

Before the Federal Reserve Board

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

REHEARING BEFORE THE FED-
ERAL RESERVE BOARD,
WASHINGTON, D. C.,
AUGUST 8-9, 1916

*Brief on Behalf of the Petitioning Banks,
Appellees.*

J. W. P. LOMBARD,
CHAIRMAN OF THE PETITIONING DELEGATION

REXFORD L. HOLMES,
COUNSEL

Before the Federal Reserve Board

**IN THE MATTER OF THE APPLICATION OF CERTAIN
BANKS IN EASTERN WISCONSIN TO BE DETACHED
FROM FEDERAL RESERVE DISTRICT No. NINE
(MINNEAPOLIS) AND ANNEXED TO FEDERAL
RESERVE DISTRICT No. SEVEN (CHICAGO.)**

**REHEARING BEFORE THE FEDERAL RESERVE BOARD
WASHINGTON, D, C., AUGUST 8-9, 1916.**

BRIEF ON BEHALF OF THE PETITIONING BANKS, APPELLEES.

FOREWORD AND HISTORY OF THE CASE

This brief is filed in accordance with permission granted by the Federal Reserve Board at the close of arguments heard during a rehearing on August 8-9, 1916, on the appeal of certain Wisconsin banks to be transferred from the Ninth to the Seventh Federal Reserve District.

The case was originally heard before the Federal Reserve Board on May 20, 1915, at which time arguments were presented to the Board by the petitioning banks, appealing from the decision of the Reserve Bank Organization Committee, placing the petitioners in the Ninth Federal Reserve District instead of in the Seventh District as petitioners desired. As a result of this hearing the Board determined the matter, stating:

After a full investigation of the matter the Federal Reserve Board has arrived at the conclusion that there is no present necessity for any change in the geographical limits of the said Districts Nos. 7 and 9 at this time.

In the letter which was sent out on behalf of the Board by Vice Governor Delano it was stated:

If future developments should indicate any necessity for such change the Board will, at a later date, give consideration to the matter upon the application of banks desiring to be transferred. The Board, however, is very hopeful that the results under the new clearing system will make a transfer unnecessary.

The Board has given careful consideration to the views presented and has reached the conclusion that it would not be justified in making any alterations at this time.

And in the decision it was stated:

It is ordered that said petition be dismissed without prejudice to the rights of the signers to file an amended petition at a later date.

On July 26, 1916, the Board notified the petitioning banks by telegraph that the case would be reopened, as follows:

'Board today voted reopen petition filed by certain Wisconsin banks for transfer from Ninth to Seventh Reserve District. Informal hearing of oral arguments Washington, August eighth, three p. m. No briefs are necessary but may be filed if any bank desires. Applications of banks in northern peninsula of Michigan desiring to intervene in this petition will also be considered at the same time.

(Signed) C. S. HAMLIN,
Governor.

As a result, a rehearing of the case was held in Washington on August 8-9, 1916, before a committee of the Federal Reserve Board consisting of Hon. Charles S. Hamlin, Governor of the Board, Hon. John Skelton Williams, Comptroller of the Currency, and Hon. William P. G. Harding, Member of the Board, at which time full arguments were presented by the petitioners in favor of the proposed transfer, and by the Governor and Counsel of the Federal Reserve Bank of Minneapolis, protesting against any re-districting that would involve the change requested by the petitioners.

HQ +.

2562

.B7B35

At the conclusion of the latter hearing, Governor Hamlin stated that an opportunity would be given for the petitioners to file a brief for further presentation of arguments up to and including September 1, 1916, and that the counsel for the Federal Reserve Bank of Minneapolis might reply thereto within five days thereafter.

In pursuance of and in conformity with this permission granted by the Board, petitioners beg leave respectfully to submit to the Board the following brief in substantiation of and enlargement upon arguments and facts hitherto presented.

I

THE EFFORTS OF THE ORGANIZATION COMMITTEE IN ITS ORIGINAL DIVISION OF THE COUNTRY INTO RESERVE DISTRICTS ARE TO BE STRONGLY COMMENDED.

There is no disposition on the part of the petitioners to offer the slightest criticism of the decision of the Reserve Bank Organization Committee in assigning the petitioners to the Ninth District instead of to the Seventh District when the original districting of the country was determined. The difficulties and vexatious problems confronting the Committee in its deliberations were almost inconceivable. The situation of the banking and business interests of the country was one of uncertainty and perplexity. The outbreak of the European conflict resulted practically at once in a serious upheaval of international financial relationships throughout the whole commercial world. European holders of American securities frantically endeavored to convert these securities into money in the New York market, which resulted in an alarming decrease in the price of stocks, while the country was threatened with a serious shortage of gold. The ability of borrowers to meet their obligations became doubtful, while country banks manifested a tendency to curtail accommodation to their clients. High-grade securities could find no market, while the foreign exchange market evidenced a situation the like of which had scarcely been experienced theretofore. It was not remarkable that at such a period the financial and commercial interests of this country were in a state of extreme unrest, and there were many expressions to the effect that the

organization of the newly created Federal Reserve System should be deferred until the resumption of normal conditions, not only in order that the success of the new system might not be jeopardized, but in order that the existing precarious financial situation might not be further complicated by superimposing upon it a new and untried financial system.

Such was the situation which confronted the Federal Reserve Board immediately upon the assumption of their new duties, and such was the alarming condition of affairs when the Reserve Board Organization Committee undertook the initial division of the country into reserve districts. The petitioners, following the dictates of reason and justice, can express nothing but commendation of the Federal Reserve Board and of the Reserve Board Organization Committee for having the courage, in the face of the unparalleled and adverse conditions which have been briefly set forth above, to determine to be guided by their own estimate and analysis of conditions, and to conclude to proceed as early with the organization of the new banks as was consistent with good business management and efficiency.

Accordingly, among the decisions rendered by the Organization Committee in order to get the new system into effect was one in which the petitioners have been for all these months so vitally interested. And while having no word of criticism of the Organization Committee in its splendid work, petitioners feel that they would be derelict not only to their own interests but to their duty to their clients and communities if they did not at this time bring before the Federal Reserve Board, acting under Section 2 of the law as an appellate body, those facts and circumstances which, in the light of experience, have shown that possibly the Organization Committee might more advisedly have placed the petitioning territory within the confines of the Seventh rather than the Ninth Reserve District.

Unfortunately most of the petitioning banks had absented themselves from the original hearing held in Chicago before the Organization Committee. It has been stated that petitioners felt that they would naturally be placed in the same district with Chicago (the Seventh District), and that a branch bank might well be established at Milwaukee under the new system. It is difficult to excuse the lack of presentation by the petitioners at this initial hearing before the

Organization Committee of those facts and arguments which would have substantiated and justified their desire to be affiliated with the Seventh Reserve District, or to explain the seeming carelessness of petitioners in not offering at that time their vigorous objections to having the customary course of their business diverted from its natural channels as must follow if they were to be united with the Minneapolis or Ninth Reserve District. Had they done so, the Committee, in the light of the facts thus presented, might, in the first instance, have decided that naturally and equitably the petitioning district should be a part of the Seventh rather than the Ninth Reserve District. With the facts before it, however, and in the absence of the arguments which the petitioners now can see clearly should have been presented to the Organization Committee at that time, the Committee, in its anxiety to make a beginning and to establish at least a tentative districting of the country which would enable the new law to be put into effect as speedily as possible, decided that the northern two-thirds of Wisconsin should be affiliated with the Minneapolis Reserve District.

II

THE DECISIONS OF THE ORGANIZATION COMMITTEE ARE SUBJECT TO REVIEW BY THE FEDERAL RESERVE BOARD.

Petitioners are glad to remark a disposition on the part of the Organization Committee not to establish any sort of "pride of opinion" in its own decisions. On the contrary, the Organization Committee, composed as it was of men of broad vision and large financial and business experience, has at all times been ready to cooperate with the other members of the Board, sitting as an appellate body, in giving an accurate interpretation to further presentations of argument and fact, even though such consideration might lead them into declaring, as they have done on several occasions, that their original decision was in error, or in the light of newly adduced facts and circumstances, inadvisable, and that it would be equitable and fair to all concerned to reverse themselves, and to decide in favor of the petitioners for change. As illustrations of this reversal of opinion of the Organization Committee by the

Board sitting as an appellate body, and composed of all members of the Board, including the members of the original Organization Committee, may be cited:

In the matter of the petition of member banks of northern New Jersey for change in the geographical limits of Federal Reserve Districts Numbers Two and Three.

Hearing January 20, 1915.

Petition granted.

In the matter of the petition of certain counties of the State of West Virginia to be transferred from the Fifth Federal Reserve District to the Fourth Federal Reserve District.

Hearing January 27th, 1915.

Petition granted, as to Tyler and Wetzel counties.

In the matter of the petition to transfer a portion of southern Oklahoma from Federal Reserve District Number Eleven to Federal Reserve District Number Ten.

Hearing February 10, 1915.

Petition granted.

A presentation of further arguments on behalf of certain petitioning banks of Western Connecticut, desirous of being transferred from the Boston Federal Reserve District to the New York District.

Hearing March 4, 1916.

Petition granted as to Fairfield County.

That the law did not contemplate that the decisions of the Organization Committee should be final is evidenced by the fact that the Act itself states that:

The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all.

In the second annual report of the Federal Reserve Board (pp. 114-120), after a discussion of "Changes in Federal Reserve Districts," and a presentation of lists of counties and banks that had been transferred to that date, the Board stated (page 120):

The Board's announcement on the whole subject, while going as far as it has been deemed practicable under existing conditions to take action, is not at all to be regarded as final and was not intended to be so. The right to act further on the matter is reserved for future exercise as that may be necessary and at any time. Although there has been no express statement to that effect, it is a clear inference from the opinion handed down that future action will depend very much upon the course of events in the districts as they are now made up, and will be determined by the conditions that are disclosed in the operations of the banks.

Under the section of the Act above referred to and the pronouncement of the Board just quoted, the petitioners feel justified in presenting their further arguments before the Federal Reserve Board as an appellate body, while indulging the justifiable conviction that after such presentation and its consequent enlightenment upon the subject from the arguments and facts to be submitted, the Board will recognize the advisability and entire justice of permitting the petitioning banks to become affiliated with that District to which they most naturally and necessarily belong.

III

DESCRIPTION OF THE NINTH FEDERAL RESERVE DISTRICT, AS AT PRESENT CONSTITUTED.

The following territory is embraced within the Ninth Federal Reserve District:

	Square Miles
State of Montana	146,997
State of North Dakota	70,837
State of South Dakota	77,615
State of Minnesota	84,682
North two-thirds of Wisconsin	41,000
Northern peninsula of Michigan	15,702
Total	436,833

On page 317 of the second annual report of the Federal Reserve Board is a brief description of the extent and principal interests of

this District which may prove of value in considering this petition for transfer :

The territory thus determined extends from the northern end of Lake Michigan to the Montana-Idaho line, a distance of approximately 1,500 miles east and west. Its greatest distance north and south is from the southern boundary of South Dakota to the Canadian line, or approximately 600 miles. Minneapolis was designated as the location of the Ninth Federal Reserve Bank.

It is a territory of peculiarly diversified interests. Northern Michigan is a heavy producer of copper, iron, and lumber. Wisconsin is one of the leading States of the Union in the dairy industry and agriculture and has important lumber interests in its northern portion and an important shipping business at its Lake Michigan and Lake Superior ports. Northern Minnesota is a heavy producer of iron and lumber, while the remainder of the State is largely agricultural. North and South Dakota are mainly agricultural. Eastern Montana is an agricultural and stock country. Central Montana is first in the United States in the production of copper, and western Montana is a very important producer of lumber, with large areas devoted to fruit and agriculture. These are the principal interests which the Ninth Federal Reserve bank was established to support and serve. The territory had, at the time of the organization of the Ninth Bank, a population of 5,724,895 and member (national) banks to the number of 709.

IV

FOUR POSSIBLE SOLUTIONS OF PROBLEM.

There are four possible determinations of the present controversy available to the Board, any one of which will be satisfactory to the petitioners, namely :

- (1) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory alone;
- (2) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory with the exception of the counties of Delta and Iron in Wisconsin;

(3) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory and the four southernmost counties, namely, Dickinson, Iron, Menominee, and Delta, of the upper peninsula of Michigan; and

(4) Separation from the Ninth and addition to the Seventh Federal Reserve District of the petitioning territory and the entire northern peninsula of Michigan.

Tables, charts and facts will be presented in the addenda and elsewhere in this brief in order to indicate to the Board the complete results of each of the possible solutions above indicated.

We will now consider the first of the solutions suggested, namely, the granting of petitioners' request that petitioning territory, comprising 35 counties in the northeastern part of Wisconsin, be separated from the Minneapolis or Ninth District and included with the Chicago or Seventh District.

V

PETITIONERS SHOULD NOT BE PENALIZED FOR DELAY IN ASKING RELIEF.

A somewhat academic and technical objection has been raised to the petitioners' request by counsel for the Reserve Bank on the ground that having acquiesced in the formation of the Seventh and Ninth Districts, petitioners are guilty of laches, in that they slept on their rights of appeal for a period of several months before appealing to the Federal Reserve Board from the decision of the Organization Committee.

The Federal Reserve Act did not constitute the Federal Reserve Board an appellate judicial body to the extent that every possible technical and quibbling objection,—the elimination of which from American legal procedure has been the subject of much anxious and critical thought on the part of leading members of the American Bar,—could be employed, even sometimes to the defeat of justice and right. We will readily concede, of course, that the great and fundamental doctrines of estoppel, laches, etc., have their rightful place in law and are not to be generally considered as necessarily media for the delaying of justice; still it must at once appear

that the Act never contemplated that mere technicalities of any kind would be permitted to interfere with a full consideration by the Board from time to time of all facts and considerations that might perchance lead to a wiser or more equitable distribution of the country among the twelve reserve districts than had previously been effected. The law did not contemplate that appeals from the decisions of the Organization Committee must be made within any particular period of time, for in Section 2 the Act states that "The districts thus created (by the Organization Committee) may be readjusted and new districts may from time to time be created by the Federal Reserve Board." It may often occur that the Board may, in a given case, reverse the decision of the Organization Committee, and still later, conditions having changed, or new facts and arguments having been presented, the Board may reverse or alter its own decision, and thus the contour of a given district may be changed or altered several times. The Act contemplated, and the Board at all times in its interpretation of the Act have endeavored to effect, a districting of the country in the wisest possible manner, and it is not presumed that the Board will permit a mere question of delay in the presentation of full arguments and facts to work a hardship on a large and important section of the country, such as is represented by the petitioning territory.

VI

PROMPT COMPLIANCE BY PETITIONERS WITH THE REQUIREMENTS OF THE ACT WAS NECESSARY TO PREVENT A FORFEITURE OF CHARTER, AND IS NOT TO BE CONSIDERED AS EVIDENCE OF UNNECESSARY DELAY OR LACK OF INTENTION TO APPEAL.

Furthermore, the objection of respondent that the petitioning banks are estopped from petitioning for transfer by their action in complying with the terms of the Federal Reserve Act and subscribing for stock in the Minneapolis Reserve Bank, thus involving not only too great a delay in presenting their appeals, but indicating a lack of intention to appeal, is without basis in reason, as is also the point made by respondent that one bank, namely, the Commercial National Bank of Oshkosh, was a participant in the execution of the organization certificate, which action was not,

respondent claims, consistent with an intention to appeal from the decision of the Organization Committee.

The Act itself provides that

Every national banking association in the United States is hereby required, * * * to signify in writing within sixty days after the passage of this act, its acceptance of the terms and provisions hereof. When the Organization Committee shall have designated the cities in which Federal reserve banks are to be organized and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee to subscribe to the capital stock of such Federal reserve bank * * *.

Any national bank failing to signify its acceptance of the terms of this act within the sixty days aforesaid shall cease to act as a reserve agent * * *.

