

STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE.

"FEDERAL RESERVE DISTRICT DIVISIONS AND LOCATION
OF FEDERAL RESERVE BANKS AND HEAD OFFICES."

rs.

At Atlanta, Ga.,

Date February 13-14, 1914

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Atlanta, Ga., February 13th, 1914.

The Organization Committee met pursuant to notice
at 10:00 A. M.

PRESENT:

The Secretary of the Treasury.

The Secretary of Agriculture.

The Comptroller of the Currency.

APPEARANCES:

J. K. ORR, President Red Seal Shoe Factory and
Chairman, Joint Committee on Regional Bank,
Clearing House Association and Chamber of
Commerce.

WILMER L. MOORE, Ex-President Atlanta Chamber of
Commerce.

JOHN K. OTTLEY, Vice-President Fourth National Bank,
President Clearing House Section - American
Bankers' Association.

ROBERT F. MADDOX, Vice-President American National
Bank.

JOB. A. McCORD, Vice-President Third National Bank,
Member Currency Commission, American Bankers'
Association.

A. P. COLES, Vice-President Central Bank and Trust

Corperation.

MELL R. WILKINSON, President Atlanta Chamber of
Commerce.

CHAS. S. BARRETT, President National Farmers' Union.

CLYDE L. KING, President Atlanta Agricultural Works.

OSCAR ELSAS, Vice-President Fulton Bag and Cotton
Mills.

R. S. WESSELS, Pittsburgh Plate Glass Co.

MILTON DARGAN, Manager Royal Insurance Company.

R. J. QUINN, State Agent New England Mutual Life
Insurance Company.

NEWELL SANDERS, Chairman of Joint Committee.

W. J. ADAMS, Piedmont Hotel, Birmingham, Ala.

W. F. STEVENSON, Cherow, S.C.

THOMAS PURSE, Secretary Ex. Comm.

F. D. McMILLAN, 20 W. 15th St., Atlanta, Ga.

JOSEPH F. GRAY, Savannah, Ga.

MILLS B. LANE, President Citizens Southern Bank.

J. M. MARSH, 601-2 Am. Trust Bldg., Birmingham, Ala.

OLIVER H. FLINN, 18 So. 20th St., Birmingham, Ala.

H. J. PORTER, 1922-24 First Ave., Birmingham, Ala.

J. W. DONNELLY, 1807 Second Ave., Birmingham, Ala.

W. H. MALONE, Birmingham, Ala.

J. D. ROSENBERGER, 1013 Crescent Ave., Birmingham, Ala.

B. F. TAYLOR, Columbia, S.C. The South Carolina
Bankers Association; The Columbia Clearing
House Association; The Bank of Columbia, S.C.

CHARLES A. SMITH, President of Senate and St.
Governor.

W. A. JAMES, General Assembly of South Carolina.

C. H. HUSTON, Chattanooga, Tenn.

FRANK H. DOWLER, Chattanooga, Tenn.

J. P. HASKINS, Chattanooga, Tenn.

FRANK E. MAHONEY, Chattanooga, Tenn.

M. P. G. HARDING, President First National Bank of
Birmingham.

The Secretary of the Treasury: Gentlemen, please come to order. This Committee is charged with the duty under the Federal Reserve Act of dividing the country into not less than eight nor more than twelve Federal Reserve Districts, and to locate within each one of them a Federal Reserve Bank. The law requires the Committee in making this division of the country to have due regard to the convenience and customary course of business. What we desire to get those facts which relate to the convenience and customary courses of business and we are obliged to ask gentlemen who appear before us to confine themselves as largely as possible to facts. We are obliged to exclude oratory as far as possible, not that we object to it, but simply because we have not the time to listen to it. There are a great many people who want to be heard, and we have to adhere to the line as closely as possible.

In this connection we desire to call your attention to the fact that this is a very serious and important economic problem. In dealing with it, the Committee is obliged to consider the question in its broadest national aspect. We cannot allow local considerations of pride or of prestige to influence the action of the Committee. And while we appreci-

the natural rivalry that exists between various cities to secure the honor, so to speak, of having one of these Federal Reserve Banks located within their corporate limits, nevertheless, we desire gentlemen who approach the subject to discuss it more from the standpoint of the districts themselves; because the important thing is the laying out of the country into these districts, and as you cannot lay out one district without having some regard to its relationship to the other parts of the country, we like to have well digested views upon that subject, which show that in the district so selected, consideration has been given to the partition of the remainder of the country into districts, so that the relationship may appear.

There are a number of cities to be heard here, and in each of these cases we like to have certain gentlemen selected as spokesmen for the cities and like to have them limited as far as possible to those that will put in the whole case briefly and compactly. I think it would serve our purpose better if Atlanta should present her case first, so we shall call on Atlanta.

Mr. Orr, I believe, is at the head of the list as representing Atlanta.

STATEMENT OF J. K. ORR.

The Secretary of the Treasury: Mr. Orr, will you state your name, residence and occupation for the record?

Mr. Orr: J. K. Orr, President of the Red Seal Shoe Factory and Chairman of the Joint Committee on Regional Banks, of the Clearing House Association and Chamber of Commerce.

The Secretary of the Treasury: You know the problem confronting the Committee. If you have some views to present, we should be glad to hear them.

Mr. Orr: We desired, Mr. Secretary, to speak just a word at first as to the region itself, and I assume that you would like to know what we have in mind in addressing our remarks to that, and we have outlined the seven States of Tennessee, North and South Carolina, Alabama, Georgia Florida and Mississippi.

The Secretary of the Treasury: Have you a map?

Mr. Orr: Yes.

The Secretary of the Treasury: It is included in this book?

Mr. Orr: It is included in this book. We have a blueprint just covering that. We desire to say that we wish

to invite your attention to this region as a whole and to some particular points in relation thereto. We have been told that there have been presented some views which would suggest that a Regional Bank should not be placed in this section because we are borrowers instead of lenders. I think it was Mr. Harriman who said that a millionaire, he used to think, was a man who had a million dollars, but that he had changed his opinion, and it would be a man who could owe a million dollars; and we have several million dollar banks in the centre of this region.

It has also been said we are a one-crop section, and in answer to that we offer you the reports which will be presented later by our witnesses, showing that we practically have a territory that is so well balanced, that it has a money crop practically every month in the year.

We expect to prove by these witnesses that we will present that this region in and of itself justifies, and we hope in your opinion will merit, a Regional Bank somewhere in its geographical centre. We concur fully in an opinion expressed, I believe, at the St. Louis hearing, that territory should not be outlined altogether by the banking business done in it by any one section, but rather by the

course and trend of its commerce; and we are willing to stake our chances on the soundness of that principle.

As you doubtless know, this territory represents one-seventh in population and one-ninth in farm products, that being the average of one-eighth. If you decide to confine these banks to eight, it would qualify us to be one of the eight banks.

I think you will agree that we are not building for a day, and the possibilities of this section and all that is in it will come out in our evidence, and we hope will justify our claims for it.

I will speak myself just a word on the commercial side of it, as perhaps I have been more closely related to that than any other. I have had tabulated for the business with which I am familiar the collections or the cash receipts during the twelve months of the year. I, myself, was greatly pleased and somewhat surprised to find that, taking what we call the spring period from January until May, it shows an average of 94 per cent of normal, and that each month in the three summer months, June, July and August it runs down to 61 per cent, and in the harvest period, the last four months of the year, running back to

134 per cent. So you will see we have no particularly low stage of collections, which is vastly different from the situation ten or twenty years ago.

We will present in a brief this same evidence coming from five distinct and representative lines of trade, the principal articles of commerce which are handled by Atlanta.

The Secretary of the Treasury: You are speaking more particularly with reference to the shoe trade now?

Mr. Orr: The shoe figures are what I really know about, but we will also have them from the grocery trade, drygoods, hardware and millinery. I have not the figures, but they will be in the briefs. I am led to believe the average will not vary very much from it.

The Comptroller of the Currency: Is this the map you speak of?

Mr. Orr: Tennessee, North and South Carolina,--yes, I think that is the map.

The Comptroller of the Currency: You do not claim Tennessee and Kentucky?

Mr. Orr: Not Kentucky, but Tennessee. Our figures are based on the seven states named, North Carolina, South Carolina, Georgia, Florida, Tennessee, Alabama and Missis-

ppi.

The Secretary of the Treasury: Are you going to address yourself to the banking capital?

Mr. Orr: No, sir, just the commercial side of it. The speaker following me will touch on that. As to the commercial side of it we wish to say this, that while I am not prepared and cannot tell you much about the banking business, on the matter of commerce, the commerce of Atlanta practically covers this region, or a good part of it, like the dew. We have records showing that approximately 90,000 merchants in this territory trade in Atlanta. We get that evidence from auditors' reports which will be presented to you, showing exactly the number in each state. In round numbers, half of that number are in Georgia, which is proper.

The Secretary of the Treasury: What are the entire number of merchants in the entire territory?

Mr. Orr: 140,000, so that we have over 60 per cent of them. Now, we show that 6800 of those are in North Carolina, 10,000 in South Carolina, 43,000 in Georgia, 13,000 in Alabama and 15,000 in the remaining three states, divided between them. We will show that we do a business which is actually tabulated and will be presented, of \$145,000,000 a

year. We also have another source of business from the manufacture--

The Secretary of the Treasury: You are speaking now of all the business of Atlanta?

Mr. Orr: Yes.

The Secretary of the Treasury: All the different lines of business?

Mr. Orr: All the different lines of business.

The Secretary of the Treasury: Dealing with this territory?

Mr. Orr: Dealing with this territory which we call the region. The manufacturers agents do a business of approximately \$167,000,000, making a total of something over \$300,000,000.

Now, we venture the opinion that a bank placed somewhere in this section, therefore, would do no violence to the convenience and to the normal trend of trade. And we make one further statement, and that is this, and that is all I am going to say: If 6,000 merchants of North Carolina and 10,000 merchants of South Carolina, in that close intercourse which comes between the merchant and the manufacturer and the merchant and the wholesaler, have continuously done business for many years, and that business is growing each

year, I think it would be a safe proposition and a safe principle to lay down, that these merchants and those people will not refuse to take money in their times of need, through their own banks by the way of a Government bank that happens to be located even south or southwest of them.

We have witnesses, each one of whom is more or less expert in his line. The next witness will be Mr. Wilmer L. Moore, who represents the Chamber of Commerce and his presentation of the case will embrace probably a wider scope of it, and with your permission I will be glad to answer any questions or to present Mr. Moore, who, in a more comprehensive way, will cover the subject.

The Secretary of the Treasury: One moment, Mr. Orr. You speak of the amount of business Atlanta does in this district.

Mr. Orr: Yes.

The Secretary of the Treasury: What percentage is that of the entire business done in the district?

Mr. Orr: I do not know that we have any figures that would give that.

The Secretary of the Treasury: Can you get any figures on that subject, so we may get some idea of the percentage

of the business of the district which is done through Atlanta?

Mr. Orr: I do not know that there is any tabulation of that. We get our own figures authentic from our own books.

The Secretary of Agriculture: This is a relative question.

Mr. Orr: Yes, I understand.

The Secretary of Agriculture: To what extent can you show that Atlanta dominates this region you have laid out?

Mr. Orr: I do not know that we could do that, show that it dominates the region; but I do know this, that its commerce is constantly growing in that region. I know that is my own experience, and from the number of representatives that it takes each year to increase our representation in the region.

The Secretary of the Treasury: What would you say is the customary course of business, for instance, of North Carolina; where does most of North Carolina's business go, to what part of the country does it relate most?

Mr. Orr: North Carolina would probably come, and according to the old established rule, which in a way we have already upset a little bit, to the extent that we have gone up there-- but speaking generally and traditionally, we might say, North Carolina's business would naturally run up towards

Virginia, Baltimore and New York.

The Secretary of the Treasury: Disregarding tradition, and considering actual facts, where does it go most?

Mr. Orr: I have told how 6,000 merchants do business this way. There are probably that many more merchants who do business the other way.

The Secretary of Agriculture: Do these 6,000 do all their business this way?

Mr. Orr: I should think not.

The Secretary of Agriculture: And what should you say of South Carolina?

Mr. Orr: The South Carolina business is more largely related to Atlanta.

The Secretary of Agriculture: Should you say that the larger part of its normal trade is with Atlanta, with Georgia points?

Mr. Orr: Without any definite information on that, Mr. Secretary, I should venture the opinion that it was, that we divide fairly equally the business of South Carolina.

The Secretary of Agriculture: What should you say of Tennessee?

Mr. Orr: Tennessee, not so much so. The eastern part of

Tennessee does a good business with Atlanta.

The Secretary of Agriculture: And Mississippi.

Mr. Orr: Mississippi quite largely so, I think.

The Secretary of Agriculture: More so than with New Orleans?

Mr. Orr: Commercially, I should think so.

The Secretary of Agriculture: Have you any facts to base that opinion on?

Mr. Orr: No, sir, other than the representative size of the houses doing business from Atlanta and from New Orleans in common territory.

The Secretary of Agriculture: You have not any comparison with New Orleans to show which dominates Mississippi?

Mr. Orr: We have not.

The Secretary of Agriculture: Now, the intimation we had in New Orleans from Mississippi people was that the trend of their commerce was towards New Orleans.

Mr. Orr: Well, what did you get in St. Louis?

The Secretary of Agriculture: Well, we get very little from Mississippi.

Mr. Orr: Without knowing it, offhand I should say St. Louis would really have a larger share of the commerce of Missis-

issippi than New Orleans.

The Secretary of Agriculture: How about Atlanta?

Mr. Orr: As between New Orleans and --

The Secretary of Agriculture: St. Louis and Atlanta.

Mr. Orr: Well, St. Louis, of course, is a larger market and probably its volume of business might be larger in Mississippi than Atlanta. I rather think it would, taking all of its lines.

The Secretary of the Treasury: You gave us a total, I believe, of \$145,000,000 in this territory.

Mr. Orr: Yes, sir.

The Secretary of the Treasury: You gave the number of merchants in each of the states, but what volume of business is done in North Carolina, have you the tabulation?

Mr. Orr: I think we have some, Mr. Secretary.

The Secretary of the Treasury: And in the different states. If you are going to submit a brief with all this data, we will wait for it.

Mr. Orr: I will answer you on any one or two that you desire.

The Secretary of the Treasury: Is the ground to be covered by another witness?

Mr. Orr: Yes, sir. Mr. Wilmer L. Moore is going to cover that.

The Secretary of the Treasury: Taking the shoe business, which you represent particularly, what percentage of the shoe business done in this entire territory is done by your firm or done by Atlanta in this territory? How far do you dominate this entire territory in the shoe business only?

Mr. Orr: That treads on one's modesty.

The Secretary of the Treasury: Now being immodest for the moment, and in order to draw out the facts--

Mr. Orr: Yes, sir. I should say in Georgia that Atlanta dominates the business two for one.

The Secretary of the Treasury: Well, I say what percentage of the whole shoe business done in the State of Georgia, for instance, is done by the shoe concerns in Atlanta?

Mr. Orr: I should say 60 per cent, easily.

The Comptroller of the Currency: Two for one would be 66-2/3 percent.

Mr. Orr: Yes, 66-2/3 percent. We will accept the amendment.

The Secretary of the Treasury: How about these other states?

Mr. Orr: In South Carolina I should say that we did close to half the business. In Alabama I should say we did--

The Comptroller of the Currency: Do you mean to say you think Atlanta does as much business in South Carolina as Boston and Virginia and St. Louis?

Mr. Orr: I think so, without a doubt, yes, sir.

The Secretary of the Treasury: In the shoe line.

Mr. Orr: In the shoe line, yes, sir.

The Comptroller of the Currency: You mean as much as all others combined?

Mr. Orr: In the shoe line I should think so. I know so, in Georgia. I call it a reasonable assertion for South Carolina and I am quite positive about it in Alabama.

The Secretary of the Treasury: But you have no facts to indicate the conditions?

Mr. Orr: No, sir, we have no facts bearing out the business as a whole or the business of other markets, only in so far as our representatives through that territory and the volume of business that they do, is concerned.

The Secretary of the Treasury: Are your representatives, in the reports they give you, optimists or pessimists?

Mr. Orr: Well, they are a combination.

The Secretary of the Treasury: That would give us a line.

Mr. Orr: They are optimists always on the first of the month when they want to draw.

The Secretary of the Treasury: Thank you. We will hear from Mr. Moore.

STATEMENT OF WILMER L. MOORE.

The Secretary of the Treasury: Please state your name, residence and occupation.

Mr. Moore: Wilmer L. Moore, President of the Southern States Life Insurance Company and Ex-President of the Atlanta Chamber of Commerce.

The Secretary of the Treasury: What do you represent at this hearing, Mr. Moore?

Mr. Moore: I represent the commercial relationship of Atlanta in what we designate as the southeastern district.

The Secretary of the Treasury: You are addressing yourself now to this particular district?

Mr. Moore: To this particular district, yes, sir.

The Secretary of the Treasury: You may proceed.

Mr. Moore: In presenting the commercial relationship of Atlanta to what we designate as the southeastern district,

I am prompted by the interpretation of the views of Congress as I see them. When they authorized the establishment of not less than eight banks and as many as twelve, evidently, they took into consideration the vastness of our country and the fact that the demands and requirements of various sections were not identical.

The States included in the territory which we outline as the southeastern section, while harmonious and well balanced as an economic unit, vary in industries, with a succession of crops, the market periods of which follow each other the year round. There are, however, requirements and considerations which in some respects are peculiar to this section. The fundamental principle of the new law is a decentralizing of reserves and elasticity of the currency. It seems to me--

The Secretary of the Treasury: Now, upon those particular features, suppose you omit that and go to the facts that we require, because that is an interpretation we are bound to make for ourselves.

Mr. Moore: Well, the law calls for the location of banks to be based upon convenience and the customary course of commerce. We have arranged the southeastern section to fit

into this requirement. We have selected Atlanta, not because it is our own city, but because of its geographical and commercial relationship to the territory. Accessibility means convenience. The paramount purpose is public service. We present as an exhibit a map showing the railway facilities and mail facilities. You will find that the shape of the territory is such that the extremes can be reached from Atlanta in from twelve to fifteen hours.

The commercial relationship is demonstrated by our bank clearings and by our postal receipts. It seems to me these two items alone are a fair test. The development of resources and commerce of a section is followed by banking and financing. The farm and factory products of this section amount to the sum of two billion dollars. The population is about thirteen and a quarter million. More than half of the merchants listed in the commercial agencies in this section buy goods in Atlanta. The jobbers and manufacturing agents doing business in Atlanta sell \$360,000,000 a year in this district. The manufacturer agents with headquarters in our city representing the important industries in the United States do a business of \$160,000,000. This is done by concerns here who are non-residents and who have no sentimental

interest in Atlanta. Our local manufacturers, some 548 in this county, according to the last census, manufacture a variety of articles numbering nearly 500 and did a business four years ago of \$43,000,000. They are increasing at the rate of about six per cent, and we estimate that probably this last year they did a business of \$50,000,000.

This is the headquarters for the railway systems operating in the territory between the Ohio, Potomac and Mississippi Rivers. Railroads are impelled by business reasons in the location of their headquarters. This is true of the telephone, telegraph and express companies.

The banking facilities will be brought to your attention by the features representing the banking interests.

The important question of cotton will be touched upon by Mr. McCord, as to the peculiar conditions in this section, as to the demand for money in the spring to plant the crops and in the fall and early winter months, when it is marketed.

The area of this section is 332,149 square miles, one-ninth of the territory of the United States. The population, as I stated, is 13,803,423, one-seventh of the United States. The farm products, \$1,114,000,000, one-seventh of the United States; the factory products \$1,18,000,000, one twentieth

of the United States.

The Secretary of the Treasury: Have you the percentage of that from Georgia?

Mr. Moore: Yes, we have that worked out by states. This brief will be submitted to you in full, so that you can have the comparisons.

The Secretary of the Treasury: That may be filed as an exhibit.

Mr. Moore: These statistics have been worked out according to the census and according to the information we have gotten as to the commercial relationship and the number of merchants trading in this city, by the Atlanta Credit Mens' Association in this city, and that has been checked by the American Audit Company.

The Manufacturers agents, with headquarters in Atlanta--

The Secretary of the Treasury: Mr. Orr has brought out that fact, has he not?

Mr. Moore: Yes, it is included in this brief here. I just wish to call your attention to what is being done commercially and the extent of Atlanta's commerce in the seven states or the southeastern district, as we indicate it, by the fact that 88,743 merchants doing business in these states have

bought goods in Atlanta during the past five years from a minority of our wholesale dealers.

The Secretary of the Treasury: Do you mean 88,000 for the five years or per annum?

Mr. Moore: No, that many merchants trade in Atlanta and are listed in the commercial agencies. The fact is shown by the card index of the Atlanta Credit Mens' Association, composed of 170 merchants and manufacturers who have combined their information for mutual benefit. The ledgers of these firms and companies contain the names of 98,140 merchants, of whom 88,743 are located in the southeastern district were distributed as follows:

Georgia,	43,300
Florida,	6,853
Alabama,	13,167
Mississippi,	5,614
Tennessee,	2,623
South Carolina,	10,380
North Carolina,	6,805

This is certified to by the American Audit Company, who counted the cards in the Credit Mens' index.

The Secretary of the Treasury: How is that divided in

Mr. Moore: I do not believe these figures are available. Yes, the merchants and manufacturers agents are given here.

The Secretary of the Treasury: Take it by states.

Mr. Moore: In Georgia, there were \$44,000,000, merchants and manufacturers and --

The Secretary of the Treasury: In five years?

Mr. Moore: This is taken for one year, \$44,000,000 merchants and manufacturers, and manufacturers agents, \$18,000,000, making a total of \$63,000,000.

Alabama, \$8,000,000 merchants and manufacturers, and manufacturers agents, \$8,000,000, making a total of something over \$14,000,000.

Florida, merchants and manufacturers, \$3,000,000, manufacturers agents, \$5,600,000, or a total of \$9,000,000.

South Carolina, merchants and manufacturers, \$4,000,000, manufacturers agents, \$4,971,000, or a total of \$9,000,000.

North Carolina, merchants and manufacturers, \$2,583,000, manufacturers agents, \$3,181,000, or a total of \$5,765,000.

Tennessee, merchants and manufacturers, \$3,068,000, manufacturers agents, \$4,446,000; total, \$7,515,000.

Mississippi, merchants and manufacturers, \$1,765,000, manufacturers agents, \$2,062,000; total, \$3,827,000.

Undistributed, \$6,378,000, merchants and manufacturers, \$6,301,000 manufacturers agents, total \$12,679,000.

Making a total in the seven states of merchants and manufacturers \$74,388,000, manufacturers agents \$51,784,000 or a total of \$126,172,000.

The manufacturers and jobbers throughout this section, the information we have being compiled by a minority, because we were unable to get all of them to give us the information, and many of them do not like to do that, as they consider that their private information --

The Secretary of the Treasury: Let me ask you, you state the number of merchants dealing in Atlanta. Suppose the same merchant deals with three or four houses in Atlanta; is he counted as three or four merchants?

Mr. Moore: I understand not. It has been checked out, I understand.

Mr. Orr: The card is taken for each merchant and the houses he buys from are checked on that card.

The Secretary of the Treasury: But in making up the total you would simply count him one, no matter how many he deals with?

Mr. Orr: Yes.

Mr. Moore: That is, we have returns from only 219, only 51 per cent, is the information we have received from them. There are also in Atlanta, 485 manufacturers agents calling from here for non-resident concerns, and we have returned from 150, or 31 per cent. These total returns I read to you a few moments ago, from that smaller percentage of houses.

The Secretary of the Treasury: And you have no figures that convey an idea of the total volume of business done in these several states?

Mr. Moore: I imagine that will be practically impossible to secure. We have data, of course, and items along such lines as resources, manufactured products and farm and agricultural products and all of this we have by comparative data.

The Secretary of the Treasury: You have it in the brief there, have you?

Mr. Moore: Yes, sir, we have that. For instance, here is a question of farm valuation of lands and improvements for 1910 as compared with 1880.

The Secretary of the Treasury: Well, that might be filed, because we cannot carry these figures in our heads.

Mr. Moore: And the value of twelve leading crops in the district, such as cotton, corn, wheat, oats, tobacco, hay,

potatoes, rice, flaxseed and buckwheat. And there is shown the increase in population in each state from the period of 1880 to 1910. There is also the production of pig iron. We have all these compared. The values of the mineral output and the lumber cut, and in addition to that we also have data along the lines of the cotton crop and the corn crop and the other agricultural products.

We arranged these in comparative data because we knew you gentlemen would consider not for today or for the past, but also would have a vision for the future, and in arranging the location of these banks you would take that into consideration.

The Secretary of the Treasury: All that may be filed as an exhibit to your testimony.

Mr. Moore: Yes.

The Secretary of the Treasury: You might give us the aggregate value of these products for the district, if you have it tabulated there. You stated that the agricultural products were over a billion dollars and the manufactured products over a billion dollars, as I remember it.

Mr. Moore: Yes, two billion dollars was the sum total of the farm and manufactured products.

The Secretary of the Treasury: That is sufficient.

Mr. Moore: These we have itemized, as I say. And the increase of population of those states and the increase in manufactures by those states and the increase of crops, taking into consideration the crop condition and the--

The Secretary of the Treasury: Yes, you have referred to that, and this may be filed as your exhibit.

The Comptroller of the Currency: That is an increase of ten years or is that the statement of the whole amount?

Mr. Moore: I do not believe we have summed those up.

Mr. Orr: I think the figures show 100 per cent.

The Secretary of the Treasury: Doubled in ten years?

Mr. Orr: Doubled in ten years in these states.

Mr. Moore: There is one thing I wish to call your attention to, and that is the sequence of crops in these sections. That is the crops we raise in general, such as the grain and cotton crops. Then we come down into Florida with the citrus crop, that is six to twelve million dollars--

The Secretary of the Treasury: Show us the relation, if you have it, and the value of it.

Mr. Moore: Vegetables, \$40,000,000. Small fruits, \$5,000,000--

The Secretary of the Treasury: That would not be of very much value. If you can show us the rotation and the value in rotation, as well as by months, it may be of some service.

Mr. Moore: We have not that prepared.

The Secretary of the Treasury: Will you prepare that and submit that?

Mr. Cooper: The crops indicate the time. For instance, the citrus crops in Florida come in in the winter.

The Secretary of the Treasury: I understand that, but if you will prepare it showing the rotation and also the value by months.

Mr. Moore: We wish to call your attention to what we call the economic gravity, forcing men and capital southeastward. The foregoing facts indicate the present status and past growth of the southeastern district. As to the future, there is an economic gravity forcing men and money into this region from the territory north, east and west of it. The return to the farmer for his investment and labor are greater in the south Atlantic states than in any other part of the country. The proportion of the investment in land as to the returns for his products in the south Atlantic states, the farm value per acre is \$38.44, and the average crop value

per acre \$22.23, being 80 per cent, and that is higher than in any other section, next to it being the New England states, which is 56 per cent. We simply submit that to you to indicate what is the possibility of growth in the future of this section, and attracting people to it.

The Secretary of the Treasury: That is all, thank you.

STATEMENT OF JOHN K. OTTLEY.

The Secretary of the Treasury: Will you state your name, residence and occupation?

Mr. Ottley: John K. Ottley, Vice-President of the Fourth National Bank.

The Secretary of the Treasury: Whom do you represent, Mr. Ottley?

Mr. Ottley: I represent the Clearing House Committee, as one of the Joint Committees to present this case for Atlanta.

The Secretary of the Treasury: You are authorized to speak for the Clearing House, are you?

Mr. Ottley: Yes.

The Secretary of the Treasury: Have you any credentials which you wish to submit or any resolutions of the Clearing House?

Mr. Ottley: As to my authority?

The Secretary of the Treasury: Yes.

Mr. Ottley: No, sir. Resolutions have been passed by the Atlanta Clearing House delegating a Committee to serve with a Joint Committee of the Atlanta Chamber of Commerce, and that Joint Committee, of which Mr. Orr is Chairman, if you desire--

The Secretary of the Treasury: You have been chosen by the Joint Committee to represent these bodies here?

Mr. Ottley: Yes, sir, in connection with other gentlemen who will appear.

The Secretary of the Treasury: You know the problem we have before us, and if you have any facts, we will be very glad to receive them.

Mr. Ottley: The President of Princeton University, now President of the United States, in an address before the American Bankers' Association at Denver, in 1908, laid down the principle that all the people of this country are entitled to equal banking facilities. The present currency law, with its provision for the establishment of Federal Reserve Banks, is the realization of what then seemed but an idle dream.

The law undoubtedly contemplates giving to the people of all sections of the United States the largest possible benefits derivable from the operation of such banks. This involves a distinctively territorial distribution of the centres; or, in other words, it necessitates such a division of the country into regions, as will give each region an individual significance from a geographical standpoint. The indicated region is then to be served by a Reserve Bank located within its confines, at such a point as will be proven both geographically central and commercially adequate.

Let us consider, first, the division into regions. I submit the proposition that a "region", in order to secure the maximum advantage of the new system, should be territorially compact.

If, within such a region the natural resources are such as to make possible a diversity of activities, commercial, agricultural, mining and manufacturing, so much the better.

Geographically, it appears logical that there should be created a southeastern region, to embrace, say, the seven States of North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi and Tennessee. It meets the desired requirements in point of geographical compactness and phy-

sical outline. It certainly is such an area as I have described in regard to its sources of wealth. It is an ideal illustration of a territory in which agricultural, mining manufacturing and commercial interests flourish.

May I call your attention to the fact that if only these Cities recognized under the old system as money centers be selected as Regional Bank Cities, the territorial division of the country unquestionably contemplated by the Law cannot be achieved? Would the spirit of the Act be realized by dividing the country into wedge-shaped slices running very thin at the center? Would it not unquestionably further the intent of the Law to divide the country into solid, compact areas, each of these to be served by a Federal Reserve Bank? If so (and I assume that the logic of the claim is readily apparent) the creation of the southeastern region, composed of the seven States named, is a foregone conclusion.

Atlanta is the geographical center of this Southeastern Region--a fact of which you have ocular demonstration. Atlanta is the commercial center of the Southeastern Region--a statement I believe you will consider incontrovertible after hearing the evidence presented.

A moment since I spoke of the resources of this region.

Commerce is inclined to follow natural laws. Banking follows commerce. The barometer of banking is clearings and it is with Atlanta's bank clearings I wish to engage your interested attention. The bank clearings of Atlanta for 1913 were \$725,604,193.

In this connection I will state that the custom in Atlanta of clearing is cash settlement daily and no cash of cash here in check. I also wish to state in that connection that there is no artificial means, that is, no free collection, to induce the collection of out of town checks except what naturally come in; the uniform collection charge being made, both to customers and banks.

The Secretary of the Treasury: What do you pay on bank balances?

Mr. Ottley: We pay three per cent if a certain amount is kept here. We pay nothing if they keep a small amount.

The Secretary of the Treasury: You say you have no free check collections?

Mr. Ottley: No.

The Secretary of the Treasury: What do you charge?

Mr. Ottley: We charge, when amounts are deposited of \$500 and over, one-eighth; if under \$500, a larger amount; in fact, it is 25 cents a hundred up to \$500, but any number

of checks can be grouped and treated as making up the \$500.

The Secretary of the Treasury: Is that universal and uniform among all the banks in Atlanta?

Mr. Ottley: Yes.

The Secretary of the Treasury: But you do pay three percent on balances?

Mr. Ottley: Yes, we pay three per cent, and that is deemed necessary for the reason it acts as an effect to the collection charges, and the fact that Atlanta is not a reserve center.

The Secretary of the Treasury: Do your bank clearings include the clearings of the state?

Mr. Ottley: I will come to that. I have it fully covered just below.

The Secretary of the Treasury: Very well.

Mr. Ottley: The bank clearings of Atlanta for 1913, were \$725,604,193, remarkable it seems for a city whose population by the United States Census of 1910, was 154,893. The 1913 clearings are twelve times as large as those of 1893. The following table shows the clearings of leading southern cities, including cities located in seven of the states mentioned in the district outlined--

The Secretary of the Treasury: Is this table made upon the same practice as you have in Atlanta? If not, the comparisons are of no value.

Mr. Ottley: Mr. Secretary, I have that covered. I anticipated that that would be asked. In the clearings of Atlanta, for 1913, the sum of \$126,215,426 has been deducted, representing country checks collected through Clearing House in order to make correct comparison. So these comparisons are after having deducted the \$126,000,000 collected through our Clearing House.

The clearings of the principal cities I will just touch upon briefly, Atlanta heading the list of any city in the territory as outlined.

The Secretary of the Treasury: Just give it in round figures.

Mr. Ottley: Atlanta's clearings were \$598,000,000 in 1913. That is an increase of 312 per cent from 1903 to 1913. I will not trouble you to mention the other points, but just by comparison will mention one or two: Galveston, \$519,000,000; Memphis, \$421,000,000, Richmond, \$419,000,000, Fort Worth \$418,000,000 and so on.

Also, Atlanta, aside from having the largest clearings, increase in the last ten years is ahead of any city in

this territory which is an applicant for the location of one of these Reserve Banks, the percentage of increase being 312, and it is ahead of any other city, Chattanooga being the next with an increase of 347 per cent.

The Comptroller of the Currency: What do you consider the cities that are asking for a Regional Bank in that territory?

Mr. Ottley: In the territory that we have laid out?

The Comptroller of the Currency: Yes, that you speak of.

Mr. Ottley: There is Atlanta and Savannah and Birmingham and Chattanooga and Columbia. That covers the list as outlined.

The Secretary of the Treasury: You did not give us the bank clearings in these other competitive cities.

Mr. Ottley: I will be glad to give them to you. Atlanta, \$598,000,000, an increase of 312 per cent. The clearings of Savannah were \$280,000,000, with an increase of 43 per cent. Birmingham, \$173,000,000, or an increase of 175 per cent; Chattanooga, \$128,000,000, an increase of 247 per cent; Columbia, \$57,000,000, the increase there not being available, that is, we could not secure the back figures to make it up.

Aside from the clearings, to show the activity of Atlanta's

the Clearing House banks were consolidated by the Chamber of Commerce for the last year and amounted to \$2,189,000,000. It is noteworthy that Bradstreet reports the clearings for 1912-13 with New Orleans on the southwest with a decrease of 7.3 percent and Richmond on the northeast 3.4 per cent with an increase for Atlanta, between those two points, of 4.8 per cent.

Another way of the activities of Atlanta's business may be noted, is that Atlanta's clearings for the ratio to her deposits of 20.2 per cent, that is, 20.2 times as much as her deposits; Birmingham, 6.9 per cent, Savannah, 13.7 per cent, Chattanooga, 7.1 per cent. These cover the cities that are competing cities.

The commerce of Atlanta was of sufficient magnitude, and her mail facilities of such convenience, as to warrant our Clearing House in 1909 in adopting the plan of clearing direct the States of Georgia, Alabama and Florida, three of the States suggested as properly belonging to this Region, which means that Atlanta deals direct with 1062 banks in these three States in this capacity alone throughout its Clearing House.

Atlanta was the second city in this country to adopt system of clearing country checks direct and today,

with the exception of Boston, Atlanta has the most complete system of its kind. This organization and trained force would be at the disposal of a Federal Bank when needed to carry out this feature as contemplated in the Law. Business transacted with Augusta, Macon, Savannah, Birmingham, Montgomery, and Anniston is handled in the usual way,--on the reciprocal basis. All other cash items on towns in the three States are cleared direct, the amount being in 1913, \$126,915,426.34. Deducting this amount leaves the sum of \$598,698,766.31, a greater volume than that listed in any other Southeastern City. This sum is practically equal to the total clearings of Columbia, Charleston, Chattanooga, Birmingham and Jacksonville; also practically equal to the combined clearings of Nashville and Savannah.

Atlanta's suitability as a clearing center is forcibly illustrated by the fact that two of the greatest public utility corporations operating in the south thus employ it.

The Western Union clears through its Fiscal Agent in this city 4954 points in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, Mississippi and Tennessee (the seven States suggested as a Southeastern Region), and, in addition, Kentucky and Virginia. Incident

their method of remittance, only a small portion of

this business passes through our clearings.

The Southern Bell Telephone and Telegraph Company clears 286 points in Alabama, Florida, Georgia, North Carolina and South Carolina. (five of the seven states of the Southeastern region).

I submit, gentlemen, that this use of Atlanta as clearing headquarters by two such astute and well organized corporations, is tangible evidence of her accessibility and the convenience of her facilities.

It is pointed out by some cities remote from the center of the region desired that they lend some money in portions of this region. Such sums as they do lend, however, are trifling compared to maximum borrowings for crop moving. New York is the real money market for this Southeastern Region. The moving of our cotton and other great southern crops requires at certain seasons a large amount of ready cash, and the southeast is at times a borrower.

While we are on that subject I would just like to say a word, that in the moving of these crops the point I wish to suggest, and this is not in behalf of Atlanta, but speaking to the question of a region as outlined, a compact area rather than a long-drawn out area like a shoe string, is the

fact that it is not so much a question of credit in the fall of the year, but it is a question of cash. When it comes to the question of moving the crop, we do not need credit, we need cash.

The Secretary of the Treasury: You cannot get cash without credit, can you?

Mr. Ottley: No, but there is such a thing as having credit without having the cash, and it is unnecessary for me to go into it at this time.

The Secretary of the Treasury: But you must have credit to get the cash.

Mr. Ottley: Yes, but at the same time the credit does not answer the requirement of the cash.

The Secretary of the Treasury: No.

Mr. Ottley: In this connection I may say that under the old system it has been necessary to create borrowing capacity with the recognized money centers, and in order to do so heavy reserves have had to be lodged in banks in the north and east. A Southeastern Region would eliminate this necessity, because our reserves and credit security would be on the ground, so to speak.

Now, as a matter of information I endeavored to get

these figures from the entire Clearing House banks, but did not succeed, but I take it that these figures representing one bank might be of some information to you gentlemen as it would be probably typical. For the year 1913, which in this particular section, due to a short cotton crop in 1913, the demand for money was stronger in this particular section than usual, the bills payable from the Fourth National Bank averaged for the year, which as I say, was an extremely heavy year, the sum, in round figures, of \$232,000.

The Secretary of the Treasury: Do you count as bills payable Government deposits or special deposits?

Mr. Ottley: No, sir. That is just borrowed money.

The Secretary of the Treasury: That is a bill payable, is it not?

Mr. Ottley: Well, we count--I am perfectly willing to admit it is a liability the same as any other deposits, but I mean in the sense of a bill payable, the money due to our banks by --

The Secretary of the Treasury: I am speaking about the special deposits made. They were bills payable.

Mr. Ottley: Yes, I see. No, we did not include them in this. Now, also, the average of due from reserve agents,

taken through the year, was \$459,000. Due from eastern and western banks, the sum of \$58,000, net reserve agents. Due from other banks, including miscellaneous collections, the sum of \$358,000.

So you have the fact that while we were a borrowing community, and when I say that, I mean that applies to banks in this territory, we loan more money to our reserve agents, practically twice over on an average, than they loan to us.

The Secretary of the Treasury: Well, that is rather typical of that condition throughout the country, is it not?

Mr. Ottley: Yes, I expect that is correct, but I just thought these figures might illustrate that point.

The Secretary of the Treasury: Yes.

Mr. Ottley: Now, you asked the question, you might desire to know the reserves that are carried, and if you do, I have them here.

The Secretary of the Treasury: You may state them.

Mr. Ottley: The reserves carried, and this is compiled from the consolidation --

The Secretary of the Treasury: This is a composite statement of the Clearing House?

Mr. Ottley: This is a composite statement, yes.

New York, 56 per cent, Boston 3 per cent, Philadelphia, 10

per cent, Chicago, 7 per cent; Cincinnati, 3 per cent; New Orleans, 1 per cent; Baltimore, 6 per cent; Louisville .7 of 1 per cent; St. Louis, 4 per cent; Pittsburgh, 1 per cent; Albany, less than 1 per cent; Cleveland, .36 of 1 per cent; Detroit .1 per cent; Indianapolis, .2 per cent; Kansas City, .6 of 1 per cent and Washington, 1.8 per cent.

The Comptroller of the Currency: By all the Atlanta banks?

Mr. Ottley: Yes.

The Secretary of the Treasury: Did you give Richmond?

Mr. Ottley: No.

The Secretary of the Treasury: You do not carry anything in Richmond?

Mr. Ottley: In the nature of a reserve, we do not. The business with Richmond --

The Comptroller of the Currency: Richmond is not a reserve city?

Mr. Ottley: No.

The Secretary of the Treasury: I beg your pardon, that is correct, it is not a reserve city. Have you anything else to add?

Mr. Ottley: No, sir, I think that is all.

The Comptroller of the Currency: I think it would be in-

interesting if Mr. Ottley could tell us what amount of money Atlanta now lends to North and South Carolina and Tennessee and those other states which you suggest should be included in this Reserve Region.

Mr. Ottley: Practically none, Mr. Williams.

The Comptroller of the Currency: And it would be a new business if this section should come to Atlanta to borrow, that would be a new branch of the business?

Mr. Ottley: Yes. In that connection I will state that under present conditions Atlanta has not undertaken to compete for banking business outside of Georgia.

The Comptroller of the Currency: You speak of the amount of money which the Atlanta banks borrow from the other banks. Of course, that means on bills payable and re-discounts. That is the direct loan. What proportion do you suppose the direct loans bear to the indirect loans, that is, bills receivable without endorsements, or loans made with banks in the central reserve cities? For example, carried with the guarantee of individual directors of the banks, in other words, indirect loans of that nature? In some cases the indirect loans largely exceed the direct loans, as you know, and I was wondering if that was the case here or not.

Mr. Ottley: I will speak for the bank with which I am connected, and to the best of my knowledge, in speaking for them I speak for all, and that is the amount of money borrowed by the banks in Atlanta and shown by their direct loans represents to the entire borrowing of the Atlanta banks. The bank with which I am connected, and as I say, speaking for the others, it is not the practice to carry any indirect loans. In fact, the published statements of the banks here represents--

The Comptroller of the Currency: Reflect the true conditions?

Mr. Ottley: Reflect the true conditions, yes, sir.

The Secretary of the Treasury: Do you practice at all, the selling of securities in order to secure advances, with an understanding that you can purchase them back at a given time?

Mr. Ottley: We do not.

The Secretary of the Treasury: You do not?

Mr. Ottley: No, sir.

The Secretary of the Treasury: There are various questions here that you have not covered, but I presume they will be covered by some of the other witnesses.

Mr. Ottley: The question of capitalization?

The Secretary of the Treasury: Yes, and deposits and other features.

Mr. Ottley: Mr. Maddox has the figures on that.

The Secretary of the Treasury: Let us have Mr. Maddox next, then.

STATEMENT OF ROBERT F. MADDOX.

The Secretary of the Treasury: Mr. Maddox, will you state your name, residence and occupation?

Mr. Maddox: Robert F. Maddox; Vice-President of the American National Bank, appearing as one of the witnesses for the Joint Committee of the Atlanta Clearing House Association and the Atlanta Chamber of Commerce.

Mr. Chairman and gentlemen, I have been requested to bring to your attention the combined resources of the banks of this region as outlined. I will begin by giving you a consolidated statement of the Atlanta Clearing House Association, as that would probably be of interest to you.

The entire capital stock of the Atlanta Clearing House Association, which is composed of six national banks and one state bank is, \$5,700,000.

The Secretary of Agriculture: Will you separate that be-

tween state and national?

Mr. Maddox: Yes. I have consolidated it and did not give it in detail.

The Secretary of the Treasury: There is only one state bank?

Mr. Maddox: There is only one state bank, which has a capital of \$500,000 and a surplus of \$500,000.

The Secretary of Agriculture: And a total of --

Mr. Maddox: Of \$1,000,000.

The Secretary of the Treasury: What is the total for all the banks?

Mr. Maddox: The total capital stock of the Atlanta banks?

The Secretary of the Treasury: Including this bank?

Mr. Maddox: Including this bank.

The Comptroller of the Currency: Including banks not in the Clearing House?

Mr. Maddox: No.

The Comptroller of the Currency: It does not include them?

Mr. Maddox: No. The total capital stock of the banks in the Atlanta Clearing House Association, composed of six national and one state bank, is \$5,700,000. The surplus and undivided profits of these banks is \$5,655,000.

The Secretary of the Treasury: How many banks outside of the Clearing House?

Mr. Maddox: There are two or three very small ones, and not important.

The Comptroller of the Currency: Trust companies?

Mr. Maddox: Yes, sir, but they do not carry large deposits. The combined circulation of the national banks in the Clearing House is \$3,799,000. There are no bills payable in the Clearing House banks. This statement is made up as of February 6th, 1914.

The total deposits of the Atlanta Clearing House banks is \$35,337,159. Their resources are as follows: Their loans and discounts aggregate \$30,000; bonds and other securities \$6,000,000; real estate, \$1,800,000; due from banks \$8,917,000; cash in vaults \$3,243,000, making our total resources of \$50,492,000.

The Secretary of the Treasury: Have you a statement of the liabilities?

Mr. Maddox: I read that first.

The Secretary of the Treasury: I did not get the items of due to banks. What was that?

Mr. Maddox: That is under the head of deposits.

The Secretary of the Treasury: You included it all in deposits?

Mr. Maddox: I consolidated it to make it as brief as possible.

I will now call your attention to the statement of the resources of the banks in this proposed region. In this region there are 520 national banks--

The Comptroller of the Currency: You observed state lines strictly?

Mr. Maddox: Yes, 520 national banks, with \$64,280,000 capital surplus of \$30,000,000 and deposits of \$275,000,000.

In the proposed region there are eligible state banks aggregating 1391, with a total capital stock of \$92,357,000 and total surplus of \$47,000,000 and total deposits of \$347,000,000; making the combined capital of these banks, 1911 banks with a total capital of \$156,000,000, total surplus of \$78,000,000 and total deposits of \$623,000,000.

The Secretary of the Treasury: Have you any figures as to the ineligible state banks?

Mr. Maddox: I will read them now. In the region proposed there are 1240 ineligible banks with capital stock of \$27,000,000, surplus of \$4,000,000 and deposits of \$122,000,000.

The Comptroller of the Currency: On what basis do you pronounce them ineligible?

Mr. Maddox: Under the Reserve Act.

The Secretary of the Treasury: The question of capitalization?

Mr. Maddox: The question of capitalization. I will state, you gentlemen, of course, know that in this territory there are a large number of country banks capitalized--in Georgia, for instance, the required capital to be paid in is \$25,000, but they may operate with 60 per cent paid in, or \$15,000, and they are operating on that basis very largely.

The Secretary of the Treasury: The remainder being subject to call?

Mr. Maddox: Yes. In fact, in Georgia there are 290 banks with less than the required \$25,000 capital stock required under the Act.

The Secretary of Agriculture: What is the state law with respect to this matter?

The Secretary of the Treasury: Made state banks under the law of this state subscribed to the Federal Reserve system?

Mr. Maddox: Yes. I have a brief on the regions, and with your permission--

The Secretary of the Treasury: We might touch on that a

little later. You may proceed with your argument in its order.

Mr. Maddox: I think it is very timely, because it can probably come in as well now as at any other place. I have evidence from the best authorities I could obtain from each state in the region.

ALABAMA:

A. E. Walker, Montgomery, Superintendent of Banks; says, "I know of no legal barrier which would prevent the State Banks of Alabama from entering the Federal Reserve System."

GEORGIA:

W. J. Speer, Atlanta, State Bank Examiner:

"My opinion about the legal right of the State Banks of Georgia to enter Federal Reserve System is that I do not think our State Laws would bar such action on the part of any State Bank which may desire to join the system. While we have a statute which prohibits one corporation from owning stock in another corporation, I do not think it applies to the banking business, at least it has never been so construed in this State, and in my opinion will not be. I believe our State Banks have the right to subscribe for stock in the System. The law en-

acted by Congress provides for their participation in it, and there will be no objection from this Department if the Banks choose to exercise that privilege."

MISSISSIPPI.

Mr. Thomas H. Dickson, Secretary, Mississippi Bankers' Association, Jackson:

"My understanding of our present laws is that a general prohibition exists --"

The Secretary of the Treasury: A new law has just been passed in Mississippi which gives ample authority. Just pass that.

Mr. Maddox: North Carolina: The Corporation Commission, by A. J. Maxwell, Raleigh, says: "I am directed to advise that the Corporation Commission does not know of any legal barrier that will prevent the State Banks of North Carolina from entering the Federal Reserve System."

SOUTH CAROLINA:

B. J. Rhame, Columbia, State Bank Examiner:

"I am of the opinion there is no legal barrier preventing State Banks from entering the Federal Reserve System."

TENNESSEE:

J. L. Hutten, Nashville, Superintendent of Banks:

"The Attorney General of Tennessee, Hon. Frank M. Thompson, has, at the request of this Department, rendered an opinion on the subject of State Banks subscribing to the capital stock of Regional Banks, and is of the opinion that there is no legal barrier to such action."

FLORIDA:

W. V. Knett, Comptroller:

"Florida has no law interfering with State Banks joining the Federal Reserve System."

I therefore take it, Mr. Secretary and gentlemen, that we can proceed on the assumption that there is no legal barrier in this region against the State Banks joining the System.

Now, in regard to the capital stock of a Reserve Bank located in this region, should all the national banks join the system, the total capital subscribed would be \$5,885,000. Should all of the eligible State Banks join, the capital would be \$14,100,000. The deposits by the national banks alone in a Reserve Bank in this region, would be \$13,791,000, and if all the eligible state banks should join, the deposits would be \$31,186,000. In other words, we have a maximum possibility of a capital stock of \$14,000,000 and a combined deposit of \$31,000,000.

The Secretary of the Treasury: It is better to address your argument upon the basis of the minimum here, because that is the one certainty in the situation.

Mr. Maddox: Yes.

The Secretary of the Treasury: That is, the national bank membership alone, for the purposes of discussion.

Mr. Maddox: Yes.

From the above figures we believe that the banks in the states mentioned would unquestionably provide the capital required under the Federal Reserve Act for a Reserve Bank to be located in this territory. The national banks have with practical unanimity signified their desire to enter the new system, and while the State Banks seem to be "watchfully waiting", we believe a large number will soon realize the benefits to be derived and take advantage of the opportunity to become members.

The real object of locating the Regional Reserve Banks is to establish a more accessible market where banks may be able to rediscount their bills and to meet quickly the demand for emergency currency during the seasonable period of the year, without the doubt of its availability which has existed in the past.

It seems to be generally agreed that it will be desirable

to have the new banking centers at points that will be not more than a night's travel from the outlying points where business is being done by member banks. In the East, where communication is easy, population dense, and the districts necessarily smaller, the case is comparatively simple, and we recognize the difficulties your committee will probably have in dividing the country into eight or more districts, each of which will be commercially strong, banking intercourse easy, demand for loans diversified, and the section segregated to the satisfaction of its people.

We believe that a region consisting of at least a portion of the States we mention would come as near filling the object of the bill, considering all its phases, as any other district which may be designated in the United States.

We believe that the Organization Committee will be more inclined to look to the possibility of a readjustment and improvement of banking facilities under the new system rather than be guided by the forced trend of banking under the old system.

In normal years, even under the old currency bill, there was a sufficient amount of currency to conduct the commerce of our country; and even at present there is no particular

demand for additional currency. It is therefore apparent that under the operation of the new currency bill, there will really be but little need for additional currency, as under the power of the Federal Reserve Board, the surplus funds of the several regional banks may be diverted and used where most needed.

While the region we have outlined has many diversified lines of business, we recognize that for a few months in the year it may be regarded as a borrowing district. This we do not believe is a reflection upon its establishment, but rather an argument in its favor.

If, under the old system, the loanable funds of certain regions were forced by lack of demand in those regions to move to other regions in order to find employment, it is not unreasonable to suppose that the deposits in the Federal Reserve Banks to be located in those regions will be forced to find borrowers in other regions.

It would be almost impossible to so divide our great country into eight or twelve regions where the supply of money would at all times equal the demand for loans. This was recognized by Congress when it gave the Reserve Banks the right to open market operations, and gave to the Federal

Reserve Board the right to use the surplus funds of one district to meet the unsupplied demand in another district.

The total loans and discounts of the National Banks, as shown by the report to the Comptroller on October 21, 1913, was \$8,260,877,000. Of this amount only \$16,516,347 were rediscounts for National Banks; and only \$83,943,695 was bills payable of National Banks --

The Secretary of the Treasury: These statements, unfortunately, do not reflect the true conditions at all, because they do not tell the indirect borrowings of the banks, which are very large in some sections.

Mr. Maddox: We did not mention that, Mr. Secretary, because, as Mr. Ottley has stated, that custom is unknown in this particular region.

The Secretary of the Treasury: But you are speaking of the whole country, and I say that not too much importance is to be attached to them.

Mr. Maddox: I am frank to say I did not know it.

The Comptroller of the Currency: What did you say were the total bills payable?

Mr. Maddox: The total bills payable were \$83,943,695 reported to the Comptroller October 21st, and \$16,000,000 re-

discounts making total bills payable of all National Banks of less than 1.6 per cent of the total loans of National Banks.

At the same time the United States had on deposit in National Banks, including postal savings deposits and deposits of disbursing officers, \$111,059,215. In other words, the United States had on deposit in the National Banks \$11,000,000 more than the entire amount the National Banks had found it necessary to borrow.

The Comptroller of the Currency: If the United States had not had that money on deposit with them, their loans would have been twice as large.

Mr. Maddox: Yes.

If the Federal Reserve Banks had been in operation at this time, presuming they would have had a capital of \$100,000,000 and deposits of \$500,000,000 made up exclusively from the National Banks, they would have had, after deducting the gold reserve required against deposits, a loanable fund of \$425,000,000 or more than four times the amount required to supply the necessary loans to the National Banks, leaving \$325,000,000 for open market operations.

The Secretary of the Treasury: In that statement how much

government deposits have you assumed, any?

Mr. Maddox: I beg pardon, none at all.

The Secretary of the Treasury: You are simply speaking of the reserves which the Reserve Banks would hold?

Mr. Maddox: Yes.

The Secretary of the Treasury: Of course, you are treating them for the purpose of this statement as a common fund?

Mr. Maddox: Yes, sir. My object is to show--

The Secretary of the Treasury: I see your point, but I just wanted to be sure that I understood the premise.

Mr. Maddox: The total amount of bills payable and re-discounts of the National Banks in the States suggested as a district for the Southeast on October 31, 1913 (which is about the maximum for the year) was \$23,801,000.

Judging by the past, it is reasonable to presume that for about half of the year the banks of this section will not find it necessary to call heavily upon the regional bank for re-discounts, but for the other half, may find it convenient to use the discount privilege freely, and even beyond the available deposits of the Regional Bank. Government deposits could then be transferred to this region, as was recently so wisely done, or the Federal Reserve Board might

find it advisable to have the surplus funds of another region meet the demands here; and lastly, the new currency could be issued, which automatically retire when the demand for it ceased.

We admit that this section has but little idle money. Since the war, the reconstruction of the South has required all our energy and all our capital. The rapid development of our farms, our factories, our mines, our Cities and our commerce has called for even more capital than our banks could supply; and unlike some of our richer or more finished sections, our banks have not been forced to go into other sections for desirable loans.

Figures and facts have been shown, and, will be presented later, illustrating the wonderful growth of the South, its diversified industries, and what the "Atlanta Spirit" has done for the Gate City of the South; also the accessibility of Atlanta from all points in the region suggested. The geographical location and railroad facilities of this City have been the means of our merchants developing a remarkable trade with surrounding states, which is but a forerunner of the convenience and benefit a Reserve Bank in Atlanta would be to the banks of this region.

We do not believe that it will be the wisdom of your honorable committee to consider where the banks of this region have borrowed in the past or so much importance as from what convenient center these banks may be supplied in the future.

Under the old regime, the Banks of the nation were dependent upon a single and uncertain money center, and the nation was a slave to the system. When President Wilson signed the new Currency Bill the shackles which had bound the banking business in narrow limitations fell asunder, and the people received it as the Emancipation Proclamation of a New Freedom from currency panics.

The Southeastern States we have suggested as a region under the new system are throbbing with new life. Its people, while true to the traditions of its past, are justly proud of the prosperity of its present. They are loyal to the Nation and dauntless in their democracy. No other section of the country has risen above such adversities to such commercial importance. In the veins of its men and women there flows the purest Anglo-Saxon blood to be found in any part of this Republic. For what we have accomplished in the past, we ask your help in the future.

Georgia has more National banking capital than any State in the region suggested; and Atlanta has more National banking capital than any City in the States included. If Atlanta and this region is given a Federal Reserve Bank, we can face the future with renewed strength and approach with confidence the continued development of our section to the credit of the New South and to the glory of the Nation.

The Secretary of the Treasury: The bankers are beginning to admit that now, are they, Mr. Maddox? (Laughter).

The Secretary of Agriculture: What reason have you for thinking that Mississippi desires to be included in this district?

Mr. Maddox: We have no particular reason to believe that Mississippi desires to enter this region, Mr. Secretary, other than the fact that we believe Atlanta could serve Mississippi with a Regional Bank in this city.

The Secretary of Agriculture: Now, suppose Mississippi thinks otherwise?

Mr. Maddox: That will be decided, it seems to me, by your Honorable Committee, as to which section could serve it best.

The Secretary of Agriculture: Of course, I ask whether we are to be guided by the views of Mississippi or those of

Atlanta.

Mr. Maddox: I take it for granted, Mr. Secretary, that it would be impossible to divide this country into eight or twelve regions which would be satisfactory to everybody.

The Secretary of the Treasury: I understand that, but I am just asking you on that point, other things being equal, which we would have to follow, Mississippi's views or Atlanta's views.

The Secretary of the Treasury: About what should be done with Mississippi.

Mr. Maddox: We will leave that to you gentlemen to decide.

The Secretary of the Treasury: What do you think we should do with it now? Suppose Mississippi said she wanted Atlanta, which view do you think should prevail?

Mr. Maddox: We would agree with her.

The Secretary of Agriculture: Suppose she wanted New Orleans?

Mr. Maddox: We might disagree with her.

The Secretary of Agriculture: Yes. Now, what have you done with New Orleans in this arrangement?

Mr. Maddox: You mean as to the division of the country into regions?

The Secretary of Agriculture: Yes, what do you suggest we do with New Orleans?

Mr. Maddox: Well, Mr. Secretary, we have not agreed upon any particular sub-division of the United States, but in a general way --

The Secretary of Agriculture: But it is very important that we do something.

Mr. Maddox: Yes, but in a general way we have felt that a bank in Atlanta and a bank in Texas would serve this southern territory.

The Secretary of Agriculture: You put New Orleans in Texas?

Mr. Maddox: Yes, sir.

The Secretary of the Treasury: Do you think New Orleans' natural course of trade is westward?

Mr. Maddox: No.

The Secretary of Agriculture: Do you think it would do any violence to New Orleans to attach it to Dallas or Houston?

Mr. Maddox: No, I do not know that it would.

The Secretary of Agriculture: The law requires us to have due regard to the course of trade. Now, --

Mr. Maddox: I should think New Orleans would be more inclined to St. Louis.

The Secretary of Agriculture: You leave us to handle the problem. You have selected an area of which Atlanta is the centre. Now, what about Tennessee. Have you any evidence that Tennessee desires to be attached to Atlanta?

Mr. Maddox: East Tennessee has rather indicated their willingness to come to this territory.

The Secretary of Agriculture: What is the extent of her indications?

Mr. Maddox: The Chamber of Commerce of Knoxville, Tenn., has endorsed Atlanta.

The Secretary of Agriculture: Any other?

Mr. Maddox: I do not think any other commercial body.

Mr. Orr: Some smaller banks up in the country have.

The Secretary of Agriculture: Memphis, of course, prefers herself, and her second choice is New Orleans. Now, have you anything from North Carolina that the banks there desire to be attached to Atlanta?

Mr. Maddox: I understand the banks in North Carolina are divided as to where they really want to go. We have not had much encouragement from that section.

The Secretary of Agriculture: So far as we have had any indications, they desire to be attached to a bank to the north of North Carolina.

Mr. Maddox: It just so happens, Mr. Secretary, that the general impression of this section that we should have a Regional Reserve Bank has encouraged some city in practically all of our neighboring states to apply for it, and for that reason it has been difficult for Atlanta to get many endorsements from the states having a city within the boundaries applying for it themselves.

The Secretary of Agriculture: But I am thinking of the movement of trade. North Carolina at Washington represented to us that under no circumstances did she wish to be attached to any bank to the south. That her whole course of trade was to the northeast. You have no evidence from North Carolina?

Mr. Maddox: No.

The Secretary of Agriculture: Have you any from South Carolina?

Mr. Maddox: No.

The Secretary of Agriculture: They represented at Washington that their course of trade was towards the north.

Mr. Maddox: I think it will be conceded that the course

of the whole south has been trending north.

The Secretary of Agriculture: That leaves Alabama, Georgia and Florida. What evidence have you that Florida and Alabama desire to be attached to Atlanta?

Mr. Maddox: Well, several banks in Jacksonville have endorsed Atlanta and several banks in other parts of Florida have endorsed Atlanta. Jacksonville, as you perhaps know, has been an applicant up to yesterday.

The Secretary of Agriculture: Yes. To what extent does Atlanta handle the citrus fruit trade of Florida?

Mr. Maddox: We handle a great deal of it, I think, through this city; not so much in a banking way as probably in a purchasing and distributing of the citrus fruit from Atlanta.

The Secretary of Agriculture: Assuming for the sake of further discussion that Atlanta would be satisfactory and that this district would be satisfactory to these states, is it your judgment that this district is nominally independent financially?

Mr. Maddox: It is not.

The Secretary of Agriculture: It is dependent?

Mr. Maddox: Yes, sir.

The Secretary of the Treasury: Normally?

Mr. Meddox: I should say not. The district is not able to finance itself through the year.

The Secretary of Agriculture: You spoke of the rediscount aggregating \$23,000,000.

Mr. Meddox: Yes, that is national banks, as by the Comptroller's reports, and that is about the maximum of the year.

The Secretary of Agriculture: That is the national banking regions?

Mr. Meddox: Yes. And I want to emphasize the fact, if you will pardon me, that so far as I know, that actually represents --

The Secretary of Agriculture: If you will just let me ask a few questions now, as you have made your statement. You may not know of any other indirect rediscounts in this city. That has been stated. Do you know as to the facts in the rest of this district?

Mr. Meddox: No.

The Secretary of Agriculture: It was intimated to us elsewhere that there were considerable indirect rediscounts, and furthermore that individuals and groups of individuals borrowed heavily from other sections of the country directly and not through the banks of this section. Now, looking at all

those things, you say this section is normally dependent?

Mr. Maddox: I think so.

The Secretary of Agriculture: Do you think the theory of this law suggests that we create a district which is normally dependent?

Mr. Maddox: It would depend to the extent, I should say, of the dependence?

The Secretary of Agriculture: Do you interpret the law to mean that we shall deliberately create a district that is dependent and should be aided in normal times from outside of the district? Would it be best for this section to do so? You want a district that will give legitimate business in normal times the aid it desires?

Mr. Maddox: Well, I was referring to a normal year rather than a normal period of the year. During the season from July, we will say, until October, the banks of this section borrow heavily. For illustration, the Atlanta banks last year borrowed \$5,000,000, but they paid every dollar of it back the first of November, and they only borrowed it for 30, 60 or 90 days. I do believe that this region during that period would not be dependent upon itself.

The Secretary of Agriculture: You think it would be de-

sirable if it were possible to establish a district that would be normally independent?

Mr. Meddox: You mean by the word "normal" the year round?

The Secretary of Agriculture: To take care of all the legitimate business demands of the district.

Mr. Meddox: At all times during the year?

The Secretary of Agriculture: Normally, under normal conditions.

The Secretary of the Treasury: Would it be preferable if it is possible?

Mr. Meddox: I am frank to say I do not know, because I construe the act as providing for that contingency.

The Secretary of the Treasury: But regardless of your construction, and speaking of it as an economic and fundamental principle, would it be better, if possible, to create a district which could normally take care of itself than not to do so?

Mr. Meddox: I should say yes.

The Secretary of Agriculture: From that point, you say that this district is normally a borrowing district, that is, it is normally not independent; would it, in your judgment, be better to relate some of these states to communities to

the northeast that are more independent, connecting a lending end, if possible, with a borrowing end? What would be the best for the community?

The Secretary of the Treasury: So as to create more or less of an equilibrium the year round under normal conditions, leaving the other resources which the act provides for resort in case of emergency.

Mr. Maddox: I think it would be rather difficult to connect this region with any other particular region which would have perhaps an excess amount of funds available to be loaned in this region at the time.

The Secretary of the Treasury: That is not the question. Assuming that it could be done, is it desirable?

Mr. Maddox: Equally balancing all the year round? I should say it would, yes, sir.

The Secretary of Agriculture: To the extent to which it could be done it would be preferable, would it?

Mr. Maddox: Yes, sir, I should say it would. Of course, the amount of money borrowed in this region varies. At this time of the year, for instance, money is very plentiful. Now, if we had this region extended into a very heavily lending section, I do not know that that would help the situation

at all times.

The Secretary of Agriculture: You understand if we create a district here there is going to be nothing added to the resources of that district in normal times. Your Regional Bank has a certain percentage of the capital and deposits and reserves. Now, the point is, whether such a district as you suggest would have the capital and other resources to take care of the normal needs of business, and if not, would that be a good district to create.

Mr. Maddox: I believe the Reserve Bank in this district with the capital I have outlined, with a very small assistance as provided in the bill, by the United States making deposits in this region, would take care of the normal demand for money that this particular region could not supply.

The Secretary of Agriculture: Has it done so to date?

Mr. Maddox: I do not know the total deposits of the United States Government in this section. The deposits during the crop moving season were of great assistance.

The Secretary of Agriculture: In other words, you are suggesting a district that would be normally dependent on outside aid.

Mr. Maddox: I am frank to say that we have been for a

great many years dependent, in this section of the country.

The Secretary of Agriculture: Do you think that is the best thing to do for this section?

Mr. Maddox: Well, it is hard to answer that question without considering the assistance we could get and where it would come from. Of course, if we are to eliminate the assistance from any other regions, or if we are to eliminate the assistance from the United States Government, I should say yes.

The Secretary of Agriculture: The theory of the law contemplates assistance in emergencies, but the theory of the law also seems to contemplate that the Committee should lay out districts which in normal times would be self-sufficient.

The Secretary of the Treasury: That is, as self-sufficient as possible.

Mr. Maddox: I would have to leave that question to you gentlemen to decide. Our Committee has discussed that matter in a great many phases, and we are frank in saying that of course at times of the year the South, as you know, has borrowed heavily for 50 years, and in the development of our resources we have required a great deal of capital and have been compelled to use our capital as has been shown to

you, over and over again very rapidly, very much more so than in other sections where the deposits are larger and the demand for loans is not quite so great. We believe that a region in the southeast with the assistance provided under the operation of the Federal Reserve Act would be self-sustaining, so to speak.

The Secretary of Agriculture: It could not be self-sustaining if it had to have assistance.

Mr. Waddox: It would be self-sustaining in so far as the act provides that the deposit of United States funds might be made. I mean it would not be required to rediscount.

The Secretary of Agriculture: We want to carry out this law to the best of our ability and do the very best thing for each section, and we want to get from you some idea as to whether we should be doing the right thing by creating a district of this kind, which you say is normally dependent.

Mr. Waddox: I expect that this district is perhaps more dependent than any you gentlemen have had submitted to you.

The Secretary of the Treasury: You have just stated that under the conditions which have prevailed for many years, you have had to depend upon somewhere else for money?

Mr. Waddox: Yes, sir.

begin

The Secretary of the Treasury: Now, under the existing system, I am speaking of the system without this act being in operation --

Mr. Heddox: I understand.

The Secretary of the Treasury: You have had to depend on the voluntary assistance or the whim of somebody else to lend you money when you needed it.

Mr. Heddox: Yes, sir.

The Secretary of the Treasury: You did not know whether you could get it or not.

Mr. Heddox: No.

The Secretary of the Treasury: The object of this act is to alter that situation to this extent, that by laying the country out into districts, which as far as practicable are self-sustaining, that you can get, as a matter of right, from the resources of that system the funds needed to meet this national demand. If you lay out a district which has not those resources, in which you have not got confidence, then you still have to depend upon enforced assistance in some direction. Now, as a fundamental for this Committee in guarding its action, is it not better that we should, in considering the entire country, as far as practicable,

lay out these districts, so that in normal conditions they shall be self-sustaining or self-contained?

Mr. Meddox: I should answer that by saying that the benefit this region would derive, would be shared by the benefits in the regions which lent this section assistance. In other words, if there should be, as we presume there will be, a large amount of surplus funds in some of the regions that you will necessarily lay out, it will be very reasonable to expect there would be no violence done to a region which could absorb it.

The Secretary of the Treasury: In those cases we have to rely upon one of two things, either the voluntary assistance from another district with the permission of the Federal Reserve Board, or the compulsion of the Federal Reserve Board, upon the vote of five of the seven members. Suppose, under the circumstances, and that contemplates an emergency, you could not get five members of the Reserve Board to declare that such an emergency existed as would justify the Board in compelling another Federal Reserve Bank to come to the assistance of a weaker one?

Mr. Meddox: That comes to the point I would like to get a little light on, if you are at liberty to explain it,

whether or not open market operations, as explained in the bill, would not relieve that without the action of the Reserve Board?

The Secretary of the Treasury: That is a matter experience has to demonstrate. We could not settle that here.

Mr. Maddox: In other words, if a Reserve Bank in a rich section with a large amount of money idle, could not engage in open market operations in this region without the action of the Federal Reserve Board requiring it ^{to} do so.

The Secretary of the Treasury: That might not be effective; it might not be sufficient.

The Secretary of Agriculture: The competition of other sections might interfere.

The Secretary of the Treasury: Then again, that does not touch the point with us. Should we take these chances of relief in considering the fundamentals of our problem? Should we not, as a matter of fact, try to make these districts as far as practicable self-contained units, coordinated through this Federal Reserve Board; and is it not to the interest of every section in this country, if it wants the maximum benefit under this act, to have the country so laid out into districts, regardless of the wishes of some particu-

lar community?

Mr. Meddox: I am trying to answer it without the desire of this particular community, but as a region, and not speaking for Atlanta. The point that I tried to answer a moment ago was in the laying out of this great country into eight or twelve regions, you will necessarily I think, lay out some regions that will have surplus funds in the Regional Bank to use. Now, we claim that there is no violence done the commerce of the country if one region during a few months of the year could use that money advantageously.

The Secretary of Agriculture: But you are suggesting that the machinery created for operation in an emergency be used normally.

The Secretary of the Treasury: And to put emergency machinery into use in normal conditions.

Mr. Meddox: The difference between the amount that we would have to lend from our Regional Bank and the maximum amount we would require is not over five or six million dollars.

The Secretary of the Treasury: But you do not take into consideration the enormous borrowings outside of the national banks, which are not reflected in any of those statements.

The Secretary of Agriculture: You have not given us the

state bank borrowings.

Mr. Meddix: No, but I was referring to the Regional Reserve Bank in this district, subscribed to only by the national banks, and that bank would take care of the national banks in this region with a small margin of five or six million dollars.

The Secretary of the Treasury: But your problem is to lay out these districts so they will take care of the regions as far as practicable. It is not a question of the national banks alone, but of serving the people of the districts.

The Secretary of Agriculture: The question is, whether it is possible to lay out a region with stronger resources, if it were possible to combine to some extent a lending region with a borrowing region. Would your farmers and business men and others be in a stronger position or not?

The Secretary of the Treasury: Should not we leaven weakness with strength wherever we can?

Mr. Meddix: That was our idea in hoping we will get that assistance from some of the stronger regional banks.

The Secretary of the Treasury: I think it is a fundamental misconception of the act to say we must deliberately lay out weak districts that have to be carried all the time.

end

Mr. Meddox: No, not all the time, but at certain seasons of the year. I think this Reserve Bank would be able and amply able to take care of the rediscounts and bills payable.

The Comptroller of the Currency: Mr. Meddox, I see you have put in North and South Carolina and have left out New Orleans and Louisiana.

Mr. Meddox: Yes.

The Comptroller of the Currency: New Orleans and Louisiana east of the Mississippi River, although you say that the direction and trend of business is eastward. In other words, North and South Carolina would be working away from Atlanta and New Orleans would be working toward Atlanta. Why was it you put in North and South Carolina and left out New Orleans and that portion of Louisiana east of the Mississippi River? Would it not be more natural for the business of New Orleans and eastern Louisiana to trade with a Regional Bank in Atlanta than it would be for North and South Carolina, with their established trade connections?

Mr. Meddox: The Mississippi River probably controls the commerce of that section, and running north and south we did not think it could be easily diverted this way.

The Comptroller of the Currency: In regard to the questions

which the Secretaries have just been asking you, as to the amount which you have been borrowing, you have not in your replies laid any special emphasis on the fact that you are carrying in your banks at the present time, a large amount of money in the central reserve cities, New York and Chicago.

Mr. Heddox: Yes.

The Comptroller of the Currency: And perhaps some in St. Louis.

Mr. Heddox: Yes.

The Comptroller of the Currency: Now, I think that Mr. Ottley showed that the average borrowings amounted to less than or about one half of the average balance which he carried in New York.

Mr. Heddox: Yes, that is a very strong point.

The Comptroller of the Currency: Is it not true that the balances hereafter which you are now carrying for your protection in New York and Chicago may be carried in Georgia or in Atlanta?

Mr. Heddox: Yes, sir.

The Comptroller of the Currency: So as to provide a protection, and they will be quite as available or more available here than they would be under the present conditions in New York and the Central Reserve cities.

Mr. Meddox: Yes, and the amount --

The Comptroller of the Currency: Another thing. Is it not true that a great deal of the money is at present shipped away from Georgia by country banks and by others than your Atlanta banks, which you have referred to?

Mr. Meddox: Yes, sir.

The Comptroller of the Currency: And kept there, which under a different state of things, would be kept in the State of Georgia?

Mr. Meddox: Yes, sir. It is well known that nearly every bank of importance in the south has kept an account in New York, for two reasons; one to provide exchange and another to provide a basis for credit. Now, with a Reserve Bank located wherever it may be, it will naturally create eight or twelve per points which will be available all over the United States, and we believe that the deposits made in the Reserve Bank in Atlanta, for instance, would be very much larger than the basis of calculation we have made, because those excess reserves we are now carrying in the north would, as you have suggested, be carried in Atlanta and the deposits very much increased.

The Comptroller of the Currency: What have you to say as to the desirability of propinquity as opposed to a well balanced region; to what extent would propinquity effect the fact that a bank might be dependent in itself? In other words, there would be regions at some distance which would naturally offset the excess demands which you have say from the section through here. Would the fact that Atlanta would be so much nearer to this country offset that disability?

Mr. Maddox: I think I could answer that, Mr. Comptroller, by saying that any fact in this region during business with a Reserve Bank in Atlanta would be very much more conveniently served in the future than it has been in the past, with its loans made in the east.

The Secretary of the Treasury: In laying out this district, Mr. Maddox, what assumption have you made as to the number of districts into which the country should be divided?

Mr. Maddox: We have figured that ten would be a very good number, Mr. Secretary.

The Secretary of the Treasury: And this is laid out on the theory that we would have ten?

Mr. Maddox: Well, it is flexible, it could fit in with

eight eight, ten or twelve, but it would probably work out with ten.

The Secretary of the Treasury: Now we have not found in our experience with banks that there was very much flexibility, and we want you to stick to a little bit more certainty in telling us what your assumptions are in regard to those districts. Now if you assume eight, because you have assumed some division of the country in laying out this district, we should like to know what the other seven districts are.

Mr. Meddox: Well, I will tell you briefly; I do not know that I can speak for all of the committee, because that matter, as you know, is at present even very indefinite, and so far as I know, you gentlemen have given no indication as to the number you will divide the country into, and for that reason our general idea was that there should be --

The Secretary of the Treasury: How many districts, on the theory of this one?

Mr. Meddox: Ten, was it not, Mr. Orr?

Mr. Orr: Yes.

The Secretary of the Treasury: Where are the other nine, what was your idea about the other nine?

Mr. Maddox: You mean the cities?

The Secretary of the Treasury: Well, you may state the cities, if you have them.

Mr. Maddox: Boston, New York, Washington, Atlanta, Dallas, St. Louis, Chicago, Denver, San Francisco and St. Paul or Kansas City.

The Secretary of the Treasury: St. Paul or Kansas City?

Mr. Maddox: Yes, sir.

The Secretary of the Treasury: How many does that make?

Mr. Maddox: Ten.

The Secretary of the Treasury: Have you prepared a map showing the boundaries of these districts as you have them in mind?

Mr. Maddox: No.

The Secretary of the Treasury: You might take some of these copies of maps and you may submit that on or before the first of March to the Committee in Washington, outlining the districts you had in mind, so we may see what relation they have to this district, and indicating in each the reserve city and also in each the capital and resources of the banks, in each one of the districts.

If Atlanta should not be the headquarters for a

reserve bank, what would be your second choice, Mr. Meddox; what is the second choice of your Clearing House Association?

Mr. Meddox: For what region?

The Secretary of the Treasury: For a region embracing Georgia.

Mr. Meddox: I mean for what district?

The Secretary of the Treasury: A district including Georgia, any district; what would be your second choice for any practicable district of which Georgia would form a part?

Mr. Meddox: Well, we believe that Chattanooga for those seven states could serve this district very advantageously.

The Secretary of the Treasury: You would favor Chattanooga as your second choice?

Mr. Meddox: Yes. It is more accessible to Atlanta than any other city.

The Secretary of the Treasury: Assuming that the district went eastward further towards Richmond, or even included the district of Columbia, what would be your choice then?

Mr. Meddox: Washington.

The Secretary of the Treasury: And you think the natural trend of your business is more in that direction?

Mr. Maddox: Then what?

The Secretary of the Treasury: Then towards Chattanooga?

Mr. Maddox: Yes, sir.

The Secretary of Agriculture: New Orleans included her in that district. What would you think of that?

Mr. Maddox: Well, we would not like to be put in a district with New Orleans.

The Secretary of the Treasury: Why not?

Mr. Maddox: We do very little business with New Orleans now.

The Secretary of the Treasury: Then it would do violence to the ordinary course of your business, would it not? Is that the idea?

Mr. Maddox: At present, yes, sir.

The Secretary of the Treasury: Of course you are aware that this Act provides that there shall be branches located in these different districts. Would not the needs of this immediate section be served adequately, assuming of course, that a district of sufficient strength was created, and that the headquarters bank was at some other point than at Atlanta, would you not be well served with a branch bank at Atlanta?

Mr. Maddox: That would depend upon the facilities of the

branch bank, and I do not know what the facilities would be, Mr. Secretary.

The Secretary of the Treasury: You are familiar with the provisions of the Act itself requiring that branches shall be established, and that they shall be managed by a Board of seven directors who shall possess the same qualifications as those of the Federal Reserve Bank itself. Now that would tend to localize to a larger degree the operations of the branch bank than those of the Federal Reserve Bank in the community in which it is situated.

Mr. Maddox: Would the Reserve Bank be localized in its operations?

The Secretary of the Treasury: I say the branch would be more localized in its operations than the headquarters bank, necessarily.

Mr. Maddox: I do not know how far that operation would extend.

The Secretary of the Treasury: The power of the reserve bank of course, could be exerted at any given branch, and while the branches would be governed by the general policy adopted by the headquarters bank, nevertheless in the matter of local re-discounts and loans, the whole purpose of the Act

is to confer that power and large discretion on the local Board; otherwise we would not create a local Board. Now looking at it as a practical banking question, if you could not have the headquarters bank here, would not the needs of this section be very well served by having a branch bank?

Mr. Maddox: If the branch bank was strong enough to accommodate the needs of the locality in which it was located, I should think it would. It would have the exchange feature, I imagine? In other words, a check on the branch would be the same as a check on the Regional Bank, would it not?

The Secretary of the Treasury: Exactly.

Mr. Maddox: And circulation at par.

The Secretary of the Treasury: Certainly. You are going to have paring of exchange between these reserve banks by the provision of the Act itself.

The Secretary of Agriculture: It would be bound to have its proportional strength of the Regional Bank.

The Secretary of the Treasury: If the Regional Bank were here you could not get it all, you could only get your reasonable share.

Mr. Maddox: Is it contemplated that the Regional Banks

will have sufficient deposits from the regions where they are located to take care of the demands by the member banks?

The Secretary of Agriculture: That is the question as to the laying out of the districts.

The Secretary of the Treasury: That relates back to the constitution of the district itself, and there is where the importance of the problem arises.

Mr. Meddox: I see the difficulty.

The Secretary of the Treasury: Of course, the power of the headquarters bank could be exerted at any branch, the full power, if it was not required somewhere else.

Mr. Meddox: I believe the branch banks are going to be of great assistance to the system, but it all depends, it seems to me, as to the importance of the branch bank and its ability to serve the district where it is located.

The Secretary of the Treasury: As a practical banker, and a practical man, Mr. Meddox, looking squarely in the face the purpose of the organization of these reserve banks, they are organized for the purpose of holding the reserve power of the banks of the district. Now so long as the reserve bank itself is at an accessible point, so that resort may be had to it by the member banks whenever occasion requires,

and so that the business may be expeditiously conducted, how much importance do you attach to the location of the headquarters bank in any particular city in any district? I will say the headquarters bank, aside from the question of local desire and pride and the desire for prestige?

Mr. Waddox: I believe the branches of the reserve banks can be made to serve the districts in which they are located equally as well if they are given the same power as the federal reserve banks. And as you say, of course you must admit that apart from the desire to have the headquarters bank in a particular city, I believe the operation of the bill in the future, as you gentlemen will make rules to meet the conditions, will be very accessible to the localities and be very convenient for them.

The Secretary of the Treasury: If you could not deal with the other states in the district, take the State of Georgia alone, would it not be possible for you to get some line upon the re-discounting done by the state and national banks in this state, at the time maximum reasonable demands?

Mr. Waddox: The national banks report to the Comptroller.

The Secretary of the Treasury: We have got that, but the state banks are an important factor, and we would like to know something about them if it is possible to get it.

Mr. Waddox: Yes, sir, they borrow a good deal of money.

The Secretary of the Treasury: And we would like to develop as much information along that line as is possible. Of course, this Committee has the power to get that information if we had the time; we could subpoena witnesses and compel the production of books, and it may be that we may call upon the state banks to furnish or supply such information; but in so far as the information could be voluntarily supplied, it would save time and would be of value. Would you gentlemen undertake to get such information?

Mr. Waddox: With pleasure. We will do our best. Some of the states have different systems of reporting these consolidations. I should think the Superintendent of Banks in the states could probably get it.

The Secretary of the Treasury: Take the state of Georgia alone, dealing with your Banking Commissioner, see if you cannot get that information.

Mr. Waddox: I can give you Georgia now.

The Secretary of the Treasury: What we particularly would

like to get is the total borrowings of this state in excess of the available lending power of the state, and the same question we are addressing to other states. Those are very important factors, because if the country is to get the benefit of this Act in the highest degree, and that is what we want; what we want is to get the maximum benefit of this measure for all the people of the country, regardless of the rivalry of the community, and what we want are the facts which will enlighten the Committee and enable it to reach an intelligent conclusion -- if you can get those facts and send them to us in Washington, we should be very glad to have them.

Mr. Meddox: We will try to get them.

The Secretary of the Treasury: You spoke a moment ago of the borrowing in this district of the national banks alone being something like \$23,000,000.

Mr. Meddox: Yes.

The Secretary of the Treasury: Did you include in that the special government deposits?

Mr. Meddox: No, sir, I do not think so. We carry that, as you of course know, on our books as a deposit.

The Secretary of the Treasury: You do not carry it as a bill payable, although it is in fact.

Mr. Meddox: Yes, sir. No notes were given for it.

The Secretary of the Treasury: Of course, we could supply that ourselves.

Mr. Meddox: The Atlanta banks, I believe, received \$850,000. I do not think that the additional amount -- Mr. Williams probably knows the amount, but I do not think it was \$2,000,000 altogether.

The Comptroller of the Currency: \$1,500,000.

The Secretary of the Treasury: How much of the reserves which you keep in New York do you consider you keep there for exchange purposes only.

Mr. Meddox: I think Mr. Ottley's figures show we keep fifty odd per cent of our total reserves in New York.

The Secretary of the Treasury: How much of that would you say is required for exchange purposes?

Mr. Meddox: Perhaps half of it at present.

The Secretary of the Treasury: In view of the provisions of this bill, the parring of exchanges between these Federal Reserve Banks, do you think it is going to be necessary to keep such exchange balances in the different cities in the future?

Mr. Meddox: I do not.

The Secretary of the Treasury: Do you look upon that provision of the law as an advantage or not?

Mr. Meddox: A very great advantage, not only as applied to New York but other large centres.

The Secretary of the Treasury: That is a part of the emancipation to which you referred a moment ago, very happily.

Mr. Meddox: Thank you.

The Secretary of the Treasury: There are provisions in this Act, on page 14, Section 13, and I will read this, because I want to address the question to your Clearing House, providing that, "Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act."

There are other provisions in that section which I will

not read. We should like to have the Atlanta Clearing House consider that question and submit a memorandum of their views as to what would be a proper definition of commercial paper within the meaning of this Act.

Mr. Maddox: We would be very glad to.

The Secretary of the Treasury: And also to suggest at the same time standard forms of notes, bills and drafts which might be employed in the operation of the Federal Reserve system, with a view to making uniform, so far as practicable, the character of those transactions. We should also like you, if you have any commercial paper which is of a peculiar character, that relates to this district, to have reference made to it, and a description made of such paper. The reporter will give you this whole question.

Mr. Maddox: Yes. Of course, you gentlemen know that the loans made in this region, or say perhaps in the south, are for a longer time --

The Secretary of the Treasury: You may cover all that in your memorandum.

Mr. Maddox: But we will endeavor to do so. That applies more to the small state banks or banks in small towns deal-

ing directly with the farmer than the city banks.

The Secretary of the Treasury: Just as full information as you care to cover in that brief, we should be glad to have.

Now Section 16 on page 19, contains a further provision; I shall omit reading to you the provisions relating to the requiring that Federal Reserve Banks shall receive on deposit at par from member banks, and go to that paragraph which provides that "The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal Reserve banks, or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing for its member banks."

Now Mr. Ottley referred to your clearing house system here for country banks. We should be glad to have you submit a memorandum with your suggestions as to how that provision of the law may best be effectuated, and also give us your suggestions as to the character of charges which you think should be made between the Federal Reserve Bank and their branches for handling these transactions.

Mr. Meddox: We would be very glad to do so.

The Secretary of the Treasury: The reporter will give you these questions, and you will furnish it, if possible, by the first of March?

Mr. Meddox: Yes.

The Secretary of the Treasury: In speaking of choices here, suppose that you were related to a district including Kentucky, what would be your view about Louisville as the headquarters for the bank? We had a map filed by Louisville, for instance, embracing Georgia.

Mr. Meddox: Your question as I caught it was how Atlanta would like to be thrown into a region with Louisville?

The Secretary of the Treasury: No, I say Louisville filed a map which embraced the states of Georgia and Alabama, and this southeastern section. Now assuming such a district were created, would you prefer to have Louisville the headquarters of that bank or Nashville or Birmingham, or what city would be your first choice under those circumstances?

Mr. Meddox: Of those three cities?

The Secretary of the Treasury: Of those three cities, which would be your first choice?

Mr. Meddox: Nashville or Louisville?

The Secretary of the Treasury: Yes.

Mr. Meddox: Nashville.

The Secretary of the Treasury: Or Birmingham, I had three, Louisville, Nashville or Birmingham.

Mr. Meddox: Birmingham would be more convenient than Nashville.

The Secretary of the Treasury: You prefer Birmingham first?

Mr. Meddox: To Nashville.

The Secretary of the Treasury: And where would Louisville stack up in the matter of choice?

Mr. Meddox: We have not considered Louisville at all as possibly being related to this region.

The Secretary of the Treasury: But assuming that it was, now what would be your view of that as between Birmingham, Louisville and Nashville, what would be your second choice?

Mr. Meddox: Birmingham.

The Secretary of the Treasury: You said Birmingham first, I understood.

Mr. Meddox: Birmingham would be my first choice of those three cities, Nashville second and Louisville third.

The Secretary of the Treasury: I may say here, gentlemen, that it must not be inferred that the questions which we ask

the witnesses are indicative of any opinion on the part of the Committee or as indicating even a trend of thought or of mind. We have to ask these questions in order to bring out the facts, and no other significance must be given to our line of questions than that. That is all, thank you.

Mr. Orr: Mr. Secretary, our next witness is Mr. McCord.

STATEMENT OF JOS. A. McCORD.

The Secretary of Agriculture: Mr. McCord, give the reporter your full name, address and occupation, for the record.

Mr. McCord: Jos. A. McCord, Vice-President of the Third National Bank, Atlanta, Ga.

The Secretary of Agriculture: Mr. McCord, you know the problem as it has been stated; we would be glad to know your views.

Mr. McCord: Yes, sir, I have given some study to it, but I am not a professional. I had studied the problem some.

The Secretary of Agriculture: We would be very glad to have any views you may be able to give us.

Mr. McCord: To this first question, Mr. Orr, our Chairman, has asked me to answer --

The Secretary of Agriculture: Will you speak a little bit louder, Mr. McCord, so these gentlemen can hear you.

Mr. McCord: I say, Mr. Orr, our Chairman, asked me to answer first the question propounded to Mr. Maddox. I think that Mr. Maddox possibly misunderstood one figure, or one point in
You were asking him as to the normal conditions, and

I think Mr. Meddox had that confused with abnormal conditions. In my opinion I believe that this territory that we have laid out here, under ordinary normal conditions, will largely take care of itself.

The Secretary of Agriculture: Will you define what you mean by ordinary normal conditions?

Mr. McCord: Yes, sir, I will. There comes a certain period of the year when we have to move these enormous crops. That time is an abnormal condition.

The Secretary of Agriculture: Well, your definition of normal or abnormal has reference to the normal movement -- the big movement of the community?

Mr. McCord: Yes, sir.

The Secretary of Agriculture: Usually these terms have reference to the general conditions prevailing over the country creating a difficulty or a lack of difficulty in securing finances for undertaking.

Mr. McCord: Yes, I will apply it in both ways.

The Secretary of Agriculture: Well, allow me to ask you one other question. Are not the big movements of your industries here, in certain seasons of the year, always abnormal?

Mr. McCord: No, sir.

The Secretary of Agriculture: Are not your normal movements abnormal.

Mr. McCord: No, sir, no sir, they are not.

The Secretary of Agriculture: Does it not happen every year that you have these normal abnormal movements?

Mr. McCord: I say we have abnormal movements at certain periods of the year.

The Secretary of Agriculture: Meaning that the requirements for this section of the country are a normal state?

Mr. McCord: No, sir.

The Secretary of Agriculture: It happens every year, doesn't it?

Mr. McCord: No, sir.

The Secretary of Agriculture: Your big movements of trade.

Mr. McCord: The big movements come every year, but the condition of the banks to sustain it is varying.

The Secretary of Agriculture: Would you say that it is usual for the banks located over the territory that you have mapped out to be dependent on outside assistance to finance the crops?

Mr. McCord: I say so, except in one or two months of the year. I say that is the abnormal condition as to time, That

is the abnormal condition as to the crop. That is the abnormal condition as to the business.

The Secretary of Agriculture: But the normal condition is that you are dependent on outside assistance at some period?

Mr. McCord: At that particular period, we are.

The Secretary of Agriculture: In the discussion of the general term of normal or abnormal, as I said, it has reference to the conditions and the state of the country, as to whether there is depression or the reverse.

Mr. McCord: Yes sir. I have prepared, Mr. Secretary, a statement made up from the calls of the Comptroller, and the figures are made up at intervals in each period, say, commencing with 1907 -- I forget the exact dates, but I have them here, and I will submit them -- which shows the conditions of the banks in this particular territory for 10 out of 12 months of the year, at different periods. Now, these were not selected for any particular results, but just simply taken on a scratch book to make a statement --

The Secretary of Agriculture: Before you get through with that; is that with exclusive reference to the national banks?

Mr. McCord: No, sir, that takes in the state banks in this

state, and I may state, one or two of the cities -- other cities have like conditions --

The Secretary of Agriculture: You realize it is a much larger problem than the mere system of state banks or national banks?

Mr. McCord: I do.

The Secretary of Agriculture: That we have national and state banks?

Mr. McCord: That is true, because there are other operations that have to be considered.

The Secretary of Agriculture: Generally coming through either agency?

Mr. McCord: Yes, I understand that; Trust Companies and other properties outside.

The Secretary of Agriculture: We would very much appreciate it if you could co-operate with Mr. Maddox in giving us all of the information you can.

Mr. McCord: I will do so with pleasure.

The Secretary of Agriculture: Well, I did not mean to interrupt you so long.

Mr. McCord: Now shall I proceed with the subject assigned to me?

The Secretary of Agriculture: Yes, sir.

Mr. McCord: This formidable array of documents are not all intended to be submitted, but they are merely copies. Cotton is the greater producer of value of any commodity in the Southeastern states -- that is, the territory that is being outlined --

The Secretary of Agriculture: Will you file that with us?

Mr. McCord: Yes, sir, but an abstract of it I will try to give you with reading the whole of it. 53.2% grows East of the Mississippi River; 7,544,927 bales is the report of this year's crop to Jan. 16th. Valued at \$65.00 per bale, it is \$565,000,000.00, taking one sixth of all the money in the United States to pay for it. Georgia raised 30.7% of this. The exact center of this production, Mr. Secretary and Mr. Comptroller, is in 64 miles of Atlanta, at Rock, Ge., a few miles Northeast of Macon. The exact geographical center of this same territory is at Moreland, Ge., 45 miles West of Atlanta. If you will allow me, I would like to read this. I will give it in abstract as concise as possible.

The Secretary of Agriculture: The only point of my inquiry was this; if you are going to file this paper, the reporter need not take it.

Mr. McCord: Well, it is very short, and I will get through with it in a few minutes. Atlanta is the central city of this cotton belt, taken from a numerical, as well as from a geographical point of view. Cotton is purchased in small towns and money payments are necessarily made at these towns. Buyers classify, mark for export, and ship from interior towns and cities to shipside at ports, hence the banking facilities should be nearer the center to benefit the greatest number of people. There are 27 compress points in Georgia, where cotton is concentrated and export bills are issued. Two million, one hundred and twenty-six thousand, eight hundred and three bales we estimate was the compress crop this year. I have the figures from the compress Companies showing the location of these compresses and the amounts compressed at each point. Other states have similar concentrating points, but as all of these will equalize, Georgia is taken because it is the center or pivotal state, in the region we suggest. To locate a reserve bank at a port would not serve the interior as well as if located nearer the producers. To locate at any extreme would not serve the whole section. Currency may be shipped to any town or city --

The Secretary of the Treasury: Why not, now?

Mr. McCord: I will get to that in the next sentence. Currency can be shipped to any town or city on any main line of railroad in the seven Southeastern states, from Atlanta, Ga., after five o'clock in the afternoon of one day, and delivered by not later than ten o'clock next morning to the farthest point in these states -- these seven states.

The Secretary of the Treasury: Suppose you had a branch bank here located in Atlanta, loaded with currency, you could ship from the branch just as easy?

Mr. McCord: I grant that, with the facilities, the branch could serve the purpose as well as the bank itself. The value of cotton to a locality can be estimated if you will allow me briefly to state it by illustrating with two counties in Georgia. In one county they raised this year 52,551 bales, and in another county, 52,397 bales. Now, the value of that one crop of cotton is more than the return for taxation of those two counties, in each county. While it is true that this vast amount of wealth came into locality, it is also true that nearly all of it went out for the purchase of fertilizers, supplies, food and clothing for the producers of this enormous wealth; hence the necessity of financing a community thus situated. The counties cited here are Burke

and Laurens. It requires more actual money to produce the cotton crop than any of the leading crops of the United States, because of the necessity of the hand cultivation and gathering, and the tenancy system. Farmers, merchants and manufacturers require an extension of credit to produce it. These credits can best be served and investigated from some central point -- better than from any border point of the territory.

The Secretary of Agriculture: There, again, Mr. McCord, isn't that an argument mainly for the strong district?

Mr. McCord: I couldn't say it was, because the credit must be investigated, and I believe, Mr. Secretary, that this district will balance itself largely when you hear the balance of the report that I have.

The Secretary of Agriculture: Well, in the second place, would not the directors of the branches know intimately the credit arising in the district? Some gentlemen have suggested that the directors of the reserve bank would not know the credits arising over the district.

Mr. McCord: I am frank to say that he is about right on that.

The Secretary of Agriculture: Why should they know it any better if located at one place rather than at another?

Mr. McCord: The central location, Mr. Secretary, would be easier and more accessible for getting information.

The Secretary of Agriculture: The directors of the reserve bank are not local.

Mr. McCord: I understand that, Mr. Secretary, but the point I make is this, it would be easier -- we will take any section, for instance; it would be easier for Nashville to get credit from Kentucky, Tennessee and North Georgia than to get credit in South Georgia and Florida.

The Secretary of Agriculture: Do you think the reserve bank is going to be partial in its operation?

Mr. McCord: No, I do not.

The Secretary of Agriculture: Then, why could you serve in one case better than the other?

Mr. McCord: I think branch banks will largely answer the question of serving the territory --

The Secretary of the Treasury: And will solve the problem?

Mr. McCord: Yes, sir.

The Secretary of the Treasury: That was the purpose of the Act.

Mr. McCord: Yes, will solve that problem. The exportation of cotton, to my knowledge, has restored normal conditions in

two money panics, viz: in 1893 and in 1907. The values already stated are for the crude product, but we must not lose sight of the fact that a constantly increasing proportion of this product is being manufactured into yarn, cloth and other needs of trade and commerce within the territory suggested by us for this banking district. The State of North Carolina manufactures into these products more bales of cotton than grows on her soil. Georgia manufactures into yarn and cloth one third of her entire crop.

The states named in this territory, for which we ask a regional bank, manufacture the following number of bales by states, viz: North Carolina, 876,000 -- giving it in round number; South Carolina, 775,000; Georgia, 648,000; Alabama, 299,000 and Tennessee 81,000. These are figures from the United States census. For the State of Mississippi we have not the United States census, but it is reasonable to suppose it would be 100,000 bales, with Alabama manufacturing 299,000 bales on one side and Tennessee 81,000 bales on the other.

When thus manufactured, it is estimated to be worth 25 cents per pound, equivalent to \$125.00 per bale, or giving a total worth of \$347,000,000.00, in round numbers. The financing of these mills takes an enormous amount of credit.

The banks located in this territory have done a great deal of this; banks under state charters handling vast amounts of it. The necessity of money and credit to finance the crops of this territory can best be illustrated by dividing the year on Sept. 1st, when the movement of the main crop (that is, cotton), commences.

The first demand the City banks have is from interior banks for currency to start the movement of the crop, that is, in the purchase of advance bales, with which to get money to pay the laborer for the gathering of the crop, and of the cotton seed mill industries for money to buy the first cotton seed, the value of which product is used in paying for picking of the cotton; both of these come on the city banks about Sept. 1st, and continue until the first of December, at which time there is a lull, and then again starts up about Dec. 15th, running through to Jan. 1st.

The next demand we have for money is from the cotton mills and the cotton manufacturer, who begin to make their loans about the middle of October, continuing to the first of January. They want these loans until April, May and June.

When we have supplied the country banks and the oil mills, then comes the demand from the fertilizer manufacturers,

starting in, say, about the first of December, continuing to the first of February; their request is for accommodation until June and July; we have thus served these immediate interests.

Then, as they begin to turn to us advances made to them, commencing with the country banks paying back their loans in October and November, the oil mills and cotton manufacturers from the middle of January until May and June, gives us money and credit to re-invest for the benefit of the wholesale trade, which starts in February, continuing on through the summer until late in the fall. Our greatest borrowing period is possibly in the early spring, before we get the returns from the cotton oil and the cottonmills, and fertilizer manufacturers; we are called upon to finance this other line of trade -- that is, the wholesale trade and the country banks movement for cotton. Then again, before the wholesale merchants and country banks can replace us with funds loaned to them, comes from the demand already referred to in the first part for the movement of the crops; therefore, our other borrowing season is largely from August until November.

The crops of the Southeastern territory covered by

the states asked for this regional bank, show an annual production in dollars of 1114 millions; manufactured products of all kinds, in this same territory for the same period, amount to 1012 millions. These figures show amount of crops and manufactures for the year 1909, and have doubled in ten years. It might be added here that the banking interests, coming along by the side of these two great problems, these great amounts of money, are about 985 millions -- isn't it, Mr. Copper?

Mr. Copper: Eight hundred and fifty millions.

Mr. McCord: It will, therefore, be seen that money and credit in this Southeastern territory is very equally balanced between the crop movement and that of the manufacturers. It is also shown that this money is kept in constant use during the entire period of the year. The admitting of state banks to the reserve bank, and the liberalizing of the National Bank Act by section 13 of the Federal Reserve Act, will materially aid in the financing of these various products.

From the preponderance of evidence given above, and furnished by the other speakers, it is shown that a reserve bank of sufficient capital would result from your selection of Atlanta, and we believe that a great number of our larger states

banks will enter the system as soon as the rules are published, and the location named.

The Secretary of the Treasury: We thank you very much, Mr. McCord.

Mr. Orr: Is Mr. C. S. Berrett here?

The Secretary of the Treasury: Well, we will hear from Mr. Brown for a moment.

STATEMENT OF J. EPPS BROWN.

The Secretary of the Treasury: Mr. Brown, give your full name, your occupation and your residence.

Mr. Brown: J. Epps Brown, Vice-President of the Southern Bell & Telegraph Company and of the Cumberland Telephone & Telegraph Company, residence, Atlanta, Ga.

The Secretary of the Treasury: Mr. Brown, we desire to know something about the long distance telephone facilities of this region. What sort of lines have you from here to Washington?

Mr. Brown: Copper metallic lines.

The Secretary of the Treasury: Have you good service to Washington?

Mr. Brown: Splendid.

The Secretary of the Treasury: Can you talk to Baltimore, Philadelphia and New York also?

Mr. Brown: Yes, sir.

The Secretary of the Treasury: Good service to those points?

Mr. Brown: Yes, sir.

The Secretary of the Treasury: How is it to the City of New Orleans?

Mr. Brown: First Class.

The Secretary of the Treasury: To Louisville?

Mr. Brown: First Class.

The Secretary of the Treasury: To Nashville?

Mr. Brown: First class.

The Secretary of the Treasury: To Knoxville?

Mr. Brown: First class.

The Secretary of the Treasury: To Chattanooga?

Mr. Brown: First class.

The Secretary of the Treasury: To Birmingham?

Mr. Brown: First class.

The Secretary of the Treasury: To Jacksonville?

Mr. Brown: First class.

The Secretary of the Treasury: You cover this whole district thoroughly?

Mr. Brown: In fact, we can talk to any point from here to Boston, Chicago, or any point east of the Mississippi River, and many points West of the Mississippi River, to all points in Louisiana, Florida, as far as Tampa -- the whole territory is a net work of first class long distance lines.

The Secretary of the Treasury: Do you reach Chicago?

Mr. Brown: Yes, sir.

The Secretary of the Treasury: And Cincinnati?

Mr. Brown: Yes, sir.

The Secretary of the Treasury: I mean, with good effective service?

Mr. Brown: With efficient service. We cannot, Mr. McAdoo, with the lines of the American Telephone & Telegraph Company which cover the entire United States East of the Rocky Mountains?

The Secretary of the Treasury: I think it is only fair to say that as far as Washington is concerned, I expect to use your line tonight, and advise you to be pretty careful as to what you say (laughter).

Mr. Brown: If you will permit me, I will say that the weather just now is playing havoc with us. It is just beginning to sleet.

The Secretary of the Treasury: How many wires have you to Washington?

Mr. Brown: Offhand I could not answer you that, sir, but ample facilities to handle all the traffic. In point of fact, we have an internal organization which studies carefully, from month to month, the gross amount of traffic offered between points, whether they be short distance points or long distance points, and facilities are provided always in ample time to care for the increase of that traffic, so we can handle the business with the least amount of delay.

The Secretary of the Treasury: How far do weather conditions impair the efficiency of the service?

Mr. Brown: It is not so much a question of distance, Mr. McAdoo, as it is of the kind of weather conditions.

The Secretary of the Treasury: Atmospheric conditions?

Mr. Brown: Well, atmospheric conditions, only in so far as they involve electricity, electrical storms or electric storms, cut a figure. In other words, on a cloudy day, you can talk just as well as on a bright sun-shiny day, unless there has been some electrical storm somewhere in the territory that has put out of commission some part of this circuit. Just now we are suffering from a elect storm in all directions. I

have just been getting reports this afternoon, and under those conditions, the lines are completely broken down.

The Secretary of the Treasury: But the normal service is good?

Mr. Brown: First Class.

The Comptroller of the Currency. How long does it usually take to get Washington?

Mr. Brown: We have a man right here whose special job it is to look after those things and he could best answer that question.

The Secretary of the Treasury: Well, about how long would you say?

Mr. Brown: I should say ordinarily within 30 or 35 minutes.

The Secretary of the Treasury: It takes as long as that?

Mr. Brown: The greatest delay involved in handling long distance messages is getting the party called and not in getting in touch with our office at the other points.

The Secretary of the Treasury: Is it practicable to get private wires between Atlanta and Washington, or with Richmond?

Mr. Brown: We have through service.

The Secretary of the Treasury: In that case, of course,

the call would be practically instantaneous?

Mr. Brown: Well, we get our connection with the other end very promptly, but there are three offices involved between here and Washington.

The Secretary of the Treasury: On a private wire?

Mr. Brown: For instance, this office rings Charlotte, Charlotte rings Lynchburg and Lynchburg rings Washington.

The Secretary of the Treasury: You mean on a private wire?

Mr. Brown: Yes, of course, it is not practicable for this office to ring Washington that distance. If the party called in Washington is right at the telephone, or in the house, I mean, then we get prompt connection.

The Secretary of the Treasury: I am speaking of the time required to ring the bell in Washington.

Mr. Brown: I should estimate two minutes. As I said, though, who is more familiar with that particular detail and can give you the information more accurately.

The Secretary of the Treasury: You are speaking, of course, of private lines when you say two minutes?

Mr. Brown: Yes, sir.

The Secretary of the Treasury: That is all, thank you.
Now, Mr. Orr, I think, in view of the number of cities to be

heard from and the number of other witnesses you have here for Atlanta, who are going to speak upon subjects which we are more or less familiar with in a way, that it will be better for these witnesses to file their briefs with the Committee, and they will, of course, be given consideration at the proper time; unless there is certain particular matter you still want to bring before the Committee, we should prefer for it to take that course.

Mr. Orr: It has been stated here that we appear, as it were, without a friend, even at court, but we have a witness here from Jacksonville, Fla., Mr. Giles Wilson--

The Secretary of the Treasury: I am afraid that same suggestion has been made to us in every city we have visited. We will hear from Jacksonville, of course. I was speaking of the Atlanta witnesses themselves -- those local gentlemen, and will you see that their briefs are filed with the Committee so we may consider them?

Mr. Orr: Yes, sir, I will.

STATEMENT OF GILES L. WILSON.

The Secretary of the Treasury: Mr. Wilson, give your full name and address to the reporter.

Mr. Wilson: Giles L. Wilson, Vice-President of the Florida National Bank, Jacksonville, Fla.

The secretary of the Treasury: What do you represent?

Mr. Wilson: I am here as a delegate from the Jacksonville Clearing House Association.

The Secretary of the Treasury: With authority from them to speak for the Clearing House?

Mr. Wilson: Yes, sir.

The Secretary of the Treasury: How many banks are members of the Clearing House?

Mr. Wilson: Twelve.

The Secretary of the Treasury: How many national banks?

Mr. Wilson: Four.

The Secretary of the Treasury: And eight state banks?

Mr. Wilson: Yes sir.

The Secretary of the Treasury: Mr. Wilson, what are your views on this question?

Mr. Wilson: The Clearing House Association refused to endorse any particular City for a Regional Bank, but did express a choice for a region or district within which they would like to be members.

The Secretary of the Treasury: We would like to have your ideas about that. Have you a map?

Mr. Wilson: I have not a map, but I have the outline enclosed here and the resolution that was passed yesterday afternoon by the Clearing House, or day before yesterday afternoon, I believe it was. This is an outline of the district that has been advocated by a number of banks on the North Atlantic Coast up as far as Richmond, and it says that the Jacksonville Clearing Association recommends to the organization committee the adoption of the following region to be served by one of the regional reserve banks; District of Columbia, Southern West Virginia, Virginia, North Carolina, South Carolina, Eastern Tennessee, Eastern Kentucky, Georgia, Florida. The above resolution was unanimously adopted at a meeting of the Jacksonville Clearing Association, Feb. 11th, 1914, at which every member bank was represented.

The Secretary of the Treasury: Well, have you any idea as to what would be the first choice of Jacksonville for the location of that reserve bank?

Mr. Wilson: We attempted to arrive at that decision at this meeting, but were unable to do so, there being a tie vote.

The Secretary of the Treasury: Well, what two cities

Mr. Wilson: The cities of Atlanta and Savannah for first choice.

The Secretary of the Treasury: What would be the second choice, do you think?

Mr. Wilson: Richmond.

The Secretary of the Treasury: How would you regard Washington?

Mr. Wilson: We would prefer Richmond.

The Secretary of the Treasury: Well, would you consider Washington the third choice, or the fourth?

Mr. Wilson: No; I think the Atlanta advocates would prefer Richmond second; would prefer Savannah or Atlanta first and Richmond second.

The secretary of the Treasury: Would Washington be third, you think?

Mr. Wilson: That point has never been discussed, but I don't think we would look particularly with favor upon having a regional bank in Washington.

The Secretary of the Treasury: What is the general course of your trade and commerce?

Mr. Wilson: The greatest volume is North and East -- Northeast, along the North Atlantic seaboard, and that is why

we designate this particular region with which we would like to be identified.

The Secretary of the Treasury: Where do you keep your reserves?

Mr. Wilson: Chiefly in New York and Philadelphia, and some scattered.

The Secretary of the Treasury: What is the percentage that you keep in New York?

Mr. Wilson: I expect that is probably 40% of our total reserve -- in New York City.

The secretary of the Treasury: How much in Philadelphia?

Mr. Wilson: Perhaps 35%.

The Secretary of Agriculture: Are your relations with Philadelphia pretty intimate?

Mr. Wilson: The relations of my particular bank are, yes.

The Secretary of the Treasury: What is the sentiment of the City itself, so far as you have been able to ascertain it, or have you made any effort to ascertain?

Mr. Wilson: We have made no concerted effort to ascertain. We at one time thought of putting in an application from Jacksonville to secure a regional bank at Jacksonville, but after a little investigation, we decided it would be useless and to take up your time for a hearing, as we did

not feel, from the general course of currency or the present course of trade, that we would have a reasonable hope to obtain it, so, at our meeting day before yesterday, we withdrew any such possible, and decided simply to recommend this particular region in which we would like to be included, but we were evenly divided as to first choice for the City in that region. That region, however, includes all of the cities that are applying from the seaboard; Richmond, Atlanta and Savannah, all three of those cities.

The Secretary of Agriculture: Florida has been hospitably received by several other cities. New Orleans included Florida.

Mr. Wilson: Florida does not want New Orleans for a regional bank. The trend and course of our trade is not Westward, and we do not want to be in a region that would take us Westward beyond the Mississippi River.

The Secretary of Agriculture: Louisville has also included Florida.

Mr. Wilson: We don't want Louisville.

The Secretary of Agriculture: What was your main thought in the suggestion of the Atlantic Coast line district?

Mr. Wilson: Because that is where the volume of our bus-

iness is transacted; it is where we know most of the people and most of the people know us and we are familiar with their conditions and they are familiar with ours, and most of our business is done with, through or by them, or come from that territory.

The Secretary of Agriculture: Did you have in mind anything about the diversity of industries in the district?

Mr. Wilson: We considered it somewhat in this way, that in the region outlined in this resolution, that would give us national banks, capital stock and surplus, of about one hundred and five million dollars, the present national banks; that would give us a good substantial regional bank which would materially increase by such number of state banks as would join at present or later on. Then the deposits from all sources would also make a handsome line of deposits, which we have figured would amply supply the credits and needs of that particular territory; a portion of the territory as outlined is a non-borrowing section, while other portions are heavy borrowing sections. Take Virginia, Southern West Virginia and a small part of Eastern Kentucky and Eastern Tennessee, and largely the state of Florida, are non-borrowing sections of that district. The heavy borrowing parts are

North Carolina, South Carolina and Georgia. In other words, the first named state would contribute more capital to the regional bank than their need, and the other states would put in less capital.

The Secretary of Agriculture: Would you object to including Maryland in that district?

Mr. Wilson: No, I don't think we would.

The Secretary of Agriculture: How would you like Baltimore?

The Secretary of the Treasury: In that case.

Mr. Wilson: Baltimore, I expect, would be very desirable, but Richmond is nearer.

The Secretary of the Treasury: Suppose you had a branch bank in Atlanta, under those circumstances, don't you think you would be very well served then?

Mr. Wilson: I have been unable to get any information as to what the functions of the branches are to be.

The Secretary of the Treasury: We tried to explain that a few moments ago.

Mr. Wilson: Well, I just arrived, after a nineteen-hour trip from Jacksonville; I just got into the hall a few moments ago, and I did not hear, that, sir.

The Secretary of the Treasury: The Act makes it mandatory

that the reserve banks in the district shall establish branch banks --

Mr. Wilson: Yes, sir, I know that.

The Secretary of the Treasury: And that the branch banks shall be governed by a board of seven directors, possessing the same qualifications as those of the Federal Reserve Bank itself. In fact, the functions of this branch bank would be governed by directors who are more local to the community served than the reserve bank itself would be, because those directors would have to be drawn from the entire district, and so long as the branches are provided with adequate facilities to perform the functions for which they are designated, for instance, of currency and re-discount of papers --

Mr. Wilson: And clearance checks?

The Secretary of the Treasury: Clearance checks, which may be an important function, wouldn't you get, in that case, just the same facilities?

Mr. Wilson: If those functions were attached to the branch banks, yes, and we hope that we might have a branch in Jacksonville, on those terms.

The Secretary of the Treasury: The object of the law, of course, is to relate those branch banks as intimately as

possible in the entire district to be served, We do not usually find a city that is willing to accept a branch bank, but we are always impressed with modesty.

Mr. Wilson: Well, I will get in Jacksonville's first application now.

The Secretary of Agriculture: We had in mind, rather than the district itself, the course of trade and the strength of the district?

Mr. Wilson: That is, so far as our Clearing House Association acted, Mr. Houston. The individual banks, of course, have their personal preferences, some of them very decided, but as to the Clearing House, we could get no other action than the endorsement of a specific district in which we would like to be included.

The Secretary of Agriculture: Well, we probably have on file the expression from the individual banks.

Mr. Wilson: And here is an expression from an individual bank right here, but it is purely an individual expression and not the Clearing House expression, signed by seven banks. We have sent in our expression already, from the organization there. Now, Atlanta is first choice and Richmond is second.

The Comptroller of the Currency: I would like to ask whether you think the banks in Florida would prefer to be attached to a district to include the Carolinas, Maryland and Virginia on one side, or whether they would prefer to be included in a district to include, say, Georgia, and Tennessee, Kentucky, Alabama and Mississippi.

Mr. Wilson: We would prefer the North Atlantic territory, Mr. Williams.

The Comptroller of the Currency: Would you prefer that, even though Atlanta might have a regional reserve bank? Suppose you should have one district embracing Maryland, Virginia, North and South Carolina, with a bank at Washington, and a district embracing say, Kentucky, Tennessee, Georgia, Alabama and Mississippi, with a bank in Atlanta, which you think your banks would prefer to be included in?

Mr. Wilson: Would you skip the State of Georgia entirely to put Florida with it, or couple a strip of Georgia to make it contiguous territory to get Florida from the Carolina-Virginia district?

The Comptroller of the Currency: That would be skipping, of course.

Mr. Wilson: Unless you included a strip of the coast,

The Comptroller of the Currency: Assuming you skip Savannah; simply attaching Florida to the Carolina-Maryland district.

The Secretary of the Treasury: Including Georgia, of course?

The Comptroller of the Currency: No, not including Georgia.

Mr. Wilson: I believe -- I am stating however, only my personal opinion -- I believe in that case they would prefer perhaps to have Atlanta with the regional bank, under those conditions.

The Comptroller of the Currency: You would rather have Atlanta than to be with the Carolinas and Maryland district?

Mr. Wilson: I believe they would.

The Comptroller of the Currency: Suppose that other district should have Richmond, would you prefer Atlanta?

Mr. Wilson: Atlanta or Richmond?

The Comptroller of the Currency: Yes.

Mr. Wilson: I think you will probably find a preference expressed for Atlanta, because of its nearness to Florida.

The Secretary of the Treasury: That is all, thank you,

Mr. Wilson. Now, Mr. Orr, if you have some exhibits and documents; you may offer them.

Mr. Orr: We have these bound exhibits -- A. B. & C.

The Secretary of the Treasury: What do they represent?

Mr. Orr: Endorsements received from over the territory from banks and individual endorsements.

The Secretary of the Treasury: They were solicited, I presume.

Mr. Orr: Well, indidentally.

The Secretary of the Treasury: Well, how do you mean, indidentally. We have heard that you are a visiting committee from Atlanta. We do not know whether that is indidental or otherwise.

Mr. Orr: Well, in some cases, it was incidental. I mean, the people think so, anyhow. These were solicited first by a letter, a copy of which I think is in here, and then only three or four of the larger cities were visited by members of the committee.

The Secretary of the Treasury: Then you probably have the answers to the letters and telegrams sent out. Now, the committee will receive these exhibits in each instance, only where the inquiry accompanies the answer.

Mr. Orr: The compiler was instructed to do that and I am led to believe that they are here.

The Secretary of the Treasury: If we see they are there,

then we will receive them. Was it a uniform letter addressed to all of them?

Mr. Orr: Yes, sir.

The Secretary of the Treasury: Was there any subsequent solicitation when an answer did not come directly? You see, the value of these exhibits depends entirely upon our having the full story.

Mr. Orr: Yes, sir. There was first sent out a general letter simply asking the banks to join the system. That was followed by another letter, signed by our committee, asking them if they joined the system, we would be very glad to have them kindly think of us in their prayers.

The Secretary of the Treasury: Well, you have copies of all these things?

Mr. Orr: These solicitations are in here with the answers.

The Secretary of the Treasury: The various ticklers, I suppose you call them, that you sent out?

Mr. Orr: Well, sir, most of our members are prohibitionists.

The Secretary of the Treasury: Well, we will let them be filed.

Mr. Orr: I will say that we expect to prepare in books of this kind the briefs of all the parties which each member's

name printed upon the book, so you will have them as pleasant souvenirs.

The Secretary of the Treasury: We thank you, but we do not need to have the names of the members to carry away a pleasant souvenir of Atlanta. However, we will take them as an additional evidence. I may say further that if, between this and the first of March, Atlanta develops any additional facts which you wish to have considered, you may file them with the Committee at Washington and they will be considered.

The Secretary of the Treasury: Chattanooga, Tenn., we will hear from Chattanooga, next. Who will be heard?

STATEMENT OF NEWELL SANDERS.

The Secretary of the Treasury: Give your name to the reporter, Senator.

Mr. Sanders: Newell Sanders, Chattanooga, Tenn., Chairman of joint committee of Chattanooga Clearing House Association, Chattanooga Chamber of Commerce and Chattanooga Manufacturers' Association.

The Secretary of the Treasury: Senator, you know the problem here; we will be glad to have you present the views of

Chattanooga on this subject.

Mr. Sanders: Well, gentlemen, I simply wish to say that the Chattanooga delegation wishes to present to you a district in which they would like to live and do business, and we would present that as a district with varied industries, and productions and also a district with mail facilities necessary for the proper conduct of business. We will ask to have a brief read to you which is short, but which we think covers the ground. It will then be followed by some elaboration, perhaps, or by one of our bankers, and also by one of our other citizens. We have not sought any endorsement from any other city, but we wish to present this matter in rather a different way from what it seems other cities have pursued. We wish, as I have stated, to present a district, and then we will ask you to consider Chattanooga as a proper place for a bank for that district, or any other district that may be out out in the central south. Now, with your permission, we will ask the Secretary of our committee to read the brief, --

Mr. Cantrell.

STATEMENT OF JOHN H. CANTRELL.

The Secretary of the Treasury: I do not need an introduc-

tion to Mr. Cantrell. We used to fight each other at the bar of Chattanooga. Your full name for the record, to the reporter, Mr. Cantrell.

Mr. Cantrell: John H. Cantrell. I am an attorney at Chattanooga, Tenn. I have assisted the joint committee of the Chattanooga Clearing House Association, Chattanooga Chamber of Commerce and Chattanooga Manufacturers' Association in outlining some of their suggestions on this subject as to a district and as to the claims of Chattanooga.

The Secretary of the Treasury: Have you a map, Mr. Cantrell.

Mr. Cantrell: We have a map and a special brief, but we did not expect to be heard this afternoon and Mr. Hoskins, one of our members, has gone for them. We expected to be heard about 10 o'clock in the morning.

The Secretary of the Treasury: Well, just proceed with your briefs and the map may be submitted as soon as it comes.

Mr. Cantrell: I have a brief which I will follow very closely, which is signed by the Chairman of our joint committee of these associations, by Mr. Haskens, President of Chattanooga Clearing House Association, by Paul J. Krussi, President Chattanooga Chamber of Commerce, M. E. Temple,

President Chattanooga Manufacturers' Association, Frank A. Nelson, Manager Clearing House Association, and myself as Secretary. I will say that we have some figures in the brief, but we also have some tabulated statistics that are not here. These figures were compiled by Mr. Nelson, the Manager of our Clearing House Association, who was unable to be here.

Mr. Sanders: He will be here in the morning, however.

The Secretary of the Treasury: Well, they may be filed.

Mr. Cantrell: They will be filed. Omitting the address and heading, it is in the form of a brief, We have a heading here -- in the matter of the location of a Federal reserve bank for the suggested district or territory, embracing Southern Ohio, Kentucky, Tennessee, Western North Carolina, Georgia, Florida, Alabama, Mississippi and that part of Louisiana lying East of the Mississippi River, or any district embracing the Central south.

The Secretary of Agriculture: Read that again, please.

Mr. Cantrell: The suggested district embraces Southern Ohio, Kentucky, Tennessee, Western North Carolina, Georgia, Florida, Alabama, Mississippi and that part of Louisiana lying East of the Mississippi River, or any district embracing the central south.

The Secretary of the Treasury: You take the whole of Kentucky?

Mr. Cantrell: Yes sir. Now, on the subject of reserve districts, we say (reading); we assume that necessarily the first task of the committee--

The Secretary of the Treasury: The assumption on which you proceeded with the laying out of the district provides for how many districts?

Mr. Cantrell: Eight. We have a scheme of the whole United States in which our committee concurred (reading). We assume that necessarily the first task of the committee, after these hearings are over, will be the determination of the geographical limits of the reserve districts, so as to best serve the people of the entire country, that the Federal reserve cities will then be respectively located so as to best serve the interests of the people of the respective districts.

We assume further that, in outlining the reserve districts, the location and needs of the larger center of population will have to be considered, but that, after the districts are once outlined, the particular city which will be designated as the reserve city for any particular district will necessarily be the particular city which is most speedily

and conveniently assessible to that entire district. As the regional reserve bank in any particular district will have the same amount of capital and the same deposits, in whatever city it may be located, it follows that the question of accessibility to its particular district will be the primary question in determining the location of each reserve city. This being so, we think it will appear that Chattanooga is the most logical and most convenient location for the reserve bank for the above suggested district which would embrace the territory that I have named above. And, when the needs of this section, in connection with the requirements of the entire country, are considered, we believe it will be found advisable and highly advantageous to fix the geographical limits of one district substantially as here indicated. Now, the eight suggested districts are as follows: based on what seems to be the concensus of opinion of business men throughout the country, and upon the facts brought out at the various hearings which have been given by your committee, we assume that the country should at present be divided into eight reserve districts, which should be designated and outlined approximately as follows:

1. Reserve City: Boston.
District: Maine, New Hampshire, Vermont, Massa-

achusetts, Rhode Island and Northern Connecticut.

2. Reserve City: New York.

District: Southern Connecticut, New York, New Jersey and Northern Pennsylvania.

3. Reserve City: Baltimore, Washington or Richmond.

District: Southern Pennsylvania, Delaware, Maryland, District of Columbia, Virginia, West Virginia, middle and Eastern North Carolina and Middle and Eastern South Carolina.

4. Reserve City: Chicago.

District: Michigan, Wisconsin, Minnesota, Northern Ohio, Middle and Northern Indiana, Middle and Northern Illinois and Iowa.

5. Reserve City: Chattanooga.

District: Southern Ohio, Kentucky, Tennessee, Western North Carolina, Georgia, Florida, Alabama, Mississippi and that part of Louisiana lying East of the Mississippi River.

6. Reserve City: St. Louis or Kansas City.

District: Southern Indiana, Southern Illinois, Missouri, Arkansas, all of the Louisiana West of the Mississippi River, Texas, Oklahoma and Kansas.

7. Reserve City: Denver.

District: Nebraska, North Dakota, South Dakota, Montana, Colorado, New Mexico, Arizona, Utah, Wyoming and Idaho.

8. Reserve City: San Francisco.

District: California, Nevada, Oregon, Washington,

Now, we have the national bank capital and surplus of said eight districts as above outlined, and the capital of the reserve banks in the respective districts would be approximately as follows.

The Secretary of the Treasury: Well, give us only the Chattanooga district -- the proposed district. You need not give us the others.

Mr. Cantrell: The Chattanooga district, that is, the 5th district, would have \$143,261,000.00 of capital and surplus, national banks, and \$8,535,660 reserve bank capital.

The Comptroller of the Currency: That is only the national bank?

Mr. Cantrell: Yes, sir.

The Secretary of the Treasury: What would be the reserve of the reserve bank -- what reserve would it hold? Have you got those figures?

Mr. Cantrell: No. I believe I have them in the table that

we did not get here. We have given more particular study to the section of the country East of the Mississippi River, together with what seems to be the settled trend of opinion in that territory as to what would be the most practicable division of the same into Federal Reserve districts, and we are convinced that an approximate division as above indicated will give the best possible results and will be eminently fair and just to all the people affected.

The fifth district, if outlined as above indicated, would be ideal, in location, size, population, and diversity of products, and would furnish a most admirable combination of practically all the elements concededly desirable in the formation of a reserve district.

It would garmonize with the other districts which seem to be necessary for the accommodation of the Eastern, Northern and Middle West sections of the country, and would be of average size.

It would include the great manufacturing and trade centers and great grain and stock producing sections of Southern Ohio and Northern Kentucky, the great mining, manufacturing and agricultural industries of Southern Kentucky, eastern Tennessee, Western North Carolina, North Carolina, and North

Alabama, the great tobacco and stock raising section of Kentucky and Middle Tennessee, the vast cotton fields of Georgia, Alabama, Mississippi and Western Tennessee, the sub-tropical fruits and products of Florida and Eastern Louisiana, and the great commercial and trade interests of New Orleans on the South as a balance to the like interests of Cincinnati on the northern end of the proposed district. And yet, with all this almost unlimited variety of products maturing at various seasons of the year and giving assurance that, within such district, there would be a steady and uniform demand on the reserve banks for money throughout the year, by locating such reserve bank at the best and most accessible railroad center in the central section of the district, every important and material part of the territory could be reached by mail deposited after the close of banking hours one day and received at its destination at or before the beginning of banking hours the next day. This will be shown more in detail on the map of the said proposed fifth district and adjacent territory which will be presented with this brief.

The Secretary of the Treasury: Instead of reading your brief in extense, we have it here already for consideration,

suppose you just summarize the points briefly.

Mr. Cantrell: Well, we make four points in favor of Chattanooga. First, that it is an actual and natural gateway between North and South and East and West, and would be the place, for the bank in this district.

The Secretary of the Treasury: On the question of accessibility and railroad transportation facilities generally, we do not need any light, because we are all very familiar with that.

Mr. Cantrell: The second point is that nine lines of railroad center at Chattanooga.

The Secretary of the Treasury: You see, the reading of figures is not of value, because you cannot carry them in your head. The point is to get them in the record.

Mr. Cantrell: Our third point is its accessibility. That is shown in detail here. It is the headquarters of the Southern Express Company, which is practical evidence. We have a letter here from the Vice-President of that company giving the reasons why they located there.

The Secretary of the Treasury: Well, that is in the record, we will consider that.

Mr. Cantrell: Showing that they located there, that they

originally had two headquarters --

The Secretary of the Treasury: Well, that relates solely to the question of accessibility and transportation facilities.

Mr. Cantrell: And then we show that the Interstate Commerce Commission has recently -- that is, in October, 1913, located its headquarters there for the valuation of common carriers in the nine states of Ohio, Indiana,--

The Secretary of the Treasury: Well, that is about the same territory you gave?

Mr. Cantrell: Very much the same territory.

The Secretary of the Treasury: Now, the business of the district is a very vital question.

Mr. Cantrell: Well, the next point, you will notice here, shows that Chattanooga is the business equator of the district; that is, about the center North and South; and we have here the value of farm products north of Chattanooga and south of Chattanooga, the annual farm products; the manufactured products, the national banking capital and the national bankdeposits, on each side of the line, with Chattanooga almost in the center. This was figured as carefully as possible by Mr. Nelson, the Manager of the Clearing House Association. He went over it and corrected the figures as much as

possible, and they will probably be in the appendix that we will have for the brief. Then the next point is that Chattanooga is more accessible than any other city of the Central South to regional banks which may be located in other reserve districts. If reserve banks should be located at Memphis, Chicago, St. Louis, Kansas City, or anywhere north or west, we could communicate with those other regional reserve banks quicker from Chattanooga than any other place that would be a suitable location in this territory that we suggest, or in any territory including the Central South.

The Secretary of the Treasury: Now, are you prepared to speak upon the matter of bank features or problems that we have asked the other cities about?

Mr. Cantrell: I am not. I have simply put in shape the ideas of this committee.

The Secretary of the Treasury: The general features?

Mr. Cantrell: Yes sir,--outlined as agreed upon and suggested by members of this joint committee, representing the ideas of the Clearing House Association, the Chamber of Commerce and the Manufacturers' Association of Chattanooga. We show other advantages in favor of Chattanooga, but they are merely argumentative.

The Secretary of the Treasury: We thank you, Mr. Cantrell.
We will have the next witness.

STATEMENT OF T. R. PRESTON.

The Secretary of the Treasury : Your name and occupation for
the record, Mr. Preston.

Mr. Preston: T. R. Preston, Banker.

The Secretary of the Treasury: What bank?

Mr. Preston: President of the Hamilton National Bank and
also of the Hamilton Trust and Savings bank.

The Secretary of the Treasury: Are you an officer of the
Clearing House?

Mr. Preston: No, not an officer, but I represent, in a way,
the Clearing House at Chattanooga.

The Secretary of the Treasury: You are authorized to speak
for the Clearing House?

Mr. Preston: Yes, sir.

The Secretary of the Treasury: How many banks are there
in the Clearing House Association?

Mr. Preston: Five; three national and two state; that is,
that are active members.

The Secretary of the Treasury: How many outside,

Mr. Preston: I think five or six outside. All of them have clearing house privileges.

The Secretary of the Treasury: Are there any national banks outside of the Clearing House in Chattanooga?

Mr. Preston: No, sir; they are all inside.

The Secretary of the Treasury: You may proceed to supplement your brief with any additional light you can give us.

Mr. Preston: We are particularly anxious to be located in a strong district. We have given more attention to the district, and we felt that when the district was located, the City that would be designated for this reserve bank would be merely incidental. We want a territory that is as far as possible self-sustaining. The trend of our business is best illustrated by an analysis of one day's business, which I will give very briefly, of a few of the larger banks of Chattanooga. On Feb. 9th, the First National Bank handled, in foreign items, \$374,000.00. Of that, 54% was within this district; 17% on the state of Tennessee-- that is, outside of Chattanooga, and approximately 17% on Georgia and approximately ten on Alabama; the other in various points. Now, about 46% of that was outside of this territory, largely on the City of New York, but we have great difficulty in Chattanooga and always keep

New York Exchange. If we had all our reserve in New York, it would be consumed soon in demands for exchange and scattered over the country.

The Secretary of the Treasury: Is that because New York exchange passes at par more freely than any other exchange?

Mr. Preston: Yes, sir.

The Secretary of the Treasury: you have it for that purpose more particularly?

Mr. Preston: Yes sir.

The Secretary of the Treasury: With the parring of exchange between these reserve banks that situation would be entirely altered?

Mr. Preston: Entirely.

The Secretary of the Treasury: You would just as soon have a check on one section of the country as another?

Mr. Preston: If it is parred. Now, