirty-seven national banks outside the limits of the city of Pittsburg; so to compare these two communities, we have sixty-four national banks in Allegheny County, as against seven in Cuyahoga County. Gentlemen, if you take the six largest cities in the State of Ohio -- Cincinnati, Cleveland, Columbus, Dayton, Toledo and Youngstown-- and add up the banking capital and surplus of the national banks in all those six cities, the six largest of Ohio, they fall almost \$2,000,000 short of the aggregate banking capital and surplus in the national banks in the city of Pittsburg alone.

But if this comparison is extended, so as to take in the state banks and the trust companies, it is even more overwhelming in favor of Pittsburg, because if you take the six largest cities in the State of Ohio, the aggregate capital and surplus of the trust companies and state banks amount to \$44,000,000. The aggregate capital and surplus of the state banks and trust companies in Pittsburg alone was \$84,000,000,-almost two for one.

Take the matter of bank clearings: The clearings in Pittsburg are three billions of dollars; annually; in Cleveland a billion and a quarter. This showing is against Cleveland, and in favor of Pittsburg, by two to one.

Gentlemen, there is this significant fact: If you trace a comparatively narrow zone across this country from the Atlantic to the Pacific, you will find in that zone the only seven cities in the United States that have banking capital and surplus in excess of \$25,000,000,000 and those cities are: Boston, New York, Philadelphia, Pittsburg, Chicago, St. Louis, and San Francisco. In that list the resources of Pittsburg stand fourth. Pittsburg is the only one of the seven that has not been selected as a federal reserve city.

Now as to the industrial and commercial supremacy of Pittsburg: You will find this essential difference between the way Cleveland treats this case, and the way Pittsburg treats it: There are in the city of Cleveland about thirty thousand^{more} people than there are in the city of Pittsburg, so the comparison that Cleveland submits is always between the two cities confined to

their city limits. And so in the matter of growth, a thing that they greatly rely on. Surely, gentlemen, that is not the comparison here. You are not dealing here with cities; you are dealing with communities. It is immaterial to you whether a community is governed by one municipal corporation or another, or a dozen. The question is, How do the communities compare? And we wish to submit some figures taken from the United States Census comparing these two communities on the basis of metropolitan districts, that is, the district within a radius of ten miles from the center of the city, and if that comparison is made, Cleveland sinks into insignificance.

I am not going to read you all these figures. I think nothing is more tiresome than to stand up and read a list of figures in order to bring out a point in a case of this kind. These figures are all given on page five of our brief, and these figures are given by metropolitan districts within a ten mile radius of the center of the city in each case, and are taken from the United States Census.

The population of Cleveland is 613,000 -- I am merely giving round figures; the population of Pittsburg is 1,440, 000. The capital invested in Cleveland is \$236,000,000; in Pittsburg, \$642,000,000. The amount paid out in wages in Cleveland annually is \$50,000,000; in Pittsburg, \$90,000,000. The value of the produce of the Cleveland district annually is \$281,000,000; in Pittsburg, \$578,000,000. The value added by manufactures in Cleveland is \$122,000,000; in Pittsburg,

\$211,000,000.

And this is not all, gentlemen. Cleveland and her business are localized; Pittsburg's market is world-wide. Every man-- every well informed man-- knows that Pittsburg is the iron and steel center of the world. One-third of the bituminous coal produced by the entire country comes from the Pittsburg district. In the distribution of produce and vegetables, now, could there be a better test, to indicate the comparison of these communities, than a comparison of the products? The vegetables in that particular district stand third among all the States of the United States, distributing thirty-five hundred cars annually.

I am not going to read or attempt to show you all the lines of manufacture in which Pittsburg is preeminent, but in these she had a commanding position, and in some of them leads the world: air brakes, aluminum products, cables and accessories, corks and cork products, electrical apparatus, fire proofing and clay products, glass, pickles and preserves, pipe and tubing, railroad signaling devices, rolling mill machinery, steel cars, tin plate, turbines and condensers.

We could extend that list indefinitely. The tonnage of the Pittsburg district exceeds the tonnage of Hamburg, Liverpool, London, New York, and the Suez Canal combined. To handle Pittsburg's freight requires a train of freight cars of modern construction long enough to reach around the earth, at the equator, about twenty-five thousand miles. Now surely there cannot be any argument upon this proposition.

And, lastly, as to this question of convenience of access, just take this situation: Cleveland is located at the extreme northern edge of this district, on Lake Erie. Take the complete upper half,--take the upper segment of the circle, with the diameter running through Cleveland; that's water. Nobody goes to Cleveland by water to use the resources of the Federal Reserve Bank. Of course they talk about iron ore coming from the lake to Cleveland. That is fully answered in our figures as to commercial and industrial supremacy of Pittsburg. I am speaking of convenience, and that refers to passenger and mails, not freight. Pittsburg is located right in the heart of the great transportation lines. They go east and west throughout this district, and, gentlemen, Pittsburg is not on the edge of this district. Our friends argue that Pittsburg is on the edge of the district to the east, the same as Cleveland is to the west. If that were true, nevertheless, Pittsburg's position is far superior, as I will show in a moment; but it is not true. The Fourth District takes in the western third of the entire state of Pennsylvania. It takes in all the State of Ohio, one half of the State of Kentucky, and the "Panhandle," or four northern counties of West Virginia, that are inserted like a wedge between Pennsylvania on the east and Ohio on the west. Pittsburg is located fifty miles west of the eastern boundary of the district. The greater part of the Pennsylvania section lies east of Pittsburg, and on the matter of railway facilities there is only one trunk line which runs

through Cleveland from east and west; and I am speaking to people who know a good deal more about railroad matters than I do. It is a fact, however, and I think I will be borne out in this, that the only trunk line passing through Cleveland is the New York Central Line, which goes out through Cleveland to Chicago, and merely touches the upper edge of this district. Through Pittsburg goes the Pennsylvania System,--the main line, which really amounts to two systems, because west of Pittsburg it divides into two branches, one going to Chicago, and the other southwest to Cincinnati. The Baltimore and Ohio system passes through there also, and it has a two-fold connection west in the same way, one line leading to Chicago, and the other to St. Louis; and through arrangements recently made, the New York Central is now running a trunk line through Pittsburg to the Atlantic seaboard. It does not permit of argument, gentlemen, that so far as the greater part of this district is concerned, Pittsburg has far superior railroad accommodations, is much easier of access than Cleveland. I am not speaking of freight. I will concede that these great railroads run spur lines or separate lines up to Cleveland, and you can deliver freight there. I am speaking now of passenger service and of mail service, and while it is true that a part of Ohio, the part up near Cleveland, can be more readily served from Cleveland, it is true that the part of the district the same distance from Pittsburg can be more readily served by Pittsburg; and take the Pittsburg district as a whole,--or Kentucky, West Virginia and Pennsylvania particularly,--and compare with the

part of Ohio traversed by these great systems, there can be no argument about it, gentlemen, that Pittsburg far outshines Cleveland in the matter of transportation.

Now I do not think that there is much more that I can say about this. I do think it is interesting historically to consider how this center has developed there. It is just the same with this country as with every country. When the nation began to extend its boundaries at first, we were settled just as a narrow fringe of population along the Atlantic, and as the country grew, this population began to shift westward, and finally proceeded over the Appalachian Mountains. A great author has said that the most important factor involved in the settlement of the west was the Ohio river, which, with its tributaries on the east, extended for a thousand miles into the heart of the continent, because, gentlemen, we are now speaking of a time when there was no means of transportation. It is always the history that the nation migrates along the river bottoms where the grass is short, and where there is grass for the cattle, and in that way a great line of trade was running through this district along the Ohio river. The river itself had practically no rapids in it, a smooth river, easily navigated by the small boats of those days. Later the railroads came along, following the lines of trade thus marked out, and they ran east and west, and not north and south.

See what happened! There would be a few houses take root here and there along this east and west movement, and they

would build a little church, and if natural facilities and resources warranted, they would grow into villages and towns, and these towns would trade back and forward between each other; perhaps one would exchange bacon for some other commodity, and then they got into the banking business, and today, and for a hundred years, there has been a great line of transportation running east and west through this district. It does not run north and south. Now if Cleveland is selected instead of Pittsburg, that causes a reversal of the current; we are trying to make business run north and south in the district, whereas it runs east and west.

Is it not a significant thing, gentlemen, is it not most convincing with respect to the just claims of the city of Pittsburg, that out of 766 member banks in the district, 476 of them—over sixty two per cent— have signed these petitions that lie before you? It is human nature to climb into the bandwagon. Cleveland apparently won this case before the Organization Committee. See what a handicap that was, because people naturally like to go with the winner. And yet, gentlemen, you find that the mature deliberate judgment of over sixty two per cent of the bankers of this district is that Pittsburg should be selected instead of Cleveland. And we find these men signing these petitions and intervening in this proceeding here before you, asking that that change should be made. Could there be any stronger evidence of what ought to be done in the district than this fact? My friends say in their brief that these banks perhaps signed these petitions because they thought

the case was lost anyhow, and it did not make any difference. I think that is an argument that ought not to be addressed to this Board. Gentlemen, the men who have signed these petitions are responsible officers of the banks of this district; they are not trifling with you. Our conception of our duty to this Board which sits here in a quasi judicial capacity would not permit us to file any papers which did not represent the real settled convictions of the people who signed them, and I think it is a mistake to make an attack of that kind upon the good faith and candor of these people who have come here and made themselves parties to this proceeding and have asked you to change this bank from Cleveland to Pittsburg.

Now I have submitted figures here which have not been controverted, and which cannot be controverted by my friends from Cleveland. With all deference, gentlemen, I submit that the trade and commerce of the district, the purposes to be served by this act, the relationship of the city to the established lines of trade and commerce in the district, the mature deliberate judgment of the bankers of the district, -- all speak for Pittsburg in this proceeding. What more can we say?

We wish to thank you, gentlemen, for the very patient and courteous hearing that you have given us, and we submit this case to you with all confidence as to the result.

ARGUMENT OF MR. S. H. TOLLES,
OF COUNSEL FOR THE CITY OF CLEVELAND.

Gentlemen of the Board, what figure, if any, these so-called petitions will out, I do not know. I am not aware just what they are for. We have not seen them; they have been filed here this morning. I of course do not know just what they consist of. You have had before you in almost all hearings, either of the Organization Committee or of this Board, claims of various cities in respect to these voting matters, and you had an original vote taken by yourselves, I believe, which is recorded in the report of the Organization Committee to the Senate of its work.

What you said about those matters in the hearings, or what the Organization Committee said about those matters in the hearings before it, was that unless they saw the sort of letters or other solicitations which went out in order to get these votes, they did not seem to them to be of considerable importance, and what we said in our original brief is perhaps all that I would say upon that subject now, except that Cleveland has not thought it becoming to canvass this district or solicit votes for the retention of the reserve bank at that place. If it is not there suitably located, it ought to be changed, and Cleveland prefers to stand rather upon the showing to be made for the location of the bank there than on any electioneering or drumming throughout the district to obtain signatures, and what is said

upon that subject in the brief is contained upon pages sixteen and seventeen, and to it I will add no more at this point.

We call attention there to the fact that the signatures -- three hundred and four of them -- are all of officers of banks in the little district of Pennsylvania, about the size of Pittsburgh, while of the outside four hundred and sixty-two banks, they claim to have one hundred and seventy-two votes. Now, how they were obtained, and what measure of pressure or drumming or solicitations -- except such rumors as come from time to time of solicitations throughout the district -- I have no means of knowing. Cleveland has conducted no such canvass, and stands upon the appropriateness of the selection made by the Organization Committee for the location of the reserve bank at that point.

Another notable thing, perhaps, in the discussion, is that that first proposition is quite typical of Pittsburgh. We have heard little of reasons for the location of the bank at Pittsburgh, except the supremacy of that city, -- which its citizens are always ready to admit at any point and in any proceeding, but of reasons why the district would be better served, or why there would be any advantage, other than the gratification of the pride of Pittsburgh, in the matter, we have heard very little, and in our brief we have undertaken to a very large extent to discuss the question upon the considerations which we believe actuated the Organization Committee, rather than any extensive criticism of the making of statistics upon this point or the

other.

Now just one or two other preliminary things: The statement was made, and is made in the brief, that Cleveland and her business are localized, and that Pittsburgh's market is world-wide. Well, now, even if we consider the latter statement as true, the latter is purely an outgrowth of the imagination of the man who wrote the brief, or those who furnished him the information. There is no such fact to be found in the record of the hearing before the Organization Committee, or in any evidence in this case, and as a matter of fact it is as far from the truth as anything could possibly be. There is no city, unless it be New York, perhaps, whose trade is more diversified or widespread, both throughout the United States and in foreign countries, than that of Cleveland, and there is nothing in the evidence in this case to justify such a remark.

Nor do I look at this proceeding precisely as in the nature of a motion for a new trial. Here has been a final judgment; here has been the completion of the work of the Organization Committee, and of this Board, -- not only the determination of Cleveland as the location for the reserve bank, but it is actually there. It is put in operation there. There has been a final judgment; the expense of its establishment has been incurred; its forms have been printed; its equipment has been purchased, and it is there doing business. This is more in the nature of a proceeding after judgment to set aside a judgment, which can only be done upon some very serious ground, either of

fraud or of very clear mistake, or because the location there is in some way prejudicial really to this reserve system, and it seems to me no such showing has been made here.

Now, gentlemen, in going over this case, a rather amusing reflection struck me as I was preparing some information for you as to the purposes of this federal reserve act, and as to your duties and obligations under it, and it suddenly occurred to me that quite likely every one of you had read the act before you assumed the performance of your duties, and that probably you had pretty clearly defined ideas as to what it was intended for, the evils it was intended to meet, and how it was supposed through this act these evils would be met, and it further occurred to me, and the suggestion perhaps grew out of the arguments in the Richmond case, that probably neither the Organization Committee nor yourselves had heard any advocate upon his feet on any question touching any of the subjects of your work who had not undertaken that same course of instruction as to what the act meant, and what your duties under it were; and so I thought my transgression in that respect would be very slight. Although I may fall into the same trick to a small degree myself, I hope I will not waste much time about it, because I think you are already fully advised.

The only surprising thing about the discussion of the gentleman from Pittsburg is that he said nothing about making water run uphill, that has appeared in every argument which I have heard thus far from every other source on the part of those who

are arguing in favor of the concentration of the placing of the reserve bank in one of the congested or concentrated financial centers of the country. It is the same sort of feeling, and that which actuated the opponents of the law itself, and of the reserve bank plan, that you would take the money away from these congested centers, and distribute it among other portions of the territory where now it does not go. I think the general feeling, perhaps, -- and that will illustrate and will be all I will say upon the purposes of this act, or your duties under it, because, as I say, you are already advised in advance about that. That is, the feeling of the community had come to be that the flow of money did not follow natural courses, that it had been made to flow uphill, or rather had been pumped uphill, first, toward certain intermediate or secondary financial centers, and in the last analysis to the great financial center, New York City, and that it had been made to flow up hill by special inducements which could be offered to bring it there, by reason of the fact that the control of the money of the country had fallen into a very few hands at this last center, and I think it was a feeling very general in the community that there were dangers and evils connected with that condition that these few men in the financial centers could use this money for the more profitable business, perhaps, of speculation upon the stock market. They could obtain higher rates for money used for that purpose. They could devote it to the huge enterprises with which they were themselves in touch, to the exclusion of those

not so favored, and to the exclusion of the small dealers and the farming community throughout the country, and that the additional reward which might be had for money under those circumstances was the suction force which was pulling the flow out of natural channels up to this center, -- this great financial center. Now I think the feeling was that that unnatural flow was to be corrected by this act, and that money was to be -- the money of the country was to be -- allowed to circulate and flow in its natural courses, so that the wealth producing products of the country and the credits which were obtained from their disposition, their sale, might be utilized at the point of origin of the credit without having to go to New York to get the money to solve these credits, so that the farmers of the community, when it became time to market their crops and get them to the center markets, and so that the small business people throughout the community, might have locally means of turning their credits into money, without going through these large exchanges to the financial center of exchange in New York City; so that when the Organization Committee and this Board came to lay out districts and locate banks -- reserve banks -- in these districts, there is no doubt those considerations were in their minds.

Now the Organization Committee has completed its work. The public, which has had this feeling in reference to the inadequacy of our financial system, -- and I am not stopping here to discuss whether their fears were well or ill founded, -- has

been waiting with great patience, in the belief that many of the financial hardships of the country, many of the periods of depression, such as we are now passing through, would be remedied, when this system was once on its feet and in full operation, thus furnishing an elastic and safe currency which would be uniformly distributed throughout the entire territory, and putting an end to the financial difficulties which have from time to time troubled us, so that the crops might be financed, so that the ordinary small industries in the interior might with equal readiness get their financial supplies, as could the large people in the large centers, from the aggregations of capital there.

Now, in carving out these districts, the law did lay down -- and that's the end of my lecture on the law -- the proposition that in cutting them out you should give due regard to the convenience and course of business. No such limitation and no such direction was given with reference to the location of the bank in the district. Now I am not saying that those considerations should be cast aside, but they were omitted from the law, and for the obvious reason that one of the very prime purposes of this law was to change the course or interfere with the unnatural course in which money had been flowing in this country, and get it distributed in its normal flow and in its normal locations, so that it is obvious that Congress had in mind that purpose in the establishment of this act, and did not limit you in the location of your banks in the districts in any sort of way.

Now this work has been done, as I said at the outset. The bank is in operation, the expenses of its organization have been incurred; and yet Pittsburgh is here before it has been run -- How many months, two or three? (Suggestion from Pittsburgh counsel: Two months.) -- wanting the thing upset, and the work which you have done thus far cancelled, and the bank re-established and moved from there. It seems to me it is an unbecoming thing to ask at this juncture, but perhaps it is Pittsburgh's right to ask it. Unless some serious prejudice to the operation of this system can be shown by Pittsburgh, why should not the test of time be awaited, to see if this location is working hardship to anyone, because it is in the power of the Board to correct any hardship or any wrong at any time when it occurs, and not now, at the very inception of the business, begin making these changes. For what happens? You heard last week that Baltimore must have the bank moved from Richmond up there. You will see next week that some counties of New Jersey want to get out of the Philadelphia district and into some other. If Philadelphia loses that end, she will want to gain at some other point, and you will have to consider giving Pittsburgh certain territory in that district, or what not; so that once you begin breaking into the system which you have established, you have started a train of things which has no end. Everything that may be suggested by local pride anywhere will be brought to bear upon this Board, in order to shift and change, and there will be no end to it. Now I admit that if, in

the operation of the system, you find any territory which is punished, or any territory which is not well served, or any bank which is not well located, it is your duty at any moment to change it, but why break into this system until there is an opportunity to test out the workings of it?

And your work is not by any means done yet. There lie before you many troublesome problems to work out before you can say that your system is established, a success -- a final success. No doubt you have every day puzzling questions of one sort and another come up in connection with the getting of this system going smoothly and successfully, and you have them to deal with, and what you want most of all is the hearty co-operation of the banks in the system -- the member banks -- in the working out of these problems. Now so far as your experience goes thus far in this work, I think you will find that to quite a flattering degree you have had that hearty ready assistance from Cleveland banks and from the system there, far more so than you have perhaps from Pittsburgh. Probably the proceedings which ensued upon the first call for gold deposits in the reserve bank, among the banks of the Fourth District, are familiar to this Board. Probably the responses from these two cities in respect to your cotton and your gold propositions are matters of knowledge to all of you, and the manner in which these things were handled by the Cleveland banks, and the readiness and heartiness of their responses in respect of them, I think compare quite favorably with those of the banks of Pittsburgh, and I will not go into details about it.

It follows, of course, from what I have been saying, that you can not, from mere figures, locate banks in reserve districts. And, therefore, it is that I have not criticized, beyond the extent to which they are criticized in the brief, the statistics presented by Pittsburgh. Of course, New York, Boston and Chicago, from the very necessity of the thing, had to be taken. Possibly the same is true of Philadelphia, though I doubt if that be so in this district. But those cities in the districts in which they are located were of such character that of course you could not think of any other location for the bank. But even that seems to be an alarming circumstance to some of the special friends of this reserve act. I noticed recently in the papers -- while I don't take much stock in those things -- that Representative Glass and Senator Gore were afraid a couple of the money devils had gotten into the saddle in Chicago and were not operating the bank there in the interest of the people. It only illustrates the fact of the underlying view which was had of this system, and what it was going to do, -- that it was not a system for congested centers, but was a system for decentralization and for getting the money flowing about among the people.

Now I think -- I do not like to speak of those things very much, and I shall not go much into it -- but I think one of the most persuasive things to the Organization Committee, which led to its selection of Cleveland as a location for this bank as against Pittsburgh, was what I may perhaps call the atmosphere

in which this bank was to be launched. That involves not only the present state of statistics; it involves past history, both of banking business and of government, out of which grows the atmosphere in which this bank is to be placed. Now if anybody had asked, -- Where will we put this bank in the Fourth District, constituted as it is? Shall it be Pittsburgh?--I think the natural feeling would be to answer, -- No, if there is any other suitable place for it, and for this very reason, that its political history, its banking history, as appearing in the public records in the past, does not create the atmosphere in which one would choose to put a bank which is to be the center of this district, where the money of the district must go, and to which the entire district must look. I do not say this out of any enmity to Pittsburgh. It is probably her misfortune rather than her fault. But these things are a matter of history, a matter of public knowledge, and I haven't the slightest doubt that it was the character of Cleveland's growth, of its civic advancement, of the conservatism and steadiness of its banking business, that influenced the Organization Committee in its favor. The records of her national banks in your department here will show her as being absolutely free from the slightest scandal or failure during all those years. The conservatism of its growth, as well as its speed, and all these matters, I have no doubt, were very strong factors in inducing the Organization Committee to select Cleveland as a place of the proper atmosphere in which this bank should be put, if there were no other

reasons to militate against it.

Now, as I say, the growth of Cleveland banks has been steady and conservative. Although counsel has made the statement here, admitting that Pittsburgh banks do get deposits in from all over the country by offering certain inducements to get this money to flow up hill to Pittsburgh, he says the same is true of Cleveland. I challenge that assertion as not being borne out by the record of the testimony taken before the Organization Committee. There can be found in the testimony taken before the Committee evidence of the admitted fact on the part of Pittsburgh of the manner in which deposits have hitherto been drawn in from the country, even outside of the business range of the Pittsburgh banks. Cleveland banks do pay some interest on deposits, but not at all of the sort, nor do they offer inducements of the sort, as I read the testimony, which Pittsburgh has offered. Indeed, I have heard it said that there is one bank there which has deposits from every State in the United States, drawn in by this process. Whether that is true, I don't know.

Another thing, though not of much importance: In speaking of the capital stock of banks, we have an institution in Cleveland which has deposits of nearly sixty millions, which hasn't a dollar of capital stock. That is our Society of Savings, which perhaps contains the largest aggregation of deposits of any institution in the State, but figures not at all in the column of capital stocks which are set out in the statements.

So much for the past. At present the comparisons by which

it is sought to give Pittsburgh its great supremacy, which is the topic of the talk we have heard this morning, is the metropolitan district of Pittsburgh, as compared with Cleveland. The situation is a little curious in that respect, and I took some pains to look at the Census report from which these figures are taken, and I found that the so-called metropolitan district of Pittsburgh contained over 400,000 acres -- Some good mathematician may put that into square miles! -- of which 370,000 odd were outside of Pittsburgh; and that the so-called metropolitan district of Cleveland contained a trifle over 100,000 acres, of which 75,000 or 75,000 were outside the city limits; so that the area of the districts under comparison is enormously out of proportion, in the first place, and obviously the so-called metropolitan district of Pittsburgh takes in practically all the territory of Pennsylvania, that is, the territory of Pennsylvania outside of the corporate limits. Cleveland does not. It so happens that Cleveland on its immediate fringe, keeping within the ten-mile rule adopted by the census report, does not have manufacturing communities. But for the purposes for which we are looking at this question, it is surrounded by a fringe of manufacturing cities all within banking range of Cleveland, all of whom have their banking connections with Cleveland, which would make the scale -- I haven't stopped to figure it out -- but certainly would represent an aggregate of business, I believe, quite as large as that of Pittsburgh's metropolitan district, if not larger. And so far as the cities themselves are concerned, there is very little difference in the figures at

present, although the prospects of the future are quite different. You take Akron, with its enormous rubber industries, which is south, and the fringe of a dozen cities of that kind, which are within the banking district of Cleveland, and not within the so-called metropolitan district, which is made the subject of these comparisons; so that they are not of very much value in that respect, if you are to determine solely upon questions of statistics, which I think you will not do.

Now as to building: I picked up a Sunday paper last week which contained Dun's report of building for the year 1914. I found Cleveland's expenditures by the report, which is a matter of public knowledge, public record -- it is not a thing which requires testimony -- something over twenty-seven millions; Pittsburgh, eighteen millions.

In 1850, Cleveland was the forty-third State in the United States; Pittsburgh the thirteenth or fourteenth, -- I am not sure which. In 1910, Cleveland had come up to the sixth; Pittsburgh had advanced to the eighth. And at the rate of relative growth, when our next census comes, Cleveland will have over a million of population in comparison with a very much lesser number at Pittsburgh. And it is to be noted that Pittsburgh, in the decade ending in 1910, took within its limits the large city of Allegheny, just across the river, while Cleveland has had very little addition to population from annexation in that period.

Now as to the stability of growth, there was handed me by a friend a little communication which perhaps expresses better than I can the thought upon that subject:

"In Cleveland there is centered the greatest variety of industries, and diversified products of any city in the United States, and these products are shipped to every civilized country in the world.

"The failure of a wide demand for any one or a number of products made in Cleveland, does not seriously disturb the general industrial condition, as no one or series of products, dominates the industrial condition of the community.

"It establishes a well balanced community from an industrial as well as a financial point of view. This is evidenced by the fact that Cleveland exchange is always acceptable anywhere; so much so, that it is only second to New York and Chicago. In this respect, the conditions in Pittsburgh are and have been for years decidedly the opposite.

"These are conditions that create a normal and natural channel of trade that ensures a great future growth.

"On the other hand, Pittsburgh is the center of one great industry, on which its very industrial existence depends. When a wave of depression comes in the steel industry, the city becomes paralyzed."

and I think that anybody who will compare Pittsburgh and Cleveland today will strikingly see the difference in the fluctuations which come from depressed conditions in the city of Pittsburgh. The steadiness of Cleveland's business and of its growth, the lack of periods of great inflation and of depression, which are unknown there, tend towards creating a condition in which a bank of this character, to which the people look, should be placed.

Now some comparative figures are set out in the brief, and I won't stop to talk about them, except to say that in the last ten-year period, 1904 to 1913, the latest time to which definite data could be obtained, the value of manufactures in Cleveland increased 95.1 per cent; in Pittsburgh, 11.1 per cent. Deposits in banks, Cleveland, 66.1 per cent; Pittsburgh 36.2 per cent. That matter is easily explained, and the future prospects of these two cities are easily understood, when you remember that Pittsburgh at the time of the organization of the steel corporation did have a position of preeminence in the metal trade that has departed since that time. The enormous plant at Gary, the enormous plant at Duluth, the enormous increases in the plants of the South, the doubling up of the plants at Loraine and of Cleveland, in this same district, have distributed the manufacture of steel, so that never again will it be said that Pittsburgh is the center of that trade. She is not geographically located for it. Other provisions have been made so that Pittsburgh is now one of the manufacturing centers of the country and not the manufacturing center. So that for the future, looking to the surroundings in which this bank will be placed, every prospect is that not only was the decision correct for the conditions existing now, but will be so more and more as time goes on.

Now one or two other points remain that I want to speak of. I see my associates looking viciously at me, so I will hurry on.

There are other things to be considered besides those of which I have spoken. One is convenience of the district, for the district at large, not of Pittsburgh. The bank is not to

be put at Pittsburgh, as is urged in the brief, because Pittsburgh will want to borrow most of its money. That is not the purpose of locating a reserve bank. I find in the brief filed on Pittsburgh that it will probably be the heaviest borrower in the district, and therefore it will be more useful to have it there. That would not be proper. The bank should be located for the convenience of the entire district, and a very great part of the district is Ohio. It is not only a manufacturing community, but very largely an agricultural community, and scattered all through it are various little manufacturing towns, and places such as Columbus and Chillicothe, and other manufacturing centers, aside from the little fringe around Cleveland, which extend all over the State, that need banking facilities, as do the farming communities, for the movement of their crops, so that they, as well as the large borrowers of Pittsburgh, will have to be considered in the location of this bank.

Now there are tabulated in this brief, and I will not stop to read it, because I assume, of course, that you gentlemen read these briefs, a compilation of the time in which Cleveland may be reached, as compared with Pittsburgh, from all other towns in the district, and mail service from those places. It begins on page seven of the brief. I haven't the time to go over it in detail, and refer you to the brief. There is not a place in the district that is out of communication with Cleveland so that a letter deposited on one day will not be there for the next day's business.

Then, too, the course of trade: that is discussed also in the brief. Of course, when the country was originally developed, the development began upon the Atlantic seaboard and worked west. It got up through New York and up the coast, which was the highway at first, also over the Alleghenies and by Pittsburgh, then up to the lake and on west. But the country has grown and filled up and developed, until an enormous commerce has grown up from North to South, particularly through the Middle West. So that we not only have the trunk lines reaching from the Atlantic seaboard to the West, but as soon as you get within the limits of Ohio and go on East, you strike, every few miles, lines of railroads from the lake ports to the South, connecting of Great Lakes and the south seaboard, Baltimore, and what not, and ultimately New Orleans. So that it cannot be said in this day that the commerce of this district is to the east and to the west. It is in both directions. And every large city in Ohio, beginning at Ashtabula, and going on to Fairport and Cleveland, and on all through the State, has, I should say, a dozen lines, of railway. A very large part of this agricultural trade and of the trade of these smaller manufacturers of whom I spoke, is from north to south over these lines of road, and that is discussed also at greater length in the brief.

But it is said that we are not geographically well located, but that we are perched up on the head of the Lake, which shuts off more or less from commerce, and that they are located somewhat near the center of the district. Not only in a geographical sense is it true that the Lake is our northern boundary.

What is the Lake except a great source of commerce, of which an enormous quantity passes back and forth into the Fourth District, and of which, so far as the Fourth District is concerned, Cleveland is the natural gateway, and through which it largely passes? There is more trade produced and brought into and out of the district from that highway, I venture to say, than from any other direction or equal portion of the boundary of that district.

I do not need to speak of what we all know of the commerce of the Northwest through the Great Lakes, the enormous quantity of timber which comes down, the enormous quantity of ore, and the general merchandise all through the months of navigation, a large part of the production of which is financed at Cleveland. Practically all of the shipping is financed at Cleveland, so that Cleveland is the clearing house for substantially that mass of commerce which comes in in that way. So that so far as the commerce of the district is concerned, we are not on the northern edge, while Pittsburgh is in the extreme corner. It is more convenient for Pennsylvania companies, but not so the rest of the district, and there is one thing which is often overlooked, and which was overlooked -- and by the way, counsel ventured to make a curious statement, that no one came into the district from the Lake. He forgets that the Lake boats carry thirty millions of people a year on their lines.

Mr. Wm. Watson Smith. You misunderstood me.

Mr. S. H. Tolles. There is an enormous passenger traffic through the lakes. But I misunderstood counsel.

Then there is the Canadian trade. It appears from statistics -- and I see the same thing in government reports, pub-

lished in last Sunday's newspaper, that the Canadian business is largely imports, very little exports, ^{so} that the balance of trade is very largely against her all the time. Heretofore that has been advanced from England. She is said to have borrowed three hundred and fifty millions in 1912, and two hundred and fifty millions in 1913, to finance those balances against her, and under present circumstances, and that is what brings the thing more forcibly to mind just now; that source of supply is cut off, and she is obliged to finance in this country those purchases which she makes.

Now it is true as a matter of fact that out of this fourth District comes a very large proportion of the coal, for instance, which carries on our industries. A very, very large part of that is settled for at Cleveland. So much has this commerce increased that a very large part of the very large Cleveland institutions, which I want stop to mention, coal, oil, and other manufactures, have close affiliations or relations with Canadian business of like sort, either by branch houses or other arrangement, so that there is an enormous commerce of that character out of the Fourth District, of which, Cleveland has, I believe, far the greater share. So that a great deal of Canadian exchange originates there and is largely financed from that city. I was told the other day by one of our bankers that there was a single item in their bank of \$200,000, to the credit of a Canadian firm.

At any rate, the commerce is large, and Cleveland is the natural gateway and clearance place for it, so that it brings --

the Lake brings -- Cleveland into the commercial center, it bring quite as easy of access as Pittsburgh, in a geographical sense, in the center of this district, and makes an appropriate place for the location of this bank.

Now I have undertaken to touch upon all the points which are involved in the decision of this organization committee, so that I might not be charged with simply standing up and advertising Cleveland. I have undertaken to show that her present business conditions, business history, and the banking history, make her furnish an entirely suitable atmosphere for the location of this bank, and that her trade position, in connection with the commerce of that district is such as to make her the logical and reasonable location for the reserve bank. I thank you, gentlemen, for your attentions.

ARGUMENT OF MR. NEWTON D. BAKER,
OF COUNSEL FOR THE CITY OF CLEVELAND.

Gentlemen of the Board, I do not want to take up much of your time, but I should like to make one or two observations on the larger aspects of the case from the Cleveland viewpoint. There are one or two things that probably I can say that may be helpful. First, with regard to the petitions that are filed here. As I understand it, they are to be taken into consideration by the Board. That seems to me to be a referendum--trying to determine this question by a referendum--in which only those are permitted to vote whose favorable attitude has been previously determined. They have gone about the district and got the banks that are favorable to sign petitions of this kind, but the chairman of that meeting is not putting the negative of the question. He is not asking those who entertain an opposite view to express that. Our complaint is that that evidence is not entirely informing to this committee, and that notpart of this proceeding involved the count of noses, that the positive noses were counted and the negative noses were not.

Now may I turn to another thought? This is not the place for testimony, and I am not going to try to testify. But I know the city of Pittsburgh very well. I have many cordial relationships there, and if I may say that very tenderly to my friends of Pittsburgh, the great difficulty

is that the city has a statistical imagination. It is trying to present Pittsburgh in bookkeeping terms, and to present Pittsburgh to the world as a balance sheet. That is exactly what this Organization Board could not do. It would have been very easy for Congress, when it was drawing this law, to designate cities in which reserve banks should be put. All the statistics that can be extracted from the Bureau of Statistics of the United States were as available to the congressional committee having this matter in hand as they are to the gentlemen of Pittsburgh or the gentlemen of Cleveland, and if the thing was, in the view of the legislative body, to have been determined by a count of the population or the amount of bank balances, or the amount of deposits, and capital stock and surplus, it would have been an exceedingly easy thing for the congressional committee to have proposed a scheme by which that should be determined. Population might have counted three, and bank clearings might have counted two, and so on. It might have been as mathematical as the Pittsburgh imagination. But that is exactly what Congress was not trying to do. Congress was trying to launch a new scheme. It was trying to find a way to allay the public distress of the whole banking system of the United States. There were all sorts of terrifying and inflaming phrases current in the public mouth about the bank business of the United States and

the money trust and the centralization of money with particular persons and in particular places. And Congress, in the largest possible way, was attempting to capture the imagination of the country by liberating it from the terror of that misconception. And so they put into the hands of an Organization Committee the largest possible discretion. They didn't tell them that it must be done by this, that or the other rule. They gave them practically unlimited discretion, and then the Committee did the thing that your body cannot do; they went around over the country and they talked with men of affairs, and they examined the public press of the various cities to which they went. They got what my friend, Mr. Telles (of counsel for the city of Cleveland), has called the "atmosphere" of each place, that subtle psychological envelope that makes things possible or impossible because of the public attitude of men towards it. As a result of it, this Organization Committee decided that Cleveland was a better place for this bank than Pittsburgh. I venture to say this, if I can say it without affront to my friends from Pittsburgh, that if the common man of the street in that district had been told that the Government of the United States was going to try to establish an agency upon which the plain people of the country could rely to preserve an uncontrolled and elastic currency system in the country, and asked, -- Where do you think it ought to be, -- his instant reply would have been, -- Cleveland. Not because Cleveland has a larger population; Athens only had thirty or forty thousand people when it was the greatest place in the world, --

numbers do not count, not because of any bank balance, but because there is a set of public men which is not only hospitable to new ventures and hopeful of this experiment on the part of the Government, but an attitude of the public mind which is not so restless, which has not been disturbed, and is not now disturbed, by the same sort of evil thinking that afflicts--I say it with great kindness towards my friends of Pittsburgh, because I cannot make them feel how much I am interested in the working out of the Pittsburgh experiment--the public mind, the atmosphere of that city.

Cleveland is a curious place. I have lived there some twelve or fifteen years, and I have seen it modified as a civilization in a way that I think I should have great difficulty in conveying to you in words, but which, if you lived in Cleveland, you would realize. When I went to Cleveland twelve or fifteen years ago, there was the same attitude of the public mind towards bankers and banks that there is in most places in America towards lawyers and the law. The class was in disrepute. But during the twelve or fifteen years there has been this change on the part of the banks and people that in all the public affairs of that community, in the financial operations of the city, in the relations that ought to exist between governmental agencies of one kind and another, the banks of Cleveland have accepted a kind of trusteeship for the public interest, and are aiding, by counsel and advice, to preserve the public credit

and to guide along wise channels public finance, and that has been so far accepted by the people of that city that for the Mayor of Cleveland to be seen in the company of bankers no longer implies that there is some scheme on foot to sell the city! It means that there is a helpful cooperation coming, however, between public officers and men who have vindicated their right to be trusted. That is perfectly characteristic of the Cleveland district, and so when this Reserve Board came to Cleveland, they found it was a city which had not had quite so much growth in an industrial way as Pittsburgh has had, but they found that it is a city that has grown more rapidly than Pittsburgh, a city of more diversified industry, a city that is not weighed down by the predominance of one industry, but a city in which there has been a tremendous advance made in the solution of the problems which have been regarded as the gravest menace to the integrity of our American institutions. It is a city now in which public service problems, problems of public service corporations, no longer need to trouble. It is a city in which there are few, if any, labor disturbances of any sort. The relations between capital and labor have been established on a cooperative basis. It is a city in which enormous numbers of our foreign-born people have come to live. Seventy-five per cent of the people that live there are foreign-born, or the children of foreign-born parents. Yet so law-abiding are they, so enthused with the American spirit, that even in these tense

times of international strife, there is not even a street parade.

Now this attitude of mind is a thing this Organization Committee felt, and properly felt, and they decided it had a growth greater than Pittsburgh, and they selected the city of Cleveland. And now it is done. The Committee has decided that. And in the argument which is addressed to you, they ask you to undo that, to put this bank on wheels and roll it out of Cleveland and roll it into Pittsburgh, and leave it there until somebody agitates you enough to roll it out of Pittsburgh and put it into Cincinnati.

In this argument there is not one sentence of argument about the inconvenience resulting since the avenue was opened. There might have been supplementary evidence if it turned out that the lines were not sufficiently facile to enable banking business to be done. They might be asking for a branch bank in Pittsburgh. Not one sentence on the subject. They adhere to the original record. By reason of the bookkeeping ability, by reason of the columns of figures shown, indicating that what has been done ought to be undone, and the effect of it,- if you were to yield to that, if you were to be persuaded in that regard, it would mean that the bank should be changed from Cleveland to Pittsburgh,- a thing, I think, unwholesome to the public imagination itself. It would give an air of instability to the bank. It would be an admission that nothing is fixed and determined about it. It would make people

distrust the permanence of the thing, and with the country in its present situation, with the hope burning high in every heart that the work the gentlemen are doing is going to have an immediate and permanent effect in the country, to undo what has been done, to change what has been regarded as fixed, to make temporary and fleeting what we have come to accept as settled, would give everybody the feeling that the hope of relief from the board must be deferred until further settling and unsettling could be provided for.

When this question was first mentioned, the city of Cleveland took this view, and it stands by it now. We said this Board is to have the benefit of all the information we can give it, not material only, but spiritual, if I may use that word in this connection, and when its decision is known and made known, then we are going to stand by that decision! When the determination is made, our coats are going to come off, and we are going to try to make a success of the enterprise, wherever it is! We invite our friends from Pittsburgh to emulate that spirit. We adhere to that today. From the beginning of the discussion of the question of a reserve bank, the attitude of the banks of Cleveland has been helpful, constructive and hospitable. There is no other city where a bank has been established where a stronger spirit of cooperation has existed. And Cleveland is in that attitude. We believe it to be a place where the bank will find itself in an environment of helpfulness and cooperation, and having it remain there will

give an additional idea of the solidity of the institution which Congress tried to establish with its law, and left to you gentlemen to complete.

ARGUMENT IN REBUTTAL BY MR. WILLIAM WATSON SMITH,
COUNSEL FOR THE CITY OF PITTSBURGH.

Gentlemen, when I hear an argument, either in court or before a commission, I always think it fortunate that we have a body that can decide, because we will never get an agreement of counsel as to the merits or demerits of a proposition. My friends from Cleveland look at Cleveland through rosy glasses, and I have been really impressed with the eloquence with which that view has been portrayed to you, as if it were almost the acme of perfection. And I am not here to say a word against Cleveland, and I suppose we look at Pittsburgh through our rosy glasses. So it is up to you to decide. But it is fortunate that there are members of this Board who are familiar with both cities.

As far as being the center of education, and of art, and of proper civic ideals, we are not at all afraid to submit Pittsburgh to any test which Cleveland may present.

I want attempt to go over all the points in which I will be obliged to disagree with the gentlemen. There are two or three small matters that I want to speak of.

Reference has been made to these bank petitions. In Pennsylvania, out of 306 banks, 304 have signed. In Ohio, out of 378 banks, 107 have signed. In Kentucky, out of 73 banks, 57 have signed. In West Virginia, out of 9 banks, 8 have signed.

As to this question of a congested financial center, gentlemen, you must know that neither Pittsburgh nor Cleveland has

men, you must know that neither Pittsburg nor Cleveland has ever been a financial center in the speculative sense. The stock market of either Pittsburgh or Cleveland is a very small thing. It amounts to very little. Neither of these centers has been a speculative center, and nobody has advanced that argument, to my knowledge, until today. In fact, they are both industrial centers of a kind, Cleveland being much smaller than Pittsburgh. Pittsburgh money has never been used for speculation. It has been used for the business of that great metropolis. The pay roll of Pittsburgh require a million dollars a day in hard cash, more than three times as much as in Cleveland. That is why we think this reserve bank should be placed there, because, other things being equal, we think it ought to be placed where the money is needed, not for speculation, but for commerce.

As to Pittsburgh's growth: She is in her suburbs almost a completed city. You cannot tell when you leave Wilksburg by anything on the ground. It is a compact city of over a million of people. And that is where the growth of Pittsburgh has been, because the city has almost been filled up. To show the comparison of growth, it is an incontroverted and incontrovertible fact that the tonnage of the Pittsburgh district has increased one hundred per cent in the last eight years. That is the standard of Pittsburgh's growth.

Now I wont go over anything else at all except this one matter: I think my friend, Mr. Tolles, must have been mistaken

with his lead pencil when he made his calculation to show that the metropolitan area of Cleveland was 100,000 acres and Pittsburgh 400,000. The figures we have given on page five of our brief are taken from the United States Census.

Mr. S. H. Tolles, of Counsel for the City of Cleveland: That is where I got mine.

Mr. William Watson Smith, of Counsel for the City of Pittsburgh: And I would like the case to rest on this comparison. I say it is right. It is a comparison of the Pittsburgh and Cleveland metropolitan districts, - Vol. 10, page 945.

Mr. S. H. Tolles: There is a separate chapter devoted to the metropolitan district of Cleveland and of Pittsburgh, in this report of 1909.

Mr. William Watson Smith: This report says 700,000 acres in Pittsburgh, 400,000 outside the city.

Mr. S. H. Tolles: I am not referring to that.

Mr. William Watson Smith: I am referring to it. And they are going not on a proportion of four to one in area, but on the same area exactly, if I understand the figures.

Mr. S. H. Tolles: I think I have that report here.

Mr. William Watson Smith: It needs to be looked at.

The Governor of the Board: Is there anything else?

Mr. William Watson Smith: I think there is nothing.

The Governor of the Board: The Board will take the matter under advisement and advise you of its decision.

(Thereupon the hearing was adjourned.)