Should any national banking association in the United States now organized fail within one year after the passage of this act to become a member bank or fail to comply with any of the provisions of this act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank act, or under the provisions of this act, shall be thereby forfeited.

It will thus be readily seen that prompt action on the part of all national banks, including the petitioners, in complying with the terms of the Federal Reserve Act, was necessary, *or such banks would have been penalized in accordance with the terms of the law just quoted by the possible loss of their rights, privileges and franchises.*

Nor was the prompt compliance with the terms of the Act by petitioners due solely to a fear on their part of the penalties that might be imposed by reason of non-compliance with the mandates of the law, but petitioners were genuinely interested in the welfare of the new banking system which they believed was destined to accomplish salutary results for the banking and business interests of the country. Petitioners had no thought or desire but to work for the success of what is recognized as one of the most beneficial legislative enactments of a generation, and this desire was evi-

denced, we submit, by prompt action on the part of petitioners, in complying with the provisions of the law.

Similarly, the Commercial National Bank of Oshkosh participated in executing the organization certificate by reason of the fact that the Organization Committee, under the terms of the law, designated certain banks to execute such certificates of organization, and having been one of the institutions thus designated in this particular district, the Commercial National Bank of Oshkosh had no other legitimate course than to participate with the other four banks designated in executing the certificate of organization of the Minneapolis Bank.

Under these circumstances above set forth the contention of counsel for the Minneapolis Bank that the petitioners proceeded to subscribe for stock in the Bank, thereby giving it the requisite capital, and that one of the petitioners, the Commercial National Bank of Oshkosh, even participated in executing the organization certificate, which actions were not consistent with an intention to appeal and should be held to constitute the petitioners guilty of laches in presenting their appeal, is highly technical and not entitled to serious consideration. The petitioners, particularly the Commercial National Bank of Oshkosh, not only, under the terms of the law, *had* to do what they did by way of assisting in the launching of the Reserve System, but any other attitude on their part would have shown an open hostility to the new system which they hoped would bring economic and financial relief not only to their section but to every part of the country.

VII

IN REVIEWING THE DECISIONS OF THE ORGANIZATION COMMITTEE, THE BOARD WILL OF COURSE NOT HEAR WITNESSES IN ORDER TO SECURE NEW TESTIMONY OR EVIDENCE, BUT WILL NOT REFUSE TO CONSIDER ARGUMENTS OF COUNSEL OR ORAL OR PRINTED STATEMENTS THAT MAY THROW NEW OR FULLER LIGHT ON ANY GIVEN SITUATION, TO THE END THAT JUSTICE AND RIGHT MAY BE DONE.

Respondent has contended that the Board is bound by the evidence introduced before the Organization Committee and that no new evidence may be considered.

It is true that in Regulation No. 1 adopted August 28, 1914, the Federal Reserve Board decided that on appeal "the Board will not hear testimony, but the facts will be limited to the record before the Organization Committee." Doubtless the Board would not care to examine new witnesses in any given case, but it is not believed that the Board would refuse to listen to arguments or consider printed statements of fact, and thus deprive itself of information for which it may have a real need in order to do entire justice in deciding on appeal the important questions that must necessarily come before it for determination.

If the Board should decide to adopt the narrow and technical policy contended for by respondent, namely, that no new evidence not in the record before the Organization Committee could be considered by the Board, the Minneapolis Bank would have but little in the original record before the Organization Committee upon which to stand. A careful analysis of the testimony taken at that time fails to disclose material evidence to the effect that the "convenience and customary course of business" of the petitioning territory was toward Minneapolis. On the other hand, there was ample evidence before the Organization Committee, quite a number of quotations from which appear *infra*, to the effect that the trend of trade in the petitioning territory was toward Chicago. As illustrations before the Organization Committee favorable to the proposition that petitioning territory rightfully belongs with Chicago and Milwaukee in the Seventh Reserve District, may be cited the following excerpts from the brief presented by petitioners at the first hearing on appeal of the present case:

Insurance losses in Wisconsin are paid by draft on Chicago.

Testimony of Harry A. Wheeler, Page 1220.

The location of Chicago, its proximity to the Canadian line, fixes the northern line naturally.

Testimony of A. C. Bartlett, Page 1233.

I prepared a brief statement of the conditions of our business as it applies to this territory around Chicago. Illinois ranks first. Iowa second, Wisconsin third, Michigan fourth.

Testimony of John G. Shedd, Page 1242.

Illinois, Iowa, and Wisconsin are our first three states.

Testimony of John G. Shedd, Page 1243.

Taking in Wisconsin we would get \$6,621,000.00 added to the deposits and \$1,553,000.00 added to the capital. Now we think that there would rest our district probably if there are to be more than eight banks.

Testimony of James B. Frogan, now President of the Federal Advisory Council, Page 1264.

The territory which Mr. Frogan indicated as belonging properly to Chicago, we should feel that, however large a number or small a number of banks should be established, that that ought to be by all means in our territory. So summing up our territory under these rules, it might probably be regarded to consist of Indiana, Illinois, Iowa, Michigan, Wisconsin and possibly a little of the southern part of Minnesota.

Testimony of G. M. Reynolds, Page 1291.

Asked by the Secretary of the Treasury to name the states that should go into the Chicago District, Mr. J. G. Rounds included Wisconsin. Testimony, Page 1334.

Asked by the Secretary of Agriculture to name the states that should go into the Chicago District, Mr. Frank Epperson included Wisconsin and Upper Michigan.

Testimony, page 1355.

In response to another question he included Wisconsin and all of Michigan. Page 1356.

The claims of Minneapolis, covering one hundred pages of the testimony, is without intimation of request that any part of Wisconsin be attached to the Minneapolis District. A map was presented including part of Wisconsin, but it was stated in response

to a question of the Secretary of the Treasury that Wisconsin was excluded for the purpose of presenting the matter to the Committee.

Testimony of Joseph Chapman, Pages 1373 and 1374.

The written statement for Minneapolis, read into the records, concedes Wisconsin to the Chicago District.

Testimony of F. A. Chamberlain, Page 1452.

In the summary of banks' capital and surplus to go into the Minneapolis Reserve Bank there is no mention of a single bank in Wisconsin. Testimony, Page 1436.

St. Paul made some pretension to part of northern Wisconsin, but this was based solely upon the theory that only eight districts are established.

Testimony of John R. Mitchell, Page 1472.

(The western and northwestern portion of the State of Wisconsin, consisting of La Crosse, Trempeleau, Buffalo, Pepin, Eau Claire, Pierce, St. Croix, Dunn, Chippewa, Rusk, Barron, Polk, Burnett, Washburn, Sawyer, Bayfield and Douglas Counties are not joined in the petition herein.)

So even on a narrow construction of the matter of introduction of new evidence, which it may be assumed the Board does not contemplate, the petitioners can rely on such evidence as was given before the Organization Committee to indicate the justice and wisdom of the annexation of the petitioning territory to the Chicago District. Whereas, by the same token, the respondent must absolutely fail inasmuch as practically no evidence appears in the record in favor of including the petitioning territory with the Ninth District. The petitioners are indeed regretful that the testimony hearing on the matter at issue before the Organization Committee was so inadequate, but, as stated, such testimony as appears in the record is materially in favor of petitioners' contention, and upon a strict interpretation of the rule that no new evidence will be admitted upon a review of proceedings, the petitioners must prevail. For it is a well recognized rule of law that the judgment

of a trial court unsupported by evidence will be reversed by a court of appeals. The decision of the Organization Committee was not only unsupported, but was actually contrary to the evidence.

Counsel for respondent has stated that

The Organization Committee could have located the reserve cities and the districts without taking any testimony at all, and it did, as a matter of fact, hear unsworn statements which related directly to the matter of selecting the reserve bank cities, and only incidentally to the designation of districts. As to the boundaries of the districts, there was not, and in the nature of things could not have been, any testimony taken, sworn or unsworn. The decision as to boundaries rests on the good judgment of the Committee.

Thus counsel contends that the Organization Committee could not have heard testimony relating to the establishment of boundaries of districts, and yet elsewhere he contends that new evidence on the point would not be admissible. Apparently, therefore, counsel for the Bank assumes that the various districts in the United States were established without the possibility of evidence being taken, on the theory that evidence can not be given on a case not known, and then he contends that no evidence could ever be admitted before the Board in the future for the purpose of reviewing the various decisions of the Organization Committee. The result will be that all districts will be established by a sort of "waving the wand" legerdemain, unsupported by evidence past, present or future, and unsusceptible of review, since there would be no sense in any review unless evidence or facts of some sort were to be considered. Counsel's contentions when thus reduced to their lowest terms appear to be without substantial foundation.

As a matter of fact, testimony can be, and has been, given, at least indirectly, which the Organization Committee doubtless considered very carefully, as to the establishment of boundaries of districts. On pages 1291-92 of the evidence taken before the Organization Committee, the Secretary of the Treasury stated, as follows:

THE SECRETARY OF THE TREASURY: It would be decidedly

useful to the Committee if in considering that question you would indicate just what part of these states should be divided between given cities. You gentlemen know, for instance, about southern Illinois better than we do. That is one of the purposes we have in mind in having these hearings, to see what would do the least violence to the ordinary course of business and exchange and commerce in the different parts of these states, in creating this system.

The interests of various sections were discussed repeatedly before the Organization Committee. The customary course of business of various localities has been established by evidence before the Organization Committee. Important excerpts from such evidence have already been quoted in this brief (pages 13-15). The evidence given before the Committee did not relate entirely to the matter of the establishment of the reserve city in each district, but quite as often had an important bearing upon the division of the country into districts. And in the record before the Organization Committee there is ample evidence sustaining the contention of the petitioners that the customary course of business of the petitioning locality is toward Chicago rather than toward Minneapolis, that doubtless was of weight with the Organization Committee in its division of the territory to the Seventh and Ninth Reserve Districts.

Counsel continues:

If the Board on this or any other appeal should undertake to review the merits of the decision (of the Organization Committee) it will have to rely upon its better judgment or upon information more reliable than that which the Committee received. It may take the statements made to the Committee for what they may be worth, but it cannot be bound by those statements or by the absence of testimony any more than the Committee was.

But how, may we ask, is the Board to "rely upon its better judgment or upon information more reliable than that which the Committee received" if it is not to be permitted to hear statements of fact that will throw new light upon the situation? Now that the case is known it is possible to have fuller evidence on the matter of the establishment of district lines. It is difficult to understand indeed how the Board could have any "better judgment" in the premises if it cannot have the best information available at the

present moment with regard to the needs of the petitioning territory presented for its full deliberation and decision.

That the Board, however, does not regard itself bound by any such highly technical interpretation of this regulation, namely, that no evidence may be considered unless it appears in the record before the Organization Committee, was made manifest at the rehearing of the present case.

When counsel for the Bank proceeded to read a clipping from the *Houghton Morning Gazette*, of August 5, 1916, Mr. J. W. P. Lombard, the chairman of the petitioning delegation, ventured to ask:

Does this not refer to a matter we are not presenting to you at all at this time?

And Governor Hamlin remarked:

We desire to hear everything that everyone would like to suggest. We think it is perhaps better. In the long run it will save us labor.

(Pages 64-65 Rehearing transcript.)

At the same rehearing the attitude of the Board with respect to new evidence was manifested by the Comptroller of the Currency in a colloquy between the Comptroller and counsel for the Reserve Bank (page 48 of the transcript), referring to the possible change of attitude of certain banks with regard to their proposed transfer from the Ninth to the Seventh Reserve District:

THE COMPTROLLER: They (certain banks) have all changed their views since, though? Have they come around?

JUDGE UELAND: Not that I know of.

THE COMPTROLLER: Is that proof that they have?

JUDGE UELAND: That I do not know. I will not go a hair's breadth outside of what I know.

THE COMPTROLLER: You will not deny they have come around, or do you?

JUDGE UELAND: I will assert and will probably show that the sentiment——

THE COMPTROLLER: *I do not think we care so much about how they stood at that time. Of course we do care about how they stood then and now, but it is more important to know how they stand now than how they stood then.*

That the Board early realized the futility and possibility of injustice that might result from a strict rule not to permit any expressions on appeal that might contain information not presented to the Organization Committee was also evidenced in the hearing before the Board held on February 10, 1916, entitled "In the matter of the petition to transfer a portion of Southern Oklahoma from Federal Reserve District Number Eleven to Federal Reserve District Number Ten." During the course of the proceedings Governor Hamlin asked the following question of Senator Robert L. Owen of Oklahoma, who had delivered a lengthy argument on behalf of the Oklahoma banks:

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

Whereupon Senator Owen replied:

SENATOR OWEN: My interpretation of that language is that *it is to review the action and not the record*, because nobody knew where this line was until announced. How could there be any primary presentation of evidence upon a situation that was not known until after it was determined? And when you consider the task that the Organization Board had before them to draw these lines and to draw them rapidly, because they had to go all over the United States, three thousand miles long, and fifteen hundred miles across, it was obviously impossible for them to put a microscopic examination on the evidence as to proposed plans here, there and yonder.

They did very well, indeed, to get out of it alive! And evidently a review must mean a review of their action, not a review of the evidence, because you cannot submit evidence on a case not known. If Oklahoma had known that that line was proposed, and Oklahoma had presented this evidence, and had had a hearing upon such a division, then it might be properly contended that Oklahoma should be committed to the original record, but to confine Oklahoma to a record which is impossible to be made, is asking the impossible, and no one, I think, will really wish to do that.

And again in the same hearing Mr. Delano of the Board inquired of Senator Owen:

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

SENATOR OWEN: Yes.

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

SENATOR OWEN: I think it does.

MR. DELANO: Suppose, for instance, we chose to make different alignments other than suggested? For instance, in this case, on petition, would we have the authority to do it?

SENATOR OWEN: You would have the authority.

MR. DELANO: On our own knowledge of the conditions?

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

THE GOVERNOR OF THE BOARD: That is, the general power of re-districting would point to the future?

SENATOR OWEN: Yes.

THE GOVERNOR OF THE BOARD: Whereas the power to review would refer to the past?

SENATOR OWEN: Yes, sir.

THE GOVERNOR OF THE BOARD: So ten years in the future, if we want to re-district, we may?

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

DR. A. C. MILLER (MEMBER OF THE BOARD): Would that extend to the power of reducing the number of districts?

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

DR. MILLER: Yes.

But it is needless to pursue the question further. The Board desires the fullest possible information without actually again hearing witnesses, in order that it may perform its high functions acceptably and in fairness and justice to all concerned.

VIII

ANY "INTERWOVEN CONDITIONS" THAT NOW EXIST ARE NOT BETWEEN THE PETITIONERS AND MINNEAPOLIS, BUT BETWEEN PETITIONERS AND CHICAGO.

Counsel for the Minneapolis Bank have argued that

Meanwhile the relation between the Reserve Bank and the member banks in the territory covered by the petition became more and more interwoven, and the dissolution of it now by a reversal of the decision would involve much labor and no inconsiderable expense. (Brief filed by Judge Ueland in hearing of May 20, 1915.)

It is difficult to understand how counsel could have arrived at such a conclusion. Present at the rehearing before the Board on August 8-9, 1916, were a delegation representing 40 of the petitioning banks. Let us note how these gentlemen feel about the

"interwoven conditions" between their banks and the Reserve Bank of Minneapolis!

On pages 8 and 9 of the transcript of rehearing, Mr. Arthur H. Lindsay, Vice President of the Marine National Bank of Milwaukee, Wisconsin, in indicating the attitude of the petitioners, stated that a poll of the banks of the petitioning district taken in March indicated that 49 National banks out of a total of 61 joined in the petition, and that this number was practically unchanged from the date of filing the first petition for appeal, thus demonstrating that the banking and business relations of the district with Chicago remained unchanged even after the Federal Reserve Law had been in operating effect for over a year.

This would indicate that the "interwoven conditions" are not between Minneapolis and the petitioning banks, but are as always between Chicago and the petitioning territory. Mr. Lindsay continues:

The protesting banks still find that the great bulk of their business was with Chicago and Milwaukee, and not with the Twin Cities, although the banks there had made strong efforts to alienate them from their old friends in Chicago and Milwaukee.

Mr. Walter Kasten, Vice President of the Wisconsin National Bank of Milwaukee, in addressing the Board at the rehearing, made a statement that does not well substantiate the supposition of "interwoven conditions" between Minneapolis and the petitioning banks suggested by Judge Ueland. Mr. Kasten stated:

There are at the present time, to the best of our knowledge and belief, 363 banks located in that section of the State which we desire to have transferred, of which 292 carry accounts in Milwaukee and Chicago, and only 71 in the Twin Cities. There are 204 banking towns in that section, 202 of the towns carrying their accounts in either Chicago or Milwaukee, and 46 also carrying accounts in the Twin Cities, which to my mind shows conclusively that Chicago and Milwaukee are the logical places for them to do their business.

At the rehearing, Hon. Thomas Konop, Member of Congress from Wisconsin, in speaking of the long period during which the

"customary course of business" had existed between the petitioning territory and Chicago, stated:

I have 19 banks in my district, and every one of these—that is, National banks—and every one of these banks signifies its interest in this matter. They want to do business where business tends to go—Chicago and Milwaukee.

It would seem that if the "interwoven conditions" referred to by counsel for the Reserve Bank existed between Congressman Konop's territory and Minneapolis, the unanimous verdict of the 19 banks of this section would hardly have been that they wanted to do business in Chicago!

Perhaps one of the strongest statements showing the interrelationship of commercial and financial interests between the petitioning territory and Chicago was presented at the rehearing by Hon. Edwards Everts Browne, Member of Congress from Wisconsin, when he said:

I represent seventeen national banks in my district. They have written me and requested me to appear here * * *.

Now the first thing in the National Reserve Act which I remember distinctly, when it was passed, was this, that the districts shall be apportioned "with due regard to the convenience and customary course of business." * * * There is no question whatever but what from a geographical standpoint, from the standpoint of connection of railroads, telephone and telegraph, it would serve their convenience greatly to do business with Milwaukee and Chicago. (Referring to the seventeen national banks represented by Congressman Browne.)

* * * I will say this, that before this district was created, almost every bank in my district wrote me and were against being placed in the Ninth District. *Their relations had been from time immemorial with Chicago and Milwaukee, and they wanted to remain there*, and if the Board will look back upon this subject, they will find my letters filed here protesting against this change * * *. In politics we could call this a sort of "gerrymander," having the banks placed in a district that they have never been placed in before.

But I think much stronger than the argument in favor of convenience is this other proposition,—according to the “customary course of business.” Now what is the customary course of business of these banks that we are talking about in Wisconsin? They have done business for fifty years with Milwaukee and Chicago. The fathers of the present officers in many of these banks were well known in these Chicago and Milwaukee banks, and credit was extended to them. The matter of credit is dependent upon acquaintance—favorable acquaintance. They have built up a credit—these banks have, in these localities, these business men that do business in these banks—from fifty years of keeping their promises. So when one of the sons or grandsons of one of these men that has built up northern Wisconsin goes down to a Chicago or Milwaukee bank, they do not have to investigate his family; they do not have to investigate the personal relation, the matter of honesty; they simply see from a long line of business relations extending over a period of fifty years, that that man has done business with them, and his father has perhaps done business with them, and that these men have always been prompt and always meet their obligations.

It would only be a matter of going through the transcript of statements presented by a large number of petitioners and distinguished representatives of Wisconsin at the rehearing, to duplicate many times over such strong statements as have just been quoted above. Certainly any “interwoven conditions” that may exist are not between the petitioners and the Minneapolis bank, but are now as they always have been, and probably always shall be, between the petitioning territory and Chicago.

IX

THE LIGHT OF EXPERIENCE HAS PROVEN PETITIONERS' DESIRE FOR TRANSFER TO BE JUSTIFIED.

The Reserve Bank has argued that the provision in Section 2 of the Act, giving the Board authority to readjust districts, is merely to enable the Board to meet future changes in conditions, and is to be acted on “in the light of experience and not by way of a review of the Organization Committee's decision.”

Well and good. It was indeed a happy foresight on the part of the legislators to anticipate that changed conditions would arise,

or that new facts and arguments might be presented to the Board, which would indicate to that body, having an appellate power, that the original districting, carefully undertaken and carried out though it was, would, in many cases, need review and correction. There have now been presented to the Board by the petitioners in the re-hearing held in Washington on August 8-9, 1916, those incontrovertible facts which are a result perhaps not so much of "change in conditions," but of "the light of experience," and which, it is submitted, justify petitioners in their request for transfer.

X

THE "CONVENIENCE AND CUSTOMARY COURSE OF BUSINESS" OF PETITIONING TERRITORY IS TOWARD CHICAGO RATHER THAN TOWARD MINNEAPOLIS.

The commercial and financial relations of the business men and bankers of the petitioning territory, and of their fathers and grandfathers, have for decades been with Chicago and Milwaukee. Statement after statement was presented by the bankers constituting the petitioning delegation and distinguished members of Congress at the recent re-hearing before the Board, proving this proposition beyond a shadow of doubt. Several such strong statements have already been quoted *supra* (pages 22-24) in this brief, under the heading "Interwoven conditions." Space forbids the inclusion of but a very few more of these vigorous statements by the leading bankers and statesmen of Wisconsin, showing the trend of business of the petitioning territory to have been with and toward Chicago for years, and the hardship that would necessarily be consequent upon any artificial diversion of this established customary course of trade.

The Wisconsin Bankers' Association, which happened to be in session at the time of the re-hearing, sent the following telegram to the petitioning delegation, representative of the unanimous sentiment of that Association:

The Wisconsin Bankers' Association in Convention assembled hereby expresses its appreciation of the reopening of the question of the redistricting of Districts Nos. 7 and 9, for the purpose of giving consideration to taking a portion of

northern Wisconsin, and possibly northern Michigan, from District No. 9 and placing it in District No. 7, where we believe it logically belongs, the commercial centers of Chicago and Milwaukee having always served the banks of this district very acceptably.

Therefore, Be It Resolved, that we respectfully urge your honorable body, the Federal Reserve Board, to give consideration to the arguments which will be placed before you by the delegation of bankers from Wisconsin which will appear in Washington at the time appointed by your body for this hearing, and if their arguments seem to you sufficient, as they seem to us, we request that this change be made at once.

Mr. Walter Kasten, Vice President of the Wisconsin National Bank, of Milwaukee, stated to the Board, in part:

From reports we have received from the banks located in that section (Wisconsin), we find that the items which have been forwarded to the Ninth Federal Reserve Bank for collection all originated from territory which made the collection of checks through Minneapolis in a roundabout way. This evidence, without any doubt, shows the direction from which the business comes.

Mr. J. H. Puelicher, Vice President of the Marshall and Ilsley Bank, of Milwaukee, in the course of his statement, said:

The long established relations between the banks of Wisconsin and those of Milwaukee and Chicago, the ability of these centers to care for the needs of Wisconsin banks, the desire of the Wisconsin banks to remain with their Milwaukee and Chicago correspondents, should prove conclusively the value of these relations to those concerned and should govern in correcting the districting. * * * * .

The considerations of established mercantile, industrial and financial currents and conditions are of the utmost importance to the successful out-working of any Reserve System. Their disregard, to correct which this proceeding is pending, would surely set back the clock of banking progress in this territory to a great and incalculable extent.

Your Board is interested in getting the very best results out of this constructive and far-sighted financial betterment, known as the Federal Reserve Act.

Why, then, strike a blow at the established commercial business and financial interests of all this Wisconsin territory which is so clearly tributary to Chicago and Milwaukee, and so manifestly alien to Minneapolis?

* * * *

Your Board under Section Two of the Act is given the salutary power of readjusting districts from time to time. Is it not a fact that the changes already made in district boundaries have resulted in greater harmony and a much better feeling toward the reserve law?

You have before you in our business territory a condition which can not but grow more intolerable as time goes on. Would it not be well to correct this now, as petitioned?

Hon. Michael K. Reilly, Member of the House of Representatives from Wisconsin, stated at the re-hearing, in part:

I represent the Sixth Congressional District, right below Mr. Browne. It is composed of six counties. My recollection is that there are some sixteen banks. I might say that shortly after the Federal Reserve Organization Board adopted this new district, Congressman Burke and myself were flooded with protests from our constituents. Congressman Burke has a district a little to the south of Representative Browne. And we called upon Mr. McAdoo at that time to protest against the districting of Wisconsin, specifically stating at that time that if the Congress thought that the Federal Reserve Board would so change the usual and established routes of trade and business, *there would not have been any votes for the bill*, for the reason that the bill distinctly provided that the Organization Committee should pay attention to established lines of business. * * * *

It was the intention of the legislature that this Board should consider established lines of trade,—and nobody has ever contradicted the fact that the Board did do violence to established lines of trade when they placed these petitioning banks in the Minneapolis district. The banks of my district have absolutely no relation to Minneapolis, unless some of the larger banks possibly keep deposits there for checking purposes,—in that section only the larger banks. There are three banks in this district that I understand are not in favor of this change,

as Mr. Browne says, on the ground of loans, one in Fond du lac, the Commercial National Bank, a bank in Princeton, and I understand the bank at Berlin, Wisconsin. These prefer to remain the way they are. Seven of the banks have sent me personal letters asking me to appear before the Board. I will file these with the Board. They said they could not send a representative down here, but from my talk with the business men and the bankers of the district, they have felt outraged. This sentiment has been expressed on all sides, at the original order of this Board, placing that part of Wisconsin in the Minneapolis District. I have been appealed to time and again by bankers to point out where, by what authority, that certain section of Wisconsin was put up in the Minneapolis District, when they have never had any business relations with those banks at all. * * * I do hope that the Board will now rectify the wrong that has been done our section of the State. I can see how the former division that cut off Michigan and shut off the contiguous territory might make the original division proper, but on this new proposition, where you have continuous territory, and where Michigan itself asks the Board to change that relation, I can see no reason why the business and banking part of Wisconsin represented here today, * * * should not be given the privilege to do their re-discount business where they do their other business,—large and small banks. And as I have said, that is the intent of the law.

Among the most able statesmen in the United States Senate at the present day are the two Senators from Wisconsin, Honorable Paul O. Husting and Honorable Robert M. La Follette. We beg to conclude our presentation of the present argument to the effect that the "convenience and customary course of business" of the petitioning territory is toward Chicago rather than Minneapolis by quoting from the strong addresses delivered before the Federal Reserve Board by the two United States Senators from Wisconsin at the recent re-hearing of this case. Their utterances are of such moment and their reasoning so cogent and logical that the text of their remarks should be set down here in full in the more permanent form offered by this brief. But lack of space compels the inclusion of only a few of the more salient portions of their addresses, bearing particularly on the point now under discussion, namely, that the "convenience and customary course of business"

of the petitioning territory is toward Chicago rather than toward Minneapolis.

Senator Husting said, in part :

Surely no one could expect, and I do not conceive that the Organization Committee does expect or believe, that they could make a perfect re-districting or districting of the whole country. It was a stupendous task on a new subject, and there were certain limits within which the Board had to act, and so I for one believe that they performed a very commendable job. I think they did well, and I feel, if I may be permitted to say so, that they ought to be congratulated on the manner in which this great task was performed, and the manner in which it has worked; but I also believe that the Organization Committee must have had in mind that this was not the last word on districting, that from time to time changes would have to be made, and that they would be called upon from time to time to re-district the State in such a manner as would, in the light of later experience, seem to be necessary and expedient.

Now when this matter was originally done, why, we understand that there was a certain provision, I believe, which provides that regional banks must have a capitalization of four million dollars or more. You had to get that somewhere, and consequently I presume the exigencies of the hour required that in order to have these regional banks, you had to reach over into Wisconsin, as a matter of necessity, and take territory and attach it to a regional bank *with which the State had little or no direct commercial relations*, at least along the lines of this act; and I suppose that it was only done because of the fact that it was necessary to do it in the interests of the whole system. Now at the same time I presume the Organization Committee must have had in mind that if the time should arrive when this necessity no longer existed, why then of course they would be prepared and willing and anxious and eager to do justice to such sections, and listen to the desires and demands of certain sections to be put where they thought they really belonged.

Now, as I understand it, one of the fundamental considerations that the Board had, was to divert as little as possible or to hinder and obstruct as little as possible the ordinary flow of trade and business. Now I was unfortunately absent yes-

terday afternoon, and I do not know whether there was any dispute upon this point, but I take it as one of the conceded facts in this case, that the ordinary course of trade is recognized by the Board as being from north to south, that the business of Wisconsin not only now, but always, has been in this section that is outlined on this map and that this territory has done its business—its banking business—with Milwaukee and Chicago. That includes upper Michigan. I know that to be a fact, and I think anybody familiar with Wisconsin conditions knows that to be a fact, and I think a study of the map will demonstrate it to be a fact, because all the railroad lines, of course, up and down through that territory,—all lines converge into Milwaukee and Chicago, so that I think it's quite apparent to the Board, and I believe if it is not conceded, it ought to be conceded by the gentlemen who are opposing this change, that it is a fact that the trend of business is up and down the State, and goes to Milwaukee and Chicago.

* * * *

Now, we come here, therefore, asking that this change be made, and that the original channels of business may follow their natural course, and that business may follow the course of least resistance. WE ASK THAT YOU PERMIT WISCONSIN NOW TO HAVE HER TRADE FLOW ALONG ITS NATURAL, USUAL AND CUSTOMARY CHANNEL. We ask it of you now, because it is no longer a necessity for Minneapolis or for the system in general to have this former districting as to our section prevail.

* * * *

Now there is another thing. We all know that the Northwest has just started to grow. There is not any doubt in my mind, and I do not think there is any doubt in the mind of this Board, that in the next twenty or twenty-five years,—well in fact, there is no use in setting any time limit on it,—from now on, that great Northwest Empire is going to become one of the most populous and richest regions of the United States, and consequently that this particular bank, this regional bank that is just starting out now, under favorable auspices, will become one of the strongest and most influential banks in the United States. Right on the Mississippi Valley, this great empire, as I say, to the northwest, is hardly touched. There is every reason to suppose that in a very

short time, continually for scores of years, and centuries, we hope, this great section will continue to grow more populous and richer all the time.

I do not think there is anything in the argument that if you take this away you are going to impair that bank or that you are going to hurt that system. I think that the Board will recognize that instead of this being the maximum strength of this bank it's the minimum, because if experience is worth anything in this country, in my community and in all communities of the West, instead of going backwards, we are going forward and upward all the time, and this country is going to be developed in such a way that probably in course of time additional regional banks will have to be established in the northwest to take care of this business.

Now, such being the case, the vital necessity of having Wisconsin taken into this bank no longer exists. WE COME HERE, AND SAY NOW, AS A MATTER OF JUSTICE, AS A MATTER OF FAIR PLAY TO WISCONSIN, WE WANT YOU TO LET US RESUME OUR BUSINESS RELATIONS WHERE WE HAVE OUR USUAL AND CUSTOMARY BUSINESS RELATIONS, AND LET US DO BUSINESS WHERE WE WANT TO DO BUSINESS, AND WHERE WE ALWAYS HAVE DONE BUSINESS, AND WHERE WE EXPECT ALWAYS TO DO BUSINESS.

Senator La Follette said, in part:

I am quite confident that you now understand the situation of the petitioners here. I might say, perhaps, in the beginning, that in laying out these districts, this is a great country with conflicting interests, and it would have been almost omniscient intelligence and understanding that would have been able to make a perfect distribution of territory here at the outset. Familiarity with trade conditions and the commercial currents of business is absolutely, I take it, necessary to a proper apportioning of this territory, if the spirit of this law is to be complied with.

In the second section of the Act itself, it is said that "The Districts shall be apportioned with due regard to the convenience and customary course of business, and shall not necessarily be co-terminus with any State or States." Now I sup-

pose there was every good reason for the proviso which I have just read being incorporated in this Act. I presume it is quite out of the question in banking matters, as it is in every other relation of life, that you can make water run up hill, that you can disjoint and disconnect and dislocate natural conditions and natural relations, and I suppose that banks were invited,—that that was an invitation for them to come in, that it was a sort of tender to them, an assurance to them that if they joined and came in here and gave support to this great piece of legislation, that their existing trade and commercial connections would be given fair consideration, and that these districts would not be formed without due regard to the convenience and customary course of business.

You, as business men, gentlemen, very much more than Senator Husting or myself, understand that when trade and commercial relations are once established, they become deep-rooted; they grow in the confidence of association and acquaintance and understanding; that it's pulling life itself—commercial life, at least—up by the roots to say that this thing shall be turned in some other direction, that you gentlemen shall do business with somebody with whom you have had no business connections heretofore. And it is not necessary for me to remind this able Board—this able Committee of the Board—that the very basis of a successful operation of this law is that these natural trade connections and commercial relations shall be permitted to live, as they have lived and developed through all the years.

Now you have the national banks of Wisconsin in this association, but we have in that State some two hundred and fifty-four State banks, and I know that it's the purpose and intent of this law, and it must be of the highest desirability, that these State institutions should be drawn into this great association.

I think I can speak with some knowledge of conditions regarding the State banks of Wisconsin for one not connected with the business in any way. I had, as Governor of the State, much to do with the reorganization of the State banking law, and we built up a system that we feel in Wisconsin is quite a model in its way. It has drawn those banks very closely together, and I think I can say to you that you will have insurmountable difficulty in getting these State banks allied with this association, if they are to understand that

they must do business where it is unnatural, and where it is next to impossible for them to do their banking business.

* * * *

Now, then, they do not need us. Business all up in this great wonderful region off to the north and the west of St. Paul and Minneapolis goes right that way. You can not send it in any other direction. Montana, the two Dakotas, northern Iowa, and Minnesota all gather right in here. You know the vastness of that country, and the richness of it, and it is simply on the edge of its production at this time.

MR. HARDING: It was stated here yesterday, Senator, that the natural trend and course of business, not only banking but mercantile business, and all business in this section of Wisconsin, was toward Milwaukee and Chicago. Do you concur in that view?

SENATOR LA FOLLETTE: I do, sir.

MR. HARDING: Emphatically so?

SENATOR LA FOLLETTE: Emphatically so.

* * * *

REPRESENTATIVE BROWNE: I would like to ask Senator La Follette if it is not the fact that the capital as well as the population of central and northern Wisconsin comes from Milwaukee and along the southern and eastern part of our State.

SENATOR LA FOLLETTE: Yes, I think that is quite universally true, and of course they maintain their old relations with the southern and southeastern part of the State.

It is true that the "convenience and customary course of business" is not the only point to be considered in determining upon the division of the country into Federal Reserve districts, but that the legislators believed this was a most important point for consideration is evidenced by the fact that they so specifically mention the point in section 2 of the Act, when they state in so many words that "districts shall be apportioned with due regard to the convenience and customary course of business," and it is submitted

that while other considerations are of moment, the trend of trade is perhaps the most vital point to be considered in determining upon the confines of the several Federal Reserve Districts.

In this connection it has been contended that it is well nigh impossible so to divide the country into districts as absolutely to observe the convenience and customary course of business of every community and city. It is possible that hardship must now and then be wrought upon certain cities or communities, but this fact need not cause our administrators entirely to abandon their endeavors to fulfill the plain provisions of the Act which require that consideration should be given to the trend of trade. And although there may be isolated instances of hardship wrought upon certain cities and communities in this regard, it could hardly be contended that such injury and hardship would be necessary in the case of so large a district as is embraced within the thirty-four counties comprising the petitioning territory.

In considering this important point, namely, that due regard must be given to the convenience and customary course of business in the designation of the lines of the districts, it must be borne in mind that banking business arises out of the general business relationships, and the course of business and the trend of trade of a community must be observed if the commercial and financial relations of that community are to prosper.

XI

THAT AT LEAST A PART OF THE PETITIONING TERRITORY IN WISCONSIN IS CLOSELY ALLIED WITH MILWAUKEE AND CHICAGO, BOTH COMMERCIALY AND FINANCIALLY, HAS ALREADY BEEN PRACTICALLY ACKNOWLEDGED BY THE TREASURY DEPARTMENT.

When the Treasury Department suggested that every national bank identify itself with an already organized currency association, many Wisconsin banks located in Federal Reserve District Number Nine asked to join the Milwaukee Currency Association, and that Association was notified by the Secretary of the Treasury, under date of Aug. 31st, 1914, as follows:

That portion of Wisconsin in Federal Reserve District No. Nine lying east of a line forming the eastern boundary of Monroe, Jackson and Clark Counties and south of a line forming

the southern boundary of Taylor, Lincoln, Oneida, Forest, and Marinette Counties is hereby attached to the territory of your Association.

This communication was equivalent to an acknowledgment that the interests of at least a portion of the petitioning territory are closely allied with Milwaukee and the Chicago District, in accordance with the customary trend of business.

XII

THE REASONS UNDERLYING THE LONG ESTABLISHMENT OF THE CUSTOMARY COURSE OF BUSINESS BETWEEN PETITIONING TERRITORY AND CHICAGO MAY BE FOUND FROM AN EXAMINATION OF RAILROAD SCHEDULES, TRAIN FARES, TELEPHONE AND TELEGRAPH RATES, ETC., THE AVERAGE OF ALL BEING IN FAVOR OF CHICAGO AS AGAINST MINNEAPOLIS.

To substantiate our contention that the natural trend of business from the petitioning district is in the direction of Chicago, and not Minneapolis, and to indicate the underlying reasons therefor, the following table showing railroad transportation facilities is submitted. While it is not considered feasible to give this information for all points of the district, nor to set forth the complete schedules of all trains, it is believed that the selection of one point in each county comprising the petitioning district will be typical of the situation in general, and in the preparation of this table the county-seat has been used in every instance, and an attempt has been made to show only the shortest routes and most rapid trains. The passenger fares quoted apply by way of routes via which short line fares are named. The schedules were taken from the latest "Official Railway Guide." Statements showing the difference in telephone and telegraph rates in favor of Chicago as against Minneapolis, will be found on page 75 of the Addenda to this brief.

COMPARATIVE TABLE SHOWING TYPICAL RAIL TRANSPORTATION FACILITIES
From Petitioning District to Chicago and From Petitioning District to Minneapolis
 (The counties of Menominee, Delta, Dickinson, and Iron, in Michigan, are included.)

Name of County.	County Seat.	Train Departs For	Train Arrives	Time Consumed in Transit	Daily Trains Each Way	Pullman Accommodations.	Passenger Fares.
Waukesha ..	Waukesha	Chi. 3.05 P. M.	5.55 P. M.	2 hr. 50 m.	3	Sleeper-P. C.	\$ 2.35
"	"	Minn. 10.35 A. M.	10.55 P. M.	12 hr. 20 m.	G. M. & St. P. 5	Sleeper-P. C.	8.01
"	"	Stop-over 10 m. at Madison.			G. & N. W.	Etc.	
Taylor	Medford	Chi. 11.16 P. M.	9.15 A. M.	9 hr. 59 m.	2	Sleeper	\$7.49
"	"	Minn. 11.16 P. M.	8.55 A. M.	9 hr. 39 m.	1	"	6.43
"	"	Stop-over Spencer 3 hr.	16 m.				
Clark	Neillsville	Chi. 11.29 A. M.	10.15 P. M.	10 hr. 46 m.	3	Parlor Car ..	6.77
"	"	Stop-over Merillan 15 min.					
"	"	Minn. 11.29 A. M.	7.05 P. M.	7 hr. 36 m.	3	"	3.77
"	"	Stop-over Merillan 15 min.					
Jackson	Black River Falls	Chi. 11.30 P. M.	7.05 A. M.	7 hr. 35 m.	4	Sleeper	6.17
"	"	Minn. 5.18 A. M.	10.25 A. M.	5 hr. 7 m.	3	Parlor Car ..	3.70
Monroe	Sparta	Chi. 11.58 P. M.	7.00 A. M.	7 hr. 2 m.	12	Sleeper	5.71
"	"	Minn. 4.56 P. M.	10.20 P. M.	5 hr. 24 m.	5	Parlor Car ..	4.08
Juneau	Manston	Chi. 5.16 A. M.	11.40 P. M.	6 hr. 24 m.	3	Sleeper	5.16
"	"	Minn. 8.23 A. M.	3.05 P. M.	6 hr. 42 m.	3	Parlor Car ..	5.11
Adams	Adams	Chi. 3.02 A. M.	8.50 A. M.	5 hr. 48 m.	2	Sleeper	5.04
"	"	Minn. 12.40 P. M.	7.55 A. M.	7 hr. 15 m.	2	Parlor Car ..	5.14
Waushara ..	Mantonia	Chi. 6.52 A. M.	1.15 P. M.	6 hr. 23 m.	3	"	4.85
"	"				No through trains		5.93
Winnebago ..	Oshkosh	Chi. 11.23 A. M.	4.00 P. M.	4 hr. 37 m.	16	Sleeper	3.96
"	"	Minn. 12.01 A. M.	8.55 A. M.	7 hr. 54 m.	2	"	6.93
Delta	Escanaba	Chi. 10.35 A. M.	9.20 P. M.	10 hr. 45 m.	3	Parlor Car ..	7.87
"	"	Minn. 11 P. M.	10.05 A. M.	11 hr. 05 m.	1	Sleeper	8.83
Menominee ..	Menominee	Chi. 7.45 A. M.	4.00 P. M.	8 hr. 15 m.	4	Parlor Car ..	6.34
"	"	Minn. 7.45 A. M.	8.55 A. M.	13 hr. 10 m.	2	Sleeper	7.89
"	"	Stop-over Neenah 1 hr. 25 m.					
Iron	Crystal Falls ...	Chi. 7.28 P. M.	7.30 A. M.	12 hr. 2 m.	4	"	7.76
"	"	Minn. 6.10 P. M.	10.05 A. M.	15 hr. 55 m.	1	"	7.58
"	"	Stop-over Hermansville 2 hr. 44 m.					
Dickinson ...	Iron Mountain...	Chi. 9.58 A. M.	9.20 P. M.	11 hr. 22 m.	2	Parlor Car ..	7.06
"	"	Minn. 7.35 P. M.	10.05 A. M.	14 hr. 30 m.	1	Sleeper	7.58
"	"	Stop-over Hermansville 2 hr. 44 m.					

Price	Phillips	Chi. 10 P. M.	9.15 A. M.	11 hr. 15 m.	2	"	8.47
"	"	Minn. 10.18 A. M.	6.35 P. M.	8 hr. 17 m.	1	Parlor Car ..	4.65
Oneida	Rhineland	Chi. 11 P. M.	9.00 A. M.	10 hr.	4	Sleeper	7.61
"	"	Minn. 2.45 P. M.	10.05 P. M.	7 hr. 10 m.	2	Parlor Car ..	5.45
Forest	Crandon	Chi. 9.35 A. M.	9.20 P. M.	11 hr. 28 m.	1	"	7.49
"	"	Stop-over 17 min. at Pelican					
"	"	No through trains to Minneapolis					6.33
Ford du Lac	Fond du Lac	Chi. 12.01 A. M.	4.00 P. M.	4 hr. 1 m.	20	"	3.55
"	"	Minn. 11.20 P. M.	8.55 A. M.	9 hr. 35 m.	3	Sleeper	7.25
Green Lake	Green Lake	Chi. 7.55 A. M.	1.15 P. M.	5 hr. 20 m.	4	Parlor Car ..	4.17
"	"	No through trains to Minneapolis					6.62
"	"	Stop-over Stevens point,		6 hrs. 10 m.			
Marquette	Montello	Chi. 5.30 P. M.	9.15 A. M.	15 hr. 45 m.	1	Sleeper	7.37
"	"	Minn. 5.30 P. M.	8.55 A. M.	16 hr. 25 m.	1	"	6.15
"	"	Stop-over Stevens Point		6 hr. 5 min.			
Marathon	Wausau	Chi. 12.10 A. M.	8.20 P. M.	8 hr. 10 m.	8	Sleeper	6.53
"	"	No through trains to Minneapolis					5.30
Portage	Stevens Point ..	Chi. 2.10 A. M.	9.15 A. M.	7 hr. 5 m.	5	"	5.86
"	"	Minn. 2.05 A. M.	8.55 A. M.	6 hr. 50 m.	3	"	5.13
Wood	Grand Rapids ..	Chi. 5.30 A. M.	1.15 P. M.	7 hr. 45 m.	7	Sleeper and	
"	"	Minn. 1.55 P. M.	10.55 P. M.	9 hr.	1	Parlor Car ..	5.86
Waupaca	Waupaca	Chi. 3.44 P. M.	10.30 P. M.	6 hr. 46 m.	3	Sleeper	4.71
"	"	Minn. 8.38 A. M.	4.40 P. M.	8 hr. 2 m.	1	Parlor Car ..	5.18
Outagamie	Appleton	Chi. 12.25 P. M.	5.55 P. M.	5 hr. 30 m.	12	"	5.80
"	"	Minn. 10.35 P. M.	10.10 A. M.	11 hr. 35 m.	2	"	4.44
Marinette	Marinette	Chi. 9.25 A. M.	5.55 P. M.	8 hr. 30 m.	6	Sleeper	6.69
"	"	No through train to Minneapolis				Sleeper	6.29
Langlade	Antigo	Chi. 12.01 P. M.	8.20 P. M.	8 hr. 19 m.	5	Sleeper	7.89
"	"	No through train to Minneapolis				Parlor Car ..	6.48
Ashland	Ashland	Chi. 7.05 P. M.	9.00 A. M.	13 hr. 55 m.	3 C.&N.W.R.R.	Sleeper	6.28
"	"	Minn. 3.25 P. M.	10.45 P. M.	7 hr. 10 m.	2 C.&N.W.R.R.	Parlor Car ..	8.81
Iron	Hurley	Chi. 8.30 P. M.	9.00 A. M.	12 hr. 30 m.	3 C.&N.W.R.R.	Sleeper	4.55
"	"	Minn. 6.41 A. M.	5.05 P. M.	10 hr. 21 m.	No through trains	Sleeper	8.03
"	"	Delay at Ashland 1 hr					5.47
Vilas	Eagle River	Chi. 9.35 A. M.	9.20 P. M.	11 hr. 45 m.	2 C.&N.W.R.R.	Sleeper	7.87
"	"	Minn.			No through trains		6.90

COMPARATIVE TABLE SHOWING TYPICAL RAIL TRANSPORTATION FACILITIES
From Petitioning District to Chicago and From Petitioning District to Minneapolis
 (The counties of Menominee, Delta, Dickinson, and Iron, in Michigan, are included.)

Name of County.	County Seat.	Train Departs For	Train Arrives	Time Consumed in Transit	Daily Trains Each Way	Pullman Accommodations.	Passenger Fares.
Sheboygan ..	Sheboygan	Chi. 5.20 A. M.	9.00 A. M.	3 hr. 40 m.	11	Sleeper	3.31
"	"	Minn. 7.05 A. M.	10.55 P. M.	15 hr. 50 m.	4	Parlor Car ..	8.12
Manitowoc ..	Manitowoc	Chi. 1.10 P. M.	5.55 P. M.	4 hr. 45 m.	13	Sleepers, etc.	3.91
"	"	Minn. 7.35 A. M.	10.55 P. M.	15 hr. 20 m.	2	"	7.67
Calumet	Chilton	Chi. 8.12 A. M.	1.00 P. M.	4 hr. 48 m.	3	Cafe and Observation Car	3.94
"	"	Minn.			No through trains		8.12
Brown	Green Bay	Chi. 6.45 A. M.	1.00 P. M.	6 hr. 15 m.	3		4.75
"	"	Minn. 8.45 P. M.	10.10 A. M.	13 hr. 25 m.	1		6.71
Kewaunee ..	Kewaunee	Chi. 7.30 A. M.	9.10 P. M.	13 hr. 40 m.	2	Chair Cars...	5.64
"	"	Delay at Green Bay					
"	"	Minn. 2.40 P. M.	10.10 A. M.	19 hr. 30 m.	1	"	7.60
"	"	Delay at Green Bay					
Door	Sturgeon Bay ..	Chi. 6.30 A. M.	9.10 P. M.	14 hr. 40 m.	2	"	6.15
"	"	Delay at Green Bay					
"	"	Minn. 2.00 P. M.	10.10 A. M.	20 hr. 10 m.	2	Sleeper	8.11
"	"	Delay at Green Bay					
Oconto	Oconto	Chi. 10.03 A. M.	5.55 P. M.	6 hr. 52 m.	5	Parlor and Obs. Cars...	5.81
"	"	Minn. 7.44 P. M.	10.10 A. M.	14 hr. 26 m.	2	Sleeper	7.41
"	"	Delay at Green Bay					
Shawano	Shawano	Chi. 2.25 A. M.	9.00 A. M.	6 hr. 24 m.	2	Chair Cars...	5.59
"	"	Minn. 2.40 P. M.	10.10 A. M.	19 hr. 30 m.	2	Sleeper	6.63
"	"	Delay at Green Bay					
Florence	Florence	Chi. 9.23 A. M.	8.20 P. M.	10 hr. 57 m.	2	Chair Cars...	7.37
"	"	Minn.			No through trains		7.83
Lincoln	Merrill	Chi. 9.31 A. M.	9.10 P. M.	11 hr. 39 m.	3		7.01
"	"	Min. 9.31 A. M.	10.55 P. M.	13 hr. 24 m.	1		5.60
"	"	Delay at Gr. Rapids					

After a careful examination of the above table, there can be but little wonderment that the "convenience and customary course of business" of the petitioning territory has developed during these years toward Chicago rather than toward Minneapolis.

Taking one town in each county, usually the county-seat, as typical of all towns in that county, and using the fastest train in each instance, as in the above table, and we find THE AVERAGE TIME FOR REACHING CHICAGO FROM ALL THE COUNTIES COMPRISING THE PETITIONING TERRITORY IS 8.60 HOURS, WHILE TO MINNEAPOLIS THE AVERAGE TIME IS 11.41 HOURS, AN AVERAGE SAVING OF TIME BETWEEN PETITIONING TERRITORY AND CHICAGO OF 2.81 HOURS OVER MINNEAPOLIS. Is it any wonder that trade has developed in the direction of Chicago, or that busy bankers and business men prefer to transact their business there rather than in Minneapolis?

Using the same county-seats and principal towns,—one from each county of petitioning territory,—and we find also that THE PASSENGER FARE BETWEEN THESE TOWNS AND CHICAGO AVERAGES ~~28~~²³ CENTS CHEAPER THAN BETWEEN THE SAME TOWNS AND MINNEAPOLIS.

The same table discloses 188 DAILY THROUGH TRAINS EACH WAY BETWEEN THESE REPRESENTATIVE TOWNS TAKEN ONE FROM EACH COUNTY IN PETITIONING TERRITORY AND CHICAGO, AS AGAINST ONLY 48 BETWEEN THE SAME TOWNS AND MINNEAPOLIS.

The nearly four times as many through trains and average of 2.81 hours shorter time between the representative towns and Chicago as compared with Minneapolis would suggest a far superior mail transmission service between the counties comprising petitioning territory and Chicago as compared with the service to Minneapolis. This is of vital importance to banks in sending in their daily quota of items to the Federal Reserve Bank, and transacting other business by mail with banks and business houses in the Reserve Center.

We believe we have proven conclusively that the trend of business of the petitioning territory is irrevocably and permanently

with Chicago rather than Minneapolis, and by means of the above table we consider that we have pointed out some of the fundamental reasons underlying this condition, namely, more adequate, quicker and cheaper train service, and better mail facilities. To these fundamentals we may add the inevitable conclusion which we must reach after reading the excerpts given above from the statements of prominent bankers from the petitioning territory and of distinguished members of Congress, namely, that for years and decades the commercial and financial relationships of the petitioning territory have been firmly fixed with Chicago and the Seventh Reserve District. It is inevitable that the Board must realize that lines of trade so deeply rooted and strengthened by such ineradicable conditions can perhaps never be changed, and that any attempt to divert them must only result in extreme hardship to the affected territory.

XIII

SUFFICIENT CAPITALIZATION WILL REMAIN FOR THE NINTH DISTRICT TO FULFILL THE CONTEMPLATIONS OF THE ACT, EVEN THOUGH THE PETITIONING TERRITORY BE WITHDRAWN.

The inclusion of petitioning territory was not necessary at the outset to provide sufficient capital for the Minneapolis Bank.

It is true that the Minneapolis District, if one of the proposed subtractions of capital be made from it, will not be one of the most largely capitalized districts of the country, nor is it such even at the present time. The Minneapolis District is, in fact, one of the smallest in the country in point of capitalization. It is likewise true, on the other hand, that Chicago is already one of the most heavily capitalized districts in the country. But some district must have the smallest amount of capital, while, of course, on the other hand, it is necessary that some other district in the country shall be the largest in point of capitalization. If all other reasons point conclusively to the advisability of attaching the petitioning territory to Chicago, the mere fact that the capitalization of the Minneapolis District will be reduced while that of the Chicago Bank will be increased to a corresponding degree, may be regarded as incidental, and as playing no vital part in the determination of the matter at issue; while by such transfer of territory every financial and economic interest of the petitioning territory will be conserved.

XIV

THE NINTH DISTRICT, EVEN AFTER THE SUBTRACTION OF THE PETITIONING TERRITORY WILL STILL CONTAIN FOUR STATES AND AN EVER-INCREASING POPULATION.

It should be borne in mind that by dividing the country into twelve Federal Reserve Districts, the average district from a geographical standpoint, comprises four States. Even though the petitioners' request be granted, four entire States, namely, Minnesota, Montana, and the Dakotas (the average number for each reserve district), and a part of Michigan will remain to the Ninth Federal Reserve District, a vast and rich agricultural, lumber, and mining district, the importance of which will increase rather than diminish with the passage of the years.

XV

IT IS IMPRACTICABLE TO TRANSFER MILWAUKEE TO THE NINTH RESERVE DISTRICT. A FAR MORE ADVISABLE COURSE WOULD BE THE INCLUSION OF THE PETITIONING TERRITORY WITHIN THE SEVENTH RESERVE DISTRICT AND THE ESTABLISHMENT AT MILWAUKEE OF A BRANCH RESERVE BANK.

It has been suggested earlier in this brief, *supra* (page 4) that one of the reasons why the petitioning banks failed to present full testimony before the Organization Committee with regard to the needs of the petitioning section, was that they had considered that their territory would be included *per se* with Chicago and Milwaukee, and that a branch bank would doubtless be established in the latter city, which would thus bring the beneficent effects of the new system almost to their very doors. Nor, in the light of subsequent experience and of full information, was this early presumption on the part of petitioning territory inconsistent with considerations of the highest good of the banks of the petitioning district nor indeed with the success of the new system itself.

Hon. Carter Glass, Member of the House of Representatives, from Virginia, speaking officially on April 4, 1914, regarding the Federal Reserve Bank law, stated:

For practical purposes the branch banks are the real working elements of the system. It is these branch banks which, in most instances, do the re-discounting. Under the terms of the bill the branch banks are to be administered by duly appointed Boards of Directors and the management of these

branch institutions will be distinctive and more nearly relate itself to local business interests of the regional banks.* *

Representative Glass was thoroughly advised when he referred to the certainty that "the management of these branch institutions will be distinctive and more nearly relate itself to local business interests of the regional banks." And it is submitted that could a branch bank under the Seventh Reserve District be established at Milwaukee and the petitioning territory permitted to become a part of this district, the highest benefits possible under the new system would result for the petitioning territory, and for the system itself.

Suppose, however, that the branch bank of the Seventh, or Chicago, District, is established at Milwaukee, and the petitioning territory is forced to remain a part of the Ninth District. Then, the many salutary benefits which would otherwise lie at their very door must forever be lost to petitioners, because if they are a part of the Ninth District they will not be permitted to partake of the many benefits which would inevitably inure to them from connection with the Seventh District if a branch of the Chicago bank were established at Milwaukee.

Nor would serious consideration be given to a suggestion to annex Milwaukee itself to the Ninth Reserve District and to establish a branch bank in that city. It is well known that from the early history of the development of its commerce, the trend of business in the section of the country under discussion has been from north to south rather than from east to west. The interests, both financial and commercial, of Milwaukee and Chicago and the contiguous territory, have become so closely interwoven with the passage of the years that to attempt now to disturb them and to attach Milwaukee to the Ninth District and endeavor to divert its course of business into new and untried channels would be so serious and impossible an undertaking that such a course could hardly become the subject of serious contemplation. Indeed, the permanent affiliation of Milwaukee with the Chicago District is at once logical and inevitable.

It has been conclusively proven in this brief by means of tables and arguments (pages 35-39) that the number of daily trains passing each way between representative towns (one in each county) in

the petitioning territory and Chicago is nearly four times as great as the number passing between the same territory and Minneapolis; that the average time by fastest train between the same points and Chicago is 2.81 hours shorter than between the same points and Minneapolis; and that the average railroad fare between these points and Chicago is about ~~28~~²⁹ cents cheaper than to Minneapolis. It requires only a glance at the map to bring one to a full realization that the advantages referred to as accruing to the petitioning territory, if placed with Chicago in the Seventh Reserve District, will be even augmented by the establishment of a branch bank in Milwaukee, inasmuch as the distance between the branch bank center and the petitioning territory will be materially less even than the distance between such territory and Chicago, and cheaper railroad transportation and quicker railroad service will be among the certain advantages immediately to follow such a course. The establishment of a branch of the Chicago bank in Milwaukee would indeed bring the benefits of the Federal Reserve Banking system almost to the very doors of the petitioning territory. And, if we may be permitted, we commend such a course to the future consideration of the Federal Reserve Board.

XVI

THE PRESENT MOVEMENT LOOKING TOWARD A TRANSFER OF PETITIONING TERRITORY FROM THE NINTH TO THE SEVENTH RESERVE DISTRICT IS NOT A RESULT OF ANY CAMPAIGN PROPAGANDA EMANATING FROM MILWAUKEE, BUT AN HONEST, EARNEST ATTEMPT, ON THE PART OF THE PETITIONING TERRITORY, TO CONSERVE THE COMMERCIAL AND FINANCIAL INTERESTS OF THE AFFECTED TERRITORY.

It has been suggested that the present agitation for the transfer of the petitioning territory is the result of a sort of campaign issuing from the city of Milwaukee, which city, it has been contended, is anxious to secure the benefits of the Federal Reserve system now accruing to Minneapolis.

We will not deny that the city of Milwaukee is anxious, and naturally so, that the petitioning territory shall be annexed to the Seventh District. To pretend an indifference to such a *desiratum* would be but hollow sham. Milwaukee is keenly alive to the

fact that its interests, as well as those of the petitioning territory, would be conserved by such a transfer. And Milwaukee is as fully cognizant of the fact that serious harm and injury will continue to result to the petitioning territory if such a transfer be not effected. Surely, there can be no crime in Milwaukee's interest in not only her own welfare but that of her sister territory.

Are the merits of the situation altered one way or the other by Milwaukee's interest? Shall the Board decide that a great hardship and injury shall be wrought upon the petitioning territory by a refusal to grant their petition for transfer simply because a city which may profit from the inclusion of the petitioning territory in the Seventh Reserve District has expressed an interest in the outcome?

And it were indeed attributing to the city of Milwaukee almost hypnotic or supernatural powers to assume that she has wielded such an unusual influence over the entire banking and business community comprised within the petitioning district as to cause the said territory to become suddenly imbued with a great and yearning desire to be transferred from one reserve district to another. If Milwaukee be endowed with any such necromantic powers as her Minneapolis friends have attributed to her, she will presently be practising her wiles and designs upon a still larger territory, and the Board, forsooth, must needs be ever-vigilant, lest this aggressive and ambitious city shall, like a greedy vulture, attempt to swoop down upon all the unsuspecting territory within the confines of nearby States in an endeavor to increase her own commercial and financial prestige!

But the whole contention that this entire and laudatory movement on the part of the petitioning territory is the result of inspiration from a Milwaukee base rather than a genuine and honest conviction on the part of the petitioning banks that their needs absolutely require their separation from the Ninth and inclusion in the Seventh Reserve District, is refuted on its very face. The petitioning banks, representing by far the majority of the national banks of thirty-five counties in the petitioning territory, are among the strongest and steadiest institutions in the north-middle-west. In their earnest efforts to bring about this transfer they are not blindly responding to the wiles and designs of any ambitious city or community. It may well be that Milwaukee has assumed the lead in this matter, and that she has even taken steps

to weld together the influences in favor of the proposed transfer of territory, but the banks themselves in the pending petition have expressed almost the unanimous conviction of thirty-four of the richest counties of the north-middle-west that they have been inappropriately placed in the Ninth Reserve District, and that the whole future commercial and banking interests of their territory depend upon a realignment by the Board of the lines of demarkation between the districts in question, and the transfer of the petitioning territory from the Ninth to the Seventh Reserve District.

XVII

THE DECENTRALIZATION OF CAPITAL, WHILE A DESIRADATUM UNDER THE LAW, IS NOT OF SUCH VITAL IMPORTANCE IN THE FINAL ANALYSIS THAT IN ORDER TO BRING ABOUT ITS ACCOMPLISHMENT THE COURSE OF BUSINESS OF A GIVEN COMMUNITY SHOULD BE SOUGHT TO BE DIVERTED AND EXTREME HARDSHIP BE WROUGHT UPON THE FINANCIAL AND COMMERCIAL INTERESTS OF THAT COMMUNITY.

Without question one of the purposes actuating the legislators in determining to divide the country into districts and establish a number of regional banks, was the thought that to decentralize banking reserves would ultimately prove of benefit to many sections of the country, and provide a more wholesome financial situation throughout all the States. But at the same time Congress did not concede that in order to secure a decentralization of banking reserves other considerations of a higher nature should be lost sight of; and particularly did Congress recognize that in practically every community was to be found an established "customary course of business," and in their wisdom the legislators provided in explicit terms that due regard should be given to such customary course of business in each community before it was aligned with any certain reserve district. The legislature did not state that either feature would be controlling, but as between the two, beneficent though may be the general effects of decentralization of banking reserves where possible, it is incontrovertible that of far greater importance is the maintaining inviolate of the "customary course of business" of a community which perhaps for years upon years has been established in certain directions. Certainly in the present

case the withholding of a large reserve from Chicago and its addition to the Minneapolis Bank would not offset to any appreciable extent the hardships that will be wrought upon the petitioning territory if the customary course of business of this community must be artificially diverted from the channel in which it has run for so many years.

That the Board has been unwilling on at least two occasions to cause hardship to certain banks for the sake of distributing banking reserves, was evidenced by its action in granting the petitions of certain banks in northern New Jersey and western Connecticut for transfer to the New York Reserve District. We hope the Board will maintain a similar attitude in the present case.

XVIII

MINNEAPOLIS MAY NEED WISCONSIN IN ITS DISTRICT BUT NOT SO MUCH AS THE PETITIONING TERRITORY NEEDS TO BE JOINED WITH CHICAGO.

Senator La Follette contended at the re-hearing that Minneapolis as a reserve center for the great States of Minnesota, the Dakotas and Montana, with their immense possibilities for future development, would not absolutely need the petitioning territory in order to insure the success of the Federal Reserve System.

There can, of course, be no doubt but that the retention of the petitioning territory in the Ninth Federal Reserve District would materially assist that District in attaining its full perfection and success. Similarly, if Illinois and Iowa and several other States could be added to Minneapolis, the Ninth Reserve center would prosper mightily, and speedily assume a position as one of the strongest and most important financial centers of the country. But the Federal Reserve Act was not instituted in order to assist the growth or enhance the financial reputation or prestige of any given city or community. The purposes of the Act were intended to be beneficent, serving always the *sumum bonum*, seeking ever to bring the greatest good to the largest number. Nor could the enhancement of the financial importance of Minneapolis and the consequent diversion of the course of business and the demoralization of the financial and economic interests of the petitioning territory be considered as within the purview of the legislators when framing this most beneficent piece of legislation.

Here is a great territory comprising 28,000 square miles and over 900,000 population dependent upon the prosperity of this community for their livelihood and success. Shall we forget their interests and sacrifice their welfare in an effort to build up the financial and economic prestige of a reserve center? Shall we say to these 900,000 people: "Your interests are of but little moment. It does not matter if you and your fathers and your grandfathers *have* done business for several decades with Milwaukee and Chicago. It is immaterial if all your banking and business interests are closely interwoven with those of the Seventh Reserve District, and that now to attempt to divert the course of all this business will work untold hardship upon you and upon your posterity. You must sacrifice all of these things in order that Minneapolis, as the center of the Ninth Reserve District, may assume a commanding financial position in the great north-middle-west." And shall we say, at the same time, to Minneapolis: "We expect to increase your financial prestige by adding to the District of which you are the center a vast area unconnected with you hitherto by bonds of commerce or finance, but hereafter to be associated with you, in order that your district may grow and that your prestige as a financial and commercial center shall constantly increase!" Such a possibility could never have been intended by Congress when it framed what is considered by students of economy the greatest financial measure this country perhaps has ever had written on its statute books. Admitting that Minneapolis needs the petitioning territory, we must ever keep before us the vital importance to the petitioning district that its interests may remain, as they have been for so many years, linked with the Seventh or Chicago District.

XIX

THE RATE FOR RE-DISCOUNT WITH THE FEDERAL RESERVE BANK OF MINNEAPOLIS IS HIGHER ON SOME PAPER THAN WITH THE FEDERAL RESERVE BANK OF CHICAGO.

The rate of discount for re-discounting with the Federal Reserve Bank in Minneapolis is the same on thirty day paper as with Chicago, but is higher on sixty and ninety day paper. No doubt the rate of re-discounting with the Reserve Bank of Minneapolis will always remain higher until the western country is as well settled as the eastern, and interest rates in the west decrease.

The character of the business of this section will necessitate the transacting of business with Milwaukee and Chicago banks in any event.

XX

INCONVENIENCE AND UNNECESSARY OUTLAY OF MONEY WILL RESULT FOR PETITIONING TERRITORY IF RESERVES OF PETITIONING BANKS MUST BE KEPT AT MINNEAPOLIS.

If the reserves of the banks in this territory must be kept at Minneapolis, it will necessitate carrying larger accounts with Milwaukee and Chicago, not only at a loss of earnings, but to the detriment of the manufacturing industries of this section, because of decreased loaning power.

Even though the petitioning banks have large capital invested in the Minneapolis Reserve Bank and maintain their reserves required by the law, they will be but little benefited, because the banks in this territory desiring transfer will not go to the Federal Reserve Bank at Minneapolis, with which they have but little acquaintance, to borrow their money, but will obtain their loans from their regular correspondents with whom they, their fathers, and grandfathers, have been in closer relationship.

And it is conceivable that even though they did proceed to ask for loans of the Minneapolis Bank, at certain times of the year they might find accommodation at the hands of the Reserve Bank a difficult matter. It is entirely possible that there may be occasions when the Minneapolis Bank, having had tremendous demands upon it by the grain producing States of Minnesota, Montana and the Dakotas, will have loaned at certain times of the year all the money available for accommodation purposes, and Wisconsin banks asking loans will be forced to wait for their accommodation.

XXI

THE PETITIONING BANKS DESIRE TO TRANSACT THEIR BUSINESS SO FAR AS POSSIBLE IN THEIR RESERVE CENTER WHERE THEIR RESERVES ARE MAINTAINED.

It has been suggested by Counsel for the Reserve Bank that petitioning banks need not go to the reserve center to transact their business, that there is nothing in the law to compel such action,

and that they may go to any city for the transaction of business. It is true that there is no provision of the law which would prohibit the transaction of business in cities other than Minneapolis, but it is equally true that the bankers of this district naturally want to transact all their business in the same place, and that place should be Chicago or Milwaukee where their customary course of business has tended for so many years.

Hon. Michael K. Reilly, Member of the House of Representatives from Wisconsin, put this matter very tersely at the re-hearing before the Board when he said:

In answer to the Governor of the Minneapolis Bank, when in response to Mr. Browne he said they do not have to do business with Minneapolis, the fact is they have to do re-discount business there, and the bankers of my district want to do all their business with one place, where they are used to doing business, and that is with Chicago and Milwaukee. If the bankers of our district want to re-discount, they have to do business with you people at Minneapolis; the other business they do at Chicago; and under the terms of this law it was intended they should do all their business in one place. That is the clear intent of the law.

Following a brief discussion of Mr. Reilly's point just quoted, Mr. Harding of the Reserve Board said:

I understand the Congressman's point, that when this act becomes fully effective, and no balance in a bank can count as reserve except in a Federal Reserve Bank, in the case of the small bank, the averaged-sized bank, having no account anywhere except with the reserve bank, except cash in its own vault, and the balance in the reserve bank, they will naturally go for their re-discounts where their money is kept.

REPRESENTATIVE REILLY: Yes.

MR. HARDING: That condition will apply on November 17, 1917.

XXII

GRANTING THAT A METHOD FOR CLEARING CHECKS INTRODUCED INTO THE FEDERAL RESERVE SYSTEM MAY OVERCOME SOME OF THE DIFFICULTIES OTHERWISE TO BE EXPERIENCED BY PETITIONING TERRITORY FROM INCLUSION IN THE NINTH RESERVE DISTRICT, WHY PERMIT THE EVILS TO OBTAIN IN THE FIRST PLACE?

It has been suggested that the method of clearance adopted by the Federal Reserve System may have a tendency to correct any evils that might otherwise result to the petitioning territory from its inclusion with the Ninth Federal Reserve District instead of the Seventh District toward which its customary course of business constantly flows. We submit that there is but little need to go deeply into this argument nor to await the possible outcome of the new clearance plan, when we have here by the granting of the present petition for transfer, a certain and immediate method of remedying and eliminating all of the injuries which have come upon the petitioning territory by reason of their annexation with the Ninth Federal Reserve District instead of the Seventh, to which they naturally and of right belong.

XXIII

IF THE PETITION IS GRANTED, FARM LOANS CAN BE PLACED BY THE BANKS OF SOUTHERN WISCONSIN IN THE AGRICULTURAL SECTION REPRESENTED BY THE PETITIONING TERRITORY.

Counsel for the Federal Reserve Bank has contended as an objection to the proposed transfer of territory that the granting of the present petition and the separation of northern Wisconsin banks from the Ninth District, will remove from that district the only banks that can take farm mortgages from the agricultural interests of North Dakota. This may be a mere alarmist suggestion. Doubtless the Ninth District will always contain many financial institutions ready to accept the mortgages in question. But in any event it may be said in reply that the banks in southern Wisconsin which are members of the Seventh Reserve District have now no territory in which to make farm loans, and by reason of the fact that many farmers are now settling in northern Wisconsin, and this

territory thus becoming more and more an agricultural community, the banks of southern Wisconsin have actually a need for northern Wisconsin in the same district in order that these southern Wisconsin banks may have an agricultural territory in which they may place farm loans.

In connection with this point, it is interesting to note that at least four of the few banks of the petitioning territory that have not joined with the petitioners in their desire for transfer have given as their reason the fact that they are now making farm loans in North and South Dakota, Montana, etc., which they would not be able to do should they be transferred to the Seventh District. We submit that the very fact that these few banks can get a higher rate of interest in States west of Wisconsin on a farm loan than they can receive in Wisconsin is a discrimination against Wisconsin, and a diversion of money that belongs in Wisconsin to help build up and develop the States in the west, thus depriving the farm element of northern and eastern Wisconsin of money they need.

XXIV

IF THE PETITION IS GRANTED, THE RAPIDLY DEVELOPING NORTHERN PART OF WISCONSIN CAN OBTAIN LOANS FROM THE AFFLUENT BANKS OF SOUTHERN WISCONSIN, THUS PERMITTING THE NORTHERN AND EASTERN PORTIONS OF THE STATE NORMALLY TO DEVELOP.

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

XXV.

THE ACT WAS INTENDED NOT ONLY TO BENEFIT THE BANKS THEMSELVES BUT ALSO ALL COMMERCIAL INTERESTS AND THE PUBLIC GENERALLY.

It was the intention of the legislators in framing the Federal Reserve Act not to impose hardship on any community (as has unintentionally been done by including this territory in the Ninth Federal Reserve District), but to render strong assistance to the banking interests throughout the country. And in this worthy aim Congress did not lose sight of the fact that the prosperity of business generally makes for the success of the banking interests, and the Act also aimed therefore to conserve the best interests of the commercial classes throughout the land. In the final analysis, however, the prosperity of the financial as well as of the commercial interests rests upon the foundation of the prosperity of the individuals that go to make up the various communities of the country. Realizing this truism, Mr. Harding, of the Reserve Board, inquired of Counsel for the Reserve Bank.

MR. HARDING: How about the public? Do you consider the convenience of the public in this matter? They have no interest indirectly?

JUDGE UELAND: I do not see, myself.

MR. HARDING: Take the manufacturing, farming, and mercantile communities: Are they not interested as to whether their business goes one way and the banking business another? I would like to have your views as to that. What consideration should you give the public in this matter?

This, indeed, is a pertinent inquiry, and we submit that a consideration of the business interests of the financial and commercial classes, and of the public generally, leads us inevitably to the conclusion that the petitioning territory should be annexed to the Seventh or Chicago Reserve District where the customary course of nearly all its business has been for so many years.

XXVI

THE WISHES OF STATE BANKS AS FUTURE MEMBERS OF THE FEDERAL RESERVE SYSTEM SHOULD BE CONSIDERED.

It is hoped that State banks throughout the country will rapidly assume the benefits of the Federal Reserve System and become members thereof. Their attitude as to the district in which they prefer to be located is of importance, therefore, in view of the fact that they will doubtless in the future become an important part of the Federal Reserve System.

At the rehearing of the present case before the Board, Mr. J. H. Puelicher, vice president of the Marshall and Ilsley Bank, of Milwaukee, stated:

On page three, the written statement from Minneapolis, read into the record, concedes Wisconsin to the Chicago District. The long established relation between the banks of Wisconsin and those of Milwaukee and Chicago, the ability of these centers to care for the needs of Wisconsin banks, the desire of the banks—the Wisconsin banks—to remain with their Milwaukee and Chicago correspondents, should prove conclusively the value of these relations to those concerned.

Then, too, a poll of the State banks was taken,—a poll of the State banks in this district. This showed that OUT OF 254 STATE BANKS THAT ULTIMATELY WOULD COME INTO THIS SYSTEM, 249 FAVORED BEING PUT INTO THE SEVENTH DISTRICT.

It is manifest also that if the State banks should not be satisfied with the establishment of district lines, and should remain out of the Federal Reserve System, the National banks will be placed at a disadvantage with the State institutions, and the greatest possible development of the banks under national charters would thus be retarded.

XXVII

DISCUSSION OF POSSIBLE ALTERNATIVE SOLUTIONS OF THE PRESENT PROBLEM.

Objection to the proposed transfer has been made by the Minneapolis Bank on the ground that to remove the petitioning terri-

tory from the Ninth Federal Reserve District will leave the Ninth District almost severed and consisting of two practically distinct parts, with the States of Minnesota, Montana and the Dakotas constituting one division and the upper peninsula of Michigan comprising the second section, the northern portion of Wisconsin having been removed from between these two divisions of territory.

There is nothing in the law that would prohibit the proposed transfer of petitioners' territory from the Ninth to the Seventh District. Section 2 of the Act provides:

All districts shall be apportioned with due regard to the convenience and customary course of business, and shall not necessarily be co-terminus with any State or States.

There is nothing in the language of the Act to indicate that the territory comprising any district must lie in a straight line or be contiguous. Ordinarily speaking, of course, contiguous territory would constitute each Federal reserve district. It would not be likely that the Board would seek to join Florida with a portion of Illinois, or that California would be united with New York to form one of the reserve districts. In the present instance, however, no such absurd proposal has been suggested. The upper portion of Michigan may remain, if the Board shall so decide, in the Ninth Reserve district with certainly as little inconvenience and injury to that section of Michigan as now results from its being united with the Minneapolis Reserve District. The mere fact that Wisconsin is or is not a part of the Ninth District will not facilitate or retard mail service between the upper peninsula of Michigan and Minneapolis; nor will the withdrawal of the Wisconsin territory cause the northern Michigan banker who wants to visit his reserve bank at Minneapolis one moment's delay in making that journey; nor will said withdrawal of territory affect or change in any way the convenience and customary course of business between the peninsula and Minneapolis.

We submit that the northern Michigan peninsula belongs properly with the petitioning territory to Chicago, but whether or not the Board may decide in the affirmative as to that matter, the condition and position of Wisconsin as a wedge between the northern Michigan counties and the western portion of the Ninth Reserve

District, as pointed out, will not assist or injure the conditions now existing between northern Michigan and the Minneapolis Bank.

However, if the Board should hold that the territory of the Ninth District should be continuous and contiguous, the petitioners would in the final analysis agree to drop from their petition the counties of Ashland and Iron in the northern part of Wisconsin, in order to preserve the connection between the upper peninsula of Michigan and the remainder of the Ninth District. It is felt, however, that such a determination would be inequitable to the two counties in question, since their interests are identical with those of the remainder of the petitioning territory, but rather than sacrifice the interests of the whole, it were better that hardship be worked upon a part, and for the greater good, the Board might consider it advisable to sacrifice the interests of Ashland and Iron counties to preserve the contiguous character of the territory comprising the Ninth District.

In the first hearing of May 20, 1915, before the Federal Reserve Board, the petitioners asked for the transfer of a certain portion of Wisconsin territory from the Ninth to the Seventh District. In the present hearing the same territory petitions for change. However, at the rehearing four counties of Michigan, namely, Menominee, Dickinson, Delta and Iron, constituting the southern counties of the upper Michigan peninsula, presented an unanimous petition from all of the national banks in those counties (nine in number), that they too should be transferred from the Ninth to the Seventh District. Far from interposing any objection to the addition of these counties to the petitioning territory, the committee representing the original petitioners would be glad to have the four counties joined with them in the proposed transfer. As was brought out by Mr. M. K. Bissel, of Escanaba, Michigan, representing all the national banks in the four Michigan counties just mentioned, at the rehearing, their conditions and problems are practically synchronous with those of the original petitioning territory. Mr. Bissel stated:

I have been asked to represent the four counties in northern Michigan,—Menominee, Delta, Dickinson, and Iron, and I present here petitions from all of the national banks in those

four counties. There are nine national banks, and they all petition to be transferred from the Minneapolis Federal Reserve District and placed in the Chicago district. We did not know until the 26th of July that the banks in northern Michigan were to be given an opportunity to be heard in connection with this subject; consequently, we were unable in the short time allotted to have a general meeting of the banks or to secure petitions from the necessary number for the whole of northern Michigan. The banks in the four counties mentioned, however, decided to act independently, and I am here to represent them.

The petitioners therefore hope that the Board, in considering their request for transfer, will not overlook the unanimous petition of the banks of the four southernmost counties of the upper peninsula of Michigan for transfer to the Seventh Federal Reserve District, with which they naturally do their banking and commercial business, and with which they naturally and of right belong.

Similarly the petitioners would be delighted were the Board to decide that the entire upper peninsula of Michigan should likewise be separated from the Minneapolis District, and annexed to the Chicago territory. It has been objected by the Reserve Bank of Minneapolis that two-thirds of the member banks of a community seeking transfer must sign the petition asking for such change, and that this has not been done by the entire northern peninsula of Michigan. That is true, though by reason of the similarity of interests with Wisconsin and because of the fact that the convenience and customary course of business of the upper peninsula of Michigan, like the remainder of that State and Wisconsin, have for years been toward Chicago and the Seventh District rather than Minneapolis, it can hardly be conceived that this peninsular section would be other than pleased by being included with petitioners in a transfer from the Ninth to the Seventh Reserve District. And even though the Act does require the signatures of two-thirds of the member banks of a community seeking transfer, there is nothing in the law to preclude the Federal Reserve Board, seeking to serve the greatest good of the largest number, from affirmatively making any realignment or disposition of any portion of the country that they may desire. The Board may, within their discretion, without waiting for a formal petition from this territory, include the

northern peninsula of Michigan with Wisconsin in a transfer from the Ninth to the Seventh District, and petitioners earnestly hope that the Board will decide so to do.

Therefore, if the Board desire while about it to do full justice to the situation, it may be that they will consider it within reason and right to include the upper peninsula of Michigan, or certainly the four southernmost counties of that peninsula, with the petitioning territory, in a transfer to the Seventh Reserve District. The petitioners would be happy if the Board would so decide the case.

CONCLUSION

We may be permitted again, in conclusion, to call the attention of the Board to the four possible solutions of the present problem, presented earlier in the brief, namely:

(1) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory alone;

(2) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory with the exception of the counties of Delta and Iron in Wisconsin;

(3) Separation from the Ninth and addition to the Seventh Federal Reserve District of petitioning territory and the four southernmost counties, namely, Dickinson, Iron, Menominee, and Delta of the upper peninsula of Michigan; and

(4) Separation from the Ninth and addition to the Seventh Federal Reserve District of the petitioning territory and the entire northern peninsula of Michigan.

In conclusion, it may be stated that no reasonable effort has been spared to present in this brief for the consideration of the Board full information of the most recent and up-to-date character obtainable showing the sentiment of the petitioning territory with regard to the proposed transfer, illustrating the effect of the granting of the petition not only upon the petitioning territory but on the Minneapolis Reserve Bank, and in presenting full facts, figures and arguments proving conclusively the wholesomeness and reasonableness of petitioners' prayer for transfer to the Seventh Reserve District. We have endeavored also to go into many of the objections that have been offered by the governor of the Reserve Bank

for the Ninth District, and counsel for the Reserve Bank both in his oral arguments before the Federal Reserve Board and even in his printed brief filed at the first hearing on appeal before the Board. We have sought to analyze these objections, and attempted to point out their fallacy, and to present to the Board a full and complete discussion of the several points involved, accompanying our arguments with proof in the way of facts and statements, all of which we hope will be of some assistance to the Board in reaching an equitable and just decision as to the merits of this appeal.

WHEREUPON, we, the undersigned National member banks of the petitioning territory of Wisconsin, respectfully petition the Federal Reserve Board to be transferred from the Ninth Federal Reserve District to the Seventh Federal Reserve District.

Respectfully submitted,

1. First National Bank, Antigo, Wisconsin.
2. Langlade National Bank, Antigo, Wisconsin.
3. Citizens National Bank, Appleton, Wisconsin.
4. Commercial National Bank, Appleton, Wisconsin.
5. First National Bank, Appleton, Wisconsin.
6. First National Bank, Black River Falls, Wisconsin.
7. First National Bank, Brillion, Wisconsin.
8. Chilton National Bank, Chilton, Wisconsin.
9. First National Bank, Clintonville, Wisconsin.
10. First National Bank, Crandon, Wisconsin.
11. First National Bank, Dale, Wisconsin.
12. National Bank of De Pere, De Pere, Wisconsin.
13. Fond du Lac National Bank, Fond du Lac, Wisconsin.
14. First National Bank, Grand Rapids, Wisconsin.
15. Citizens National Bank, Grand Rapids, Wisconsin.
16. Wood County National Bank, Grand Rapids, Wisconsin.
17. Citizens National Bank, Green Bay, Wisconsin.
18. McCartney National Bank, Green Bay, Wisconsin.
19. Kellogg National Bank, Green Bay, Wisconsin.
20. First National Bank, Kaukauna, Wisconsin.
21. First National Bank, Manawa, Wisconsin.
22. National Bank of Manitowoc, Manitowoc, Wisconsin.
23. First National Bank, Marinette, Wisconsin.
24. Stephenson National Bank, Marinette, Wisconsin.

25. First National Bank, Marshfield, Wisconsin.
26. American National Bank, Marshfield, Wisconsin.
27. First National Bank, Menasha, Wisconsin.
28. First National Bank, Neenah, Wisconsin.
29. National Manufacturers Bank, Neenah, Wisconsin.
30. First National Bank, Neillsville, Wisconsin.
31. First National Bank, New London, Wisconsin.
32. Citizens National Bank, Oconto, Wisconsin.
33. Oconto National Bank, Oconto, Wisconsin.
34. Commercial National Bank, Oshkosh, Wisconsin.
35. Old National Bank, Oshkosh, Wisconsin.
36. Peshtigo National Bank, Peshtigo, Wisconsin.
37. First National Bank, Phillips, Wisconsin.
38. First National Bank, Rhinelander, Wisconsin.
39. First National Bank, Rib Lake, Wisconsin.
40. German National Bank, Ripon, Wisconsin.
41. First National Bank, Seymour, Wisconsin.
42. First National Bank, Shawano, Wisconsin.
43. German American National Bank, Shawano, Wisconsin.
44. Citizens National Bank, Stevens Point, Wisconsin.
45. First National Bank, Stevens Point, Wisconsin.
46. Old National Bank, Waupaca, Wisconsin.
47. First National Bank, Wausau, Wisconsin.
48. National German American Bank, Wausau, Wisconsin.
49. First National Bank, Weyauwega, Wisconsin.

(The nine National Banks of the four southernmost counties of the northern peninsula of Michigan, namely, Delta, Iron, Dickinson and Menominee Counties, also petitioned upon the re-hearing to be transferred from the Ninth to the Seventh Federal Reserve District.)

By

J. W. P. LOMBARD,

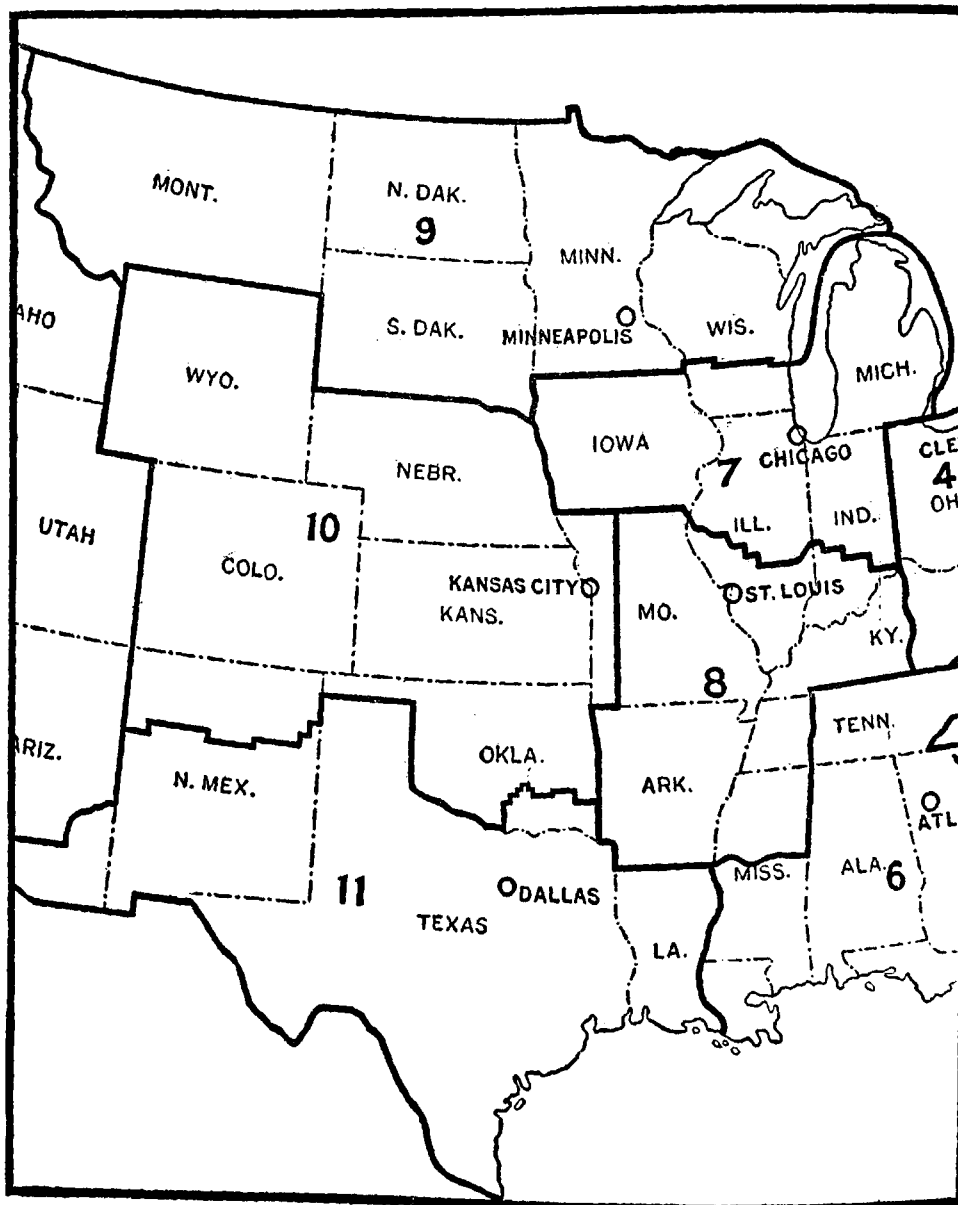
Chairman of the Petitioning Delegation.

REXFORD L. HOLMES,

Counsel.

ADDENDA

MAP SHOWING SEVENTH AND NINTH FEDERAL RESERVE DISTRICTS
AS AT PRESENT CONSTITUTED.

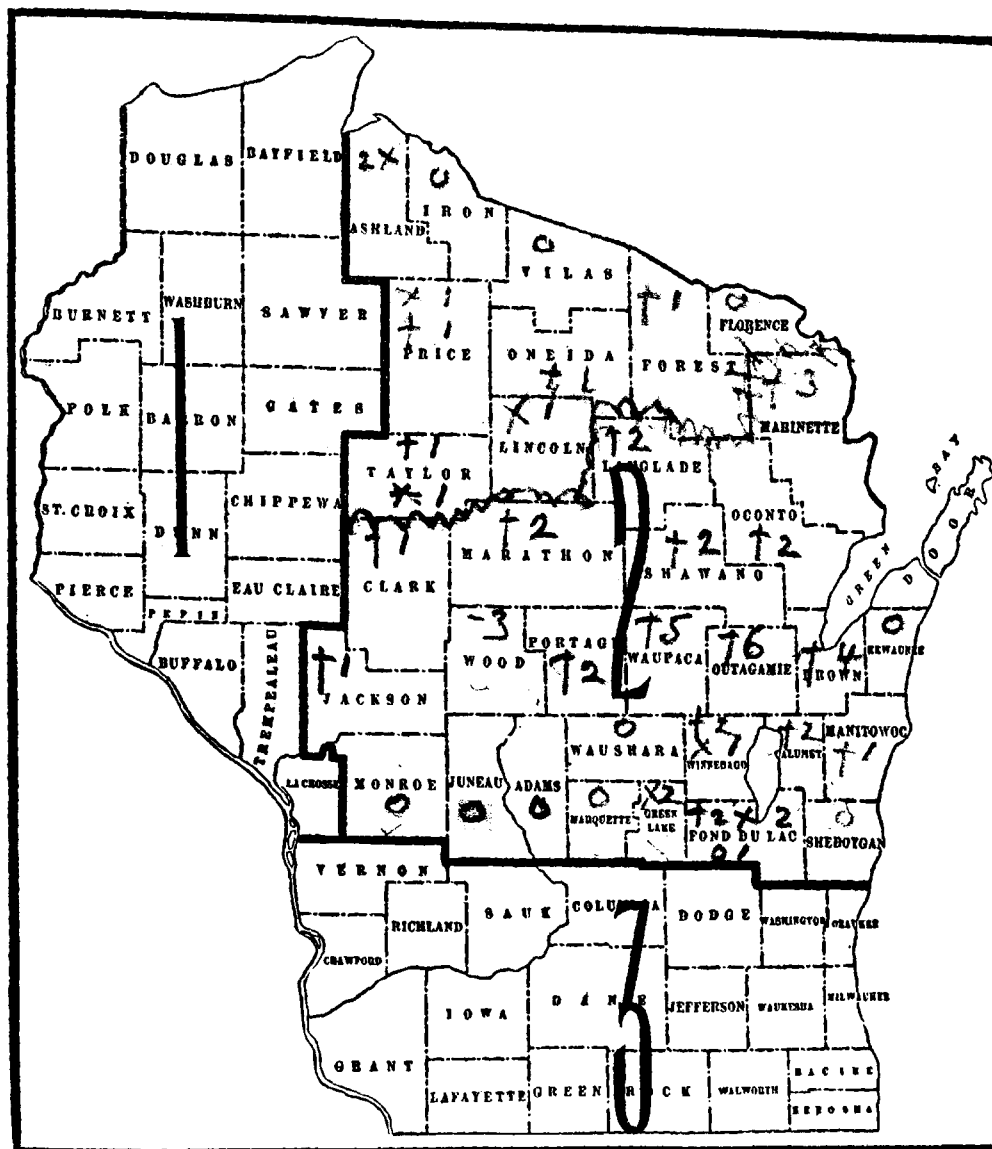


x = No

+ = Yes

o = not voting

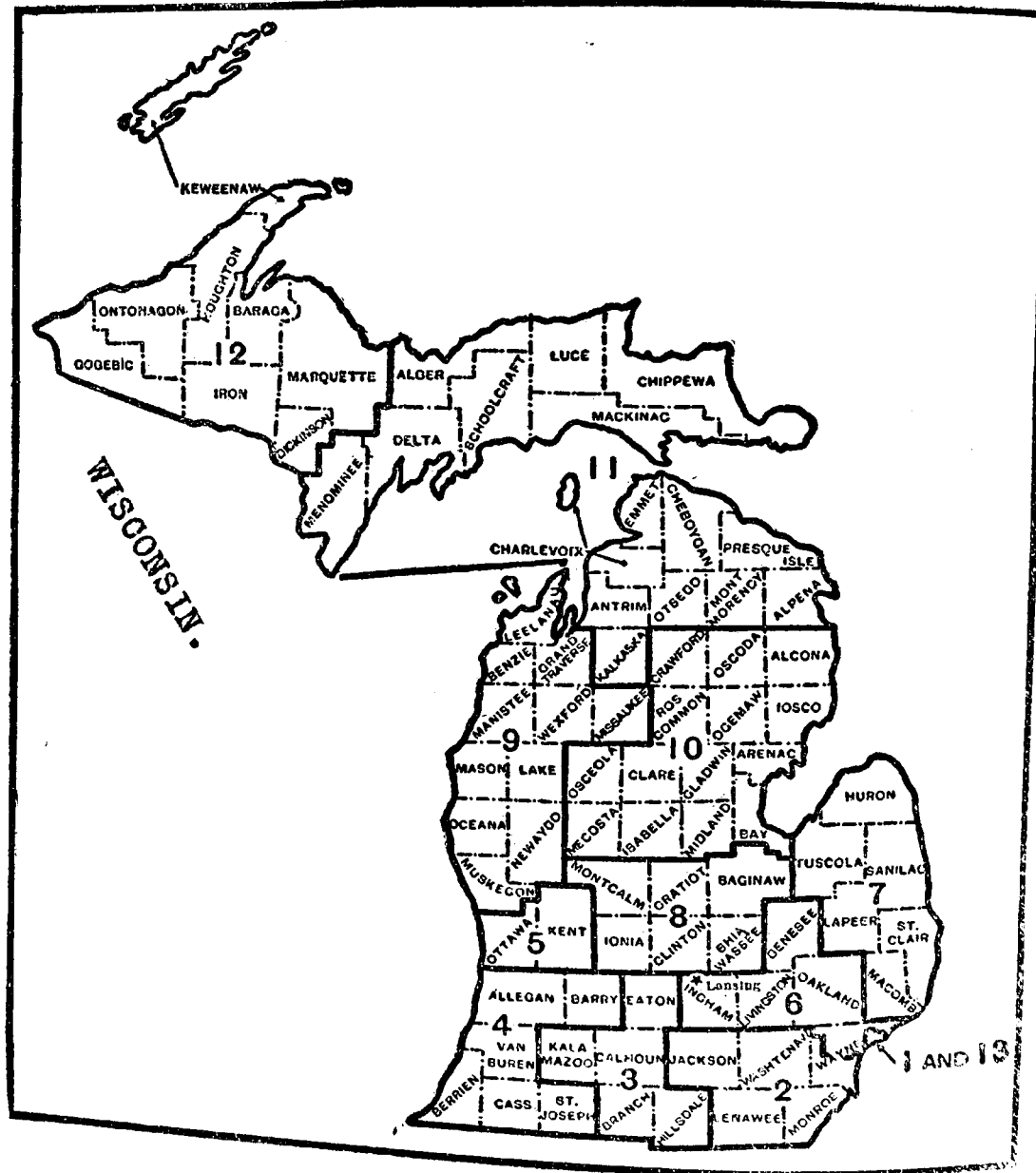
MAP SHOWING PETITIONING TERRITORY.



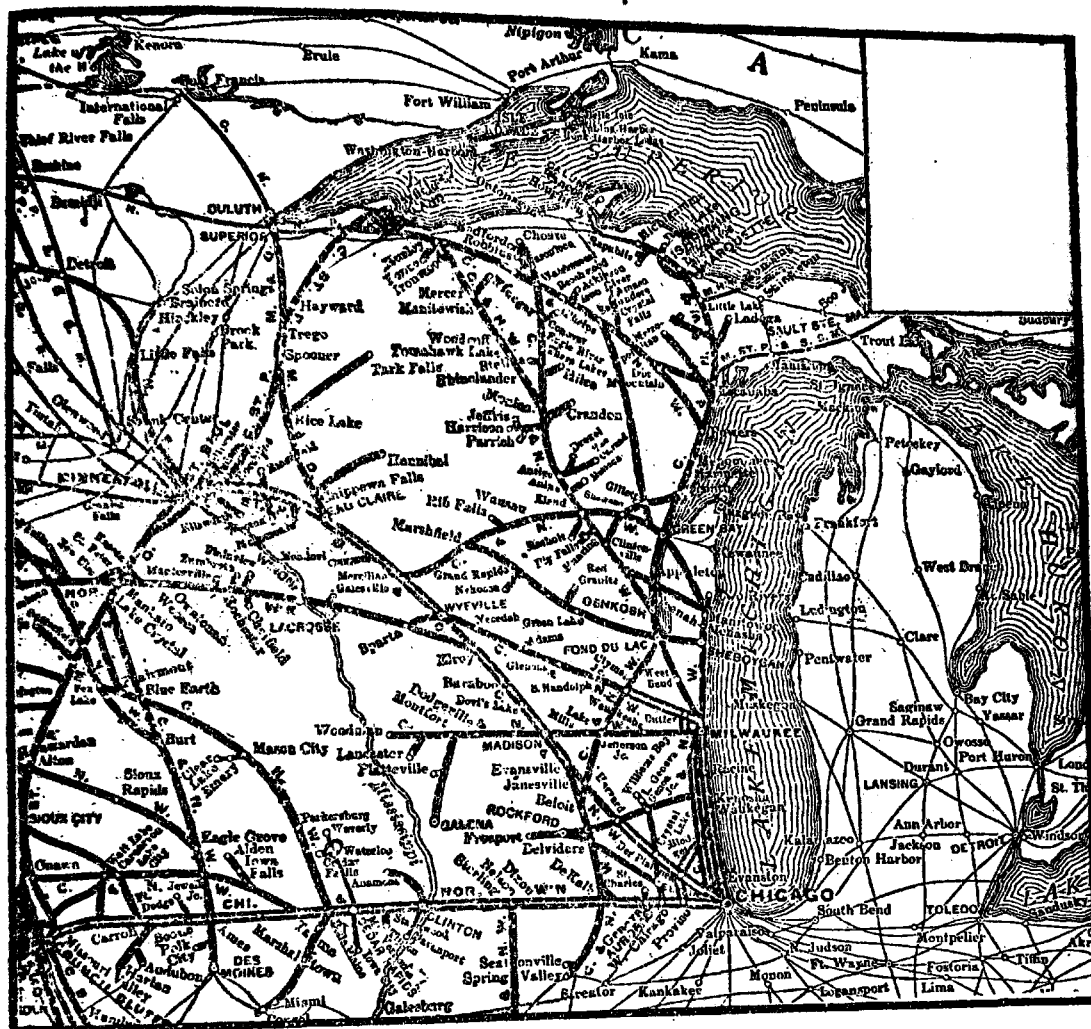
- 1—Minneapolis District
- 2—Petitioning District
- 3—Chicago District

* Indifferent

MAP SHOWING NORTHERN PENINSULA OF MICHIGAN.



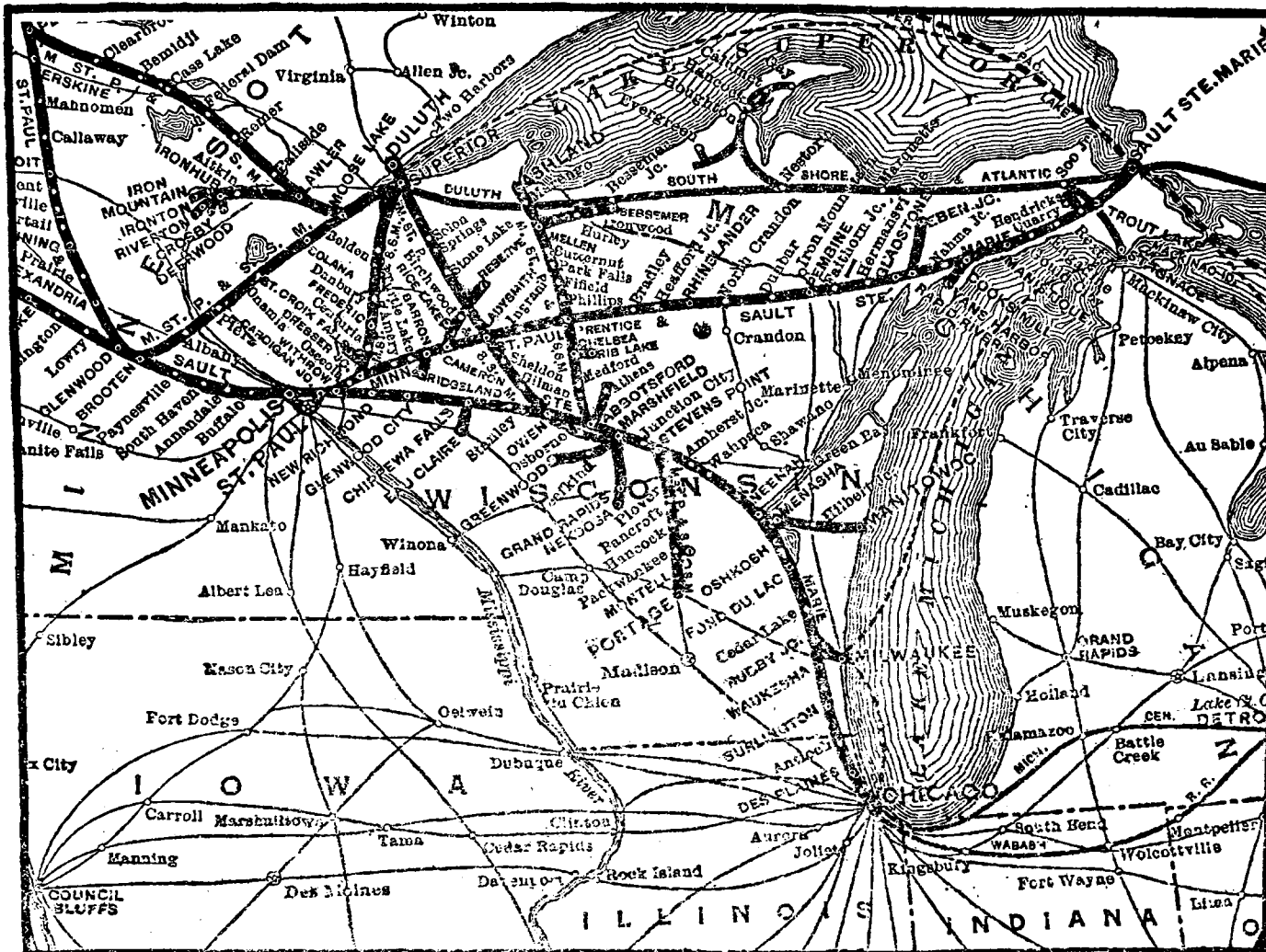
CHICAGO AND NORTHWESTERN R. R.



CHICAGO, MINNEAPOLIS AND ST. PAUL RY.



800 LINE.



**NAMES AND LOCATION OF NATIONAL BANKS IN WISCONSIN
CONSIDERED FOR TRANSFER FROM THE NINTH TO
THE SEVENTH FEDERAL RESERVE DISTRICT.**

Name of Bank.	Town.	County.	In favor of Transfer (Yes)	Against Transfer (No)
Ashland National.....	Ashland.....	Ashland....		No
Northern ".....	".....	".....		"
Citizens National.....	Green Bay.....	Brown.....	Yes	
Kellogg ".....	".....	".....	"	
McCartney ".....	".....	".....	"	
National Bank of.....	De Pere.....	".....	"	
First National.....	Brillion.....	Calumet....	"	
Chilton ".....	Chilton....	".....	"	
First ".....	Neillsville.....	Clark.....	"	
Commercial National.....	Fond du Lac.....	Fond du Lac		"
First ".....	".....	".....	*	
Fond du Lac ".....	".....	".....	"	
First ".....	Ripon.....	".....	"	"
German ".....	".....	".....	"	
First ".....	Crandon.....	Forest.....	"	
".....	Berlin.....	Green Lake		"
".....	Princeton.....	".....		"
".....	Black River Falls	Jackson....	"	
First ".....	Antigo.....	Langlade...	"	
Langlade ".....	".....	".....	"	
Citizens ".....	Merrill.....	Lincoln.....		"
National Bank of.....	Manitowoc.....	Manitowoc.	"	
First National.....	Wausau.....	Marathon.	"	
National German American.	".....	".....	"	
First National.....	Marinette.....	Marinette..	"	
Stephenson National	".....	".....	"	
Peshtigo ".....	Peshtigo.....	".....	"	
Citizens ".....	Oconto.....	Oconto.....	"	
Oconto ".....	".....	".....	"	
First ".....	Rhinelanders.....	Oneida.....	"	
Citizens ".....	Appleton.....	Outagamie..	"	
Commercial ".....	".....	".....	"	
First ".....	".....	".....	"	
".....	Dale.....	".....	"	
".....	Kaukauna.....	".....	"	
".....	Seymour.....	".....	"	
".....	Park Falls.....	Price.....	"	"
".....	Phillips.....	".....	"	
Citizens ".....	Stevens Point.....	Portage.....	"	
First ".....	".....	".....	"	
".....	Shawano.....	Shawano...	"	
German American National.	".....	".....	"	
First National.....	Tigerton.....	".....		No Vote
".....	Medford.....	Taylor.....	*	
".....	Rib Lake.....	".....	"	
".....	Clintonville.....	Waupaca...	"	
".....	Manawa.....	".....	"	
".....	New London.....	".....	"	
Old ".....	Waupaca.....	".....	"	
First ".....	Weyauwega.....	".....	"	
".....	Menasha.....	Winnebago	"	
".....	Neenah.....	".....	"	
National Manufacturers.....	".....	".....	"	

* Indifferent

**NAMES AND LOCATION OF NATIONAL BANKS IN WISCONSIN
CONSIDERED FOR TRANSFER FROM THE NINTH TO
THE SEVENTH FEDERAL RESERVE DISTRICT.—Con.**

Name of Bank.	Town.	County.	In favor of Transfer (Yes)	Against Transfer (No)
City National.....	Oshkosh.....	Winnebago		No
Commercial National.....	".....	".....	Yes	
Old ".....	".....	".....	"	
Citizens ".....	Grand Rapids.....	Wood Co...	"	
First ".....	".....	".....	"	
Wood County ".....	".....	".....	"	
American ".....	Marshfield.....	".....	"	
First ".....	".....	".....	"	
Total	61 Banks—1 Not Voting	2 Indifferent	49 Yes	9 No

VOTES ON PROPOSITION TO TRANSFER CERTAIN COUNTIES OF WISCONSIN FROM NINTH DISTRICT TO SEVENTH DISTRICT

NAME OF COUNTY	No. OF NATL. BANKS	YES	NO	IMMA- TERIAL	NOT VOTING
Adams.....	0	0	0		
Ashland.....	2	0	2		
Brown.....	4	4	0		
Calumet.....	2	2	0		
Clark.....	1	1	0		
Door.....	0	0	0		
Florence.....	0	0	0		
Forrest.....	1	1	0		
Fond du Lac.....	5	2	2	1	
Green Lake.....	2	0	2		
Iron.....	0	0	0		
Jackson.....	1	1	0		
Juneau.....	0	0	0		
Langlade.....	2	2	0		
Lincoln.....	1	0	1		
Manitowoc.....	1	1	0		
Marathon.....	2	2	0		
Marinette.....	3	3	0		
Marquette.....	0	0	0		
Monroe.....	0	0	0		
Oconto.....	2	2	0		
Oneida.....	1	1	0		
Outagamie.....	6	6	0		
Price.....	2	1	1		
Portage.....	2	2	0		
Shawano.....	3	2	0		1
Sheboygan.....	0	0	0		
Taylor.....	2	1	0	1	
Vilas.....	0	0	0		
Waupaca.....	5	5	0		
Washara.....	0	0	0		
Winnebago.....	6	5	1		
Wood.....	5	5	0		
TOTAL.....	61	49	9	2	1

If Ashland and Iron
Counties are left
in Ninth Dis-
trict it would
stand.....

59 49 7 2 1

Of the nine (9) Banks voting NO—four do so on account of investments in Montana Mortgages; two (2) in Fond du Luc, one (1) in Lincoln, and one (1) in Winnebago County.

Whenever the restrictions to loans on real estate by National banks have been modified it has always been the policy to confine such loans to the immediate neighborhood of the bank making the loans. It would seem as if this reason for preferring to remain in the 9th District would have little force with the Reserve Board when the real estate loans being made are on property some 700 miles distant from the loaning bank.