

HG+
2562
D7B33c

Before the Federal Reserve Board

IN THE MATTER OF APPLICA-
TION OF BANKS IN EASTERN
WISCONSIN TO BE DETACHED
FROM FEDERAL RESERVE
DISTRICT NUMBER NINE
(MINNEAPOLIS) AND AN-
NEXED TO FEDERAL RESERVE
DISTRICT NUMBER SEVEN
(CHICAGO)

BRIEF OF PETITIONERS IN REPLY

HENRY I. WEED, Oshkosh
Counsel

Castle-Pierce Printing Co., Oshkosh

2119

Before the Federal Reserve Board

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

BRIEF OF PETITIONERS IN REPLY

I.

Respondents suggest that the petitioners should now be denied relief because of alleged delay in instituting this proceeding.

This is a very technical objection and we cannot believe that this Board will look with any favor upon it. It will be recalled that the Press quite generally reported that no changes in district boundaries would be considered by the Board for a considerable period of time. Also, it is submitted that a number of months must of necessity pass by before a common plan of action could be formulated, considered and decided upon by the sixty-one national banks, fifty-three of which have joined as petitioners herein. An individual bank or a small group of banks might easily have reached such a conclusion in a shorter period of time. We submit that there is no merit to the technical objection of estoppel by delay.

This objection is completely answered by the Federal Reserve Act. The law declares that the districts created by the Organization Committee may be readjusted from time to time by the Federal Reserve Board.

Federal Reserve Act, Section two.

HG+

2562

D7 B33c

7094

JUL 20 1923

The power of review by the Federal Reserve Board is therefore a continuing power.

It is argued that because the petitioning banks complied with the law and subscribed for stock in the Minneapolis Reserve Bank that therefore they ought not now to be heard on their petition for a change.

The law requires that banks must accept the terms of the Act within sixty days of its passage or cease to act as reserve agents, that they must within thirty days after notice from the Organization Committee, subscribe for stock in the reserve bank of their district, that they must become member banks and comply with all provisions of the Act within one year or forfeit their charters.

Stock subscriptions and other participation by the petitioning banks in the Federal Reserve plan was the only course which they could follow consistent with their own interests and with a decent regard to the Federal Reserve system and its necessary organization.

It is argued that the Commercial National Bank of Oshkosh participated in executing the Organization certificate and that this action was not consistent with an intention to appeal. Counsel overlook or ignore the fact that by the law the Organization Committee designate the banks to execute a certificate of organization and that it was the duty of the banks designated to comply with the law.

Federal Reserve Act, Section four.

The labor and expense of correcting the unjust existing conditions, as prayed for in this petition, will be slight indeed, when compared with the public interests of justice and fair dealing which can be protected and promoted only by granting such prayer.

II.

The objection based upon the irregular shape of the Ninth District, which would follow the granting of this petition, is not well taken. The Act expressly provides that districts "shall not necessarily be coterminous with any state or states." In other words, districts can be made to conform to "the mercantile, industrial and financial conditions existing in each district," "with due regard" to "the general geographical situation of the district, to transportation lines, to the facilities for speedy communication," and to "the population, area and prevalent business activities of the district, whether agricultural, manufacturing, mining or commercial."

Business, finance and commerce disregard state lines and state boundaries. It matters not that the shape of the Ninth District will be less compact, when the desired change is made, if it comprises a district which will furnish the minimum capital of four million dollars and will constitute a financial and commercial organism based upon the foregoing considerations and factors.

It is argued that because the banks of Northern Michigan did not join in this petition it should be denied. Such argument is deprived entirely of force when it is pointed out that the rule adopted by this Board requires two-thirds of the banks in the petitioning territory, not two-thirds of the banks elsewhere in the district.

III.

After the organization of this Board, designated by the law to readjust the districts when advisable, a rule was adopted that, "the parties will be limited to the record before the Organization Committee." We are ready to abide by that rule to the letter or to accept a broad and liberal construction of it. There was not one word in the record to show that the petitioning territory should be attached to the Minneapolis District. Every portion of the record shows the petitioning territory should have been annexed to the Chicago District. The petition states there was no testimony to the contrary. (See petition hereto attached.) The respondent does not deny this.

Respondent's complain that after stating the above rule, petitioners' counsel proceeds to furnish facts collected since the decision was made. Everything complained of is merely argument on the law and the record before the Committee, and what is stated is admitted to be true in nearly all respects by respondent's brief.

Better and quicker mail service is admitted. Better, quicker and cheaper rail service is admitted. Cheaper telegraph and telephone rates are not disputed. Higher re-discount rates are admitted. That banks in southern Wisconsin cannot loan on northern Wisconsin lands is admitted. That the natural course of business of the petitioning territory is to Milwaukee and Chicago, is not disputed. That sufficient capital would remain after detaching the petitioning territory is admitted.

It follows from these admissions that the petitioning territory was placed in the Minneapolis District contrary to the provisions of the Federal Reserve Act, that the districts be apportioned with due regard to convenience and customary course of business.

We take it that the rule of practice, whereby in any such proceeding as this, "the Board will not hear testimony, but the parties will be limited to the record before the Organization Committee," means, under a deserved, broad and reasonable construction, that the Board will not take **additional** testimony. We did not expect the Board to disregard matters of common knowledge in the business and financial world, or not to take into account facts within the knowledge of its members as men of large experience in such affairs. We feel that the testimony taken before the Organization Committee was advisory and not necessarily controlling upon this Board. But we respectfully submit that common knowledge, the particular knowledge of the members of this Board, and all the testimony appearing in the record concur in compelling the conclusion that the prayer of this petition should be granted

if the two districts in question are to "be apportioned with due regard to the convenience and customary course of business."

IV.

The problems in other parts of the country, alluded to on page five of the brief of respondent, we are justified in assuming to have been solved in conformity with the considerations and factors which are so well stated in the decision of the Committee, and are quoted upon page six of respondent's brief. If these factors are given consideration by this Board in this proceeding, we are perfectly confident that this petition will be granted.

In such case, the Minneapolis bank would have \$4,300,596 of capital subscriptions, which is surely a satisfactory margin over and above the required minimum.

Placing the petitioning territory where the record shows it should be placed, in the Chicago District, would leave the Minneapolis Bank ample capital to meet the requirements of law and relieve the petitioning banks of annoyance, delay and expense.

V.

An analysis of subdivision Five of the respondent's brief shows admission of nearly every material fact put in issue by the petition.

First. It admits better and cheaper rail communications.

Second. Does not deny cheaper telegraph and telephone rates. It says there is no reliable data at hand. Any telegraph or telephone office would inform them that the telephone rates from nearly all the petitioning territory was \$1.00 to Chicago and \$1.50 to Minneapolis, telegraph charges 30c to Chicago, 40c to Minneapolis.

Third. Slightly faster mail service is admitted, but the statement is made that Minneapolis mail is delivered the following morning in the petitioning territory. That is not a fact;

the Minneapolis mail in nearly all the petitioning territory is delivered in the afternoon, when the banks are unable to care for it.

Fourth. Higher re-discount rates at Minneapolis are admitted.

Fifth. Wisconsin banks in the Seventh District cannot take farm loans in northern Wisconsin, is admitted.

This is an admission that Wisconsin is discriminated against, that it is the loser by the present districting, that it must be retarded in development in favor of Minnesota and states further west.

It was conceded by the representatives of Minneapolis before the Organization Committee that Wisconsin properly belonged to the Chicago District.

CONCLUSION.

Respondents' brief is very frank in one respect. It argues that Wisconsin was placed in the Minneapolis District to provide additional capital for the Minneapolis Reserve Bank and that it ought to remain there because it will help that District and the City of Minneapolis in particular. This purely selfish desire to retain the petitioning territory because it will help Reserve District Number Nine seems to be the only ground upon which the opposing view really rests. The delay, inconvenience and unnecessary expense loaded upon the petitioning Wisconsin banks seem to be wholly disregarded.

It was not the purpose of the law to provide additional capital for Minneapolis at the expense of Wisconsin. It was not the purpose of the law to disregard the natural course of business as was done when the petitioning territory was placed in District Number Nine. It was not the purpose of the law to levy tribute upon Wisconsin to build up the states further west, as is the effect of the present division. It was not the purpose of the law to retard the growth of northern Wisconsin in order that money might flow to Minnesota and the Da-

kotas. The purpose of the law was beneficent, and if the petitioning territory is placed where it belongs, the purpose of the law will be served and dissatisfaction and distrust will be replaced with satisfaction, faith and content.

The petitioning territory should be placed with the Chicago District by proper order of this Board.

Respectfully submitted,

HENRY I. WEED, Counsel.

BEFORE THE FEDERAL RESERVE BOARD

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

The petitioning banks respectfully represent and show to your Honorable Board:

That they comprise more than two-thirds of the member banks in the territory asking to be taken out of Federal Reserve District Number Nine and to be annexed to Federal Reserve District Number Seven.

That the petitioning banks are named and located as follows:

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. Ashland National Bank, Ashland, Wis.
7. First National Bank, Berlin, Wisconsin.
8. First National Bank, Black River Falls, Wisconsin.
9. First National Bank, Brillion, Wisconsin.
10. Chilton National Bank, Chilton, Wisconsin.
11. First National Bank, Clintonville, Wisconsin.
12. First National Bank, Crandon, Wisconsin.
13. First National Bank, Dale, Wisconsin.
14. National Bank of De Pere, De Pere, Wisconsin.
15. Fond du Lac National Bank, Fond du Lac, Wisconsin.

16. First National Bank, Grand Rapids, Wisconsin.
17. Citizens National Bank, Grand Rapids, Wisconsin.
18. Wood County National Bank, Grand Rapids, Wisconsin.
19. Citizens National Bank, Green Bay, Wisconsin.
20. McCartney National Bank, Green Bay, Wisconsin.
21. Kellogg National Bank, Green Bay, Wisconsin.
22. First National Bank, Kaukauna, Wisconsin.
23. First National Bank, Manawa, Wisconsin.
24. National Bank of Manitowoc, Manitowoc, Wisconsin.
25. Stephenson National Bank, Marinette, Wisconsin.
26. First National Bank, Marshfield, Wisconsin.
27. American National Bank, Marshfield, Wisconsin.
28. First National Bank, Medford, Wisconsin.
29. Citizens National Bank, Merrill, Wisconsin.
30. First National Bank, Neenah, Wisconsin.
31. National Manufacturers Bank, Neenah, Wisconsin.
32. First National Bank, Neillsville, Wisconsin.
33. First National Bank, New London, Wisconsin.
34. Citizens National Bank, Oconto, Wisconsin.
35. Oconto National Bank, Oconto, Wisconsin.
36. City National Bank, Oshkosh, Wisconsin.
37. Commercial National Bank, Oshkosh, Wisconsin.
38. Old National Bank, Oshkosh, Wisconsin.
39. Peshtigo National Bank, Peshtigo, Wisconsin.
40. First National Bank, Princeton, Wisconsin.
41. First National Bank, Rhineland, Wisconsin.
42. First National Bank, Rib Lake, Wisconsin.
43. German National Bank, Ripon, Wisconsin.
44. First National Bank, Seymour, Wisconsin.
45. First National Bank, Shaawno, Wisconsin.
46. German American National Bank, Shawano, Wisconsin.
47. Citizens National Bank, Stevens Point, Wisconsin.

48. First National Bank, Stevens Point, Wisconsin.
49. First National Bank, Tigerton, Wisconsin.
50. Old National Bank, Waupaca, Wisconsin.
51. First National Bank, Wausau, Wisconsin.
52. National German American Bank, Wausau, Wisconsin.
53. First National Bank, Weyauwega, Wisconsin.

Being fifty-three in number out of a total of sixty-one located in the territory petitioning for the change, and that their petitions, signed by the duly authorized officers of each bank, are hereto attached.

That apportioning the Federal Reserve Districts with due regard to the convenience and customary course of business requires that the territory in Wisconsin, embraced within the counties of Monroe, Jackson, Clark, Taylor, Price, Ashland, Iron, Vilas, Oneida, Lincoln, Marathon, Wood, Portage, Juneau, Adams, Marquette, Green Lake, Fond du Lac, Waushara, Winnebago, Waupaca, Outagamie, Shawano, Oconto, Marinette, Langlade, Forest, Florence, Door, Kewaunee, Brown, Calumet, Manitowoc and Sheboygan be detached from Federal Reserve District Number Nine (Minneapolis) and attached to Federal Reserve District Number Seven (Chicago).

That a map showing the territory petitioning for such change is hereto attached, marked Exhibit "A" and herewith referred to and made a part of this petition.

That the ground and reason of their petition is that the customary course of business of your petitioners is almost entirely north and south and with the cities of Chicago and Milwaukee, and that but a small fraction thereof pursues a westerly course. That the business of your petitioners centers very largely in Chicago, while the business of this section of Wisconsin with Minneapolis is of small consequence. That as the customary course of business in this district is toward Chicago and but a very small proportion thereof goes toward the west, your petitioners claim that the inclusion of the petitioning ter-

ritory in Federal Reserve District Number Nine was not in conformity with the letter or spirit of the Federal Reserve Act in that the inclusion of the petitioning territory within said District Number Nne was without due regard to the convenience and customary course of business.

That the testimony taken before the Organization Committee at Chicago tended to prove that the petitioning district was tributary to Chicago and that the trend of trade and the flow of exchange was in that direction and that there was no testimony to the contrary.

WHEREFORE, your petitioners pray that your honorable body will review the determination of the Organization Committee, appointed and acting under the Act of Congress known as the Federal Reserve Act, placing your petitioners within Federal Reserve District Number Nine, and will, by proper order, determine that the territory named in this petition be taken out of Federal Reserve District Number Nine and annexed to Federal Reserve District Number Seven.

LOUIS SCHRIBER,
Cashier, Old National Bank, Oshkosh.

JOHN P. SHIELLS,
Vice-President, First National Bank, Neenah.

J. W. DUNEGAN,
Cashier, First National Bank, Stevens Point.

H. I. WEED, Oshkosh, Counsel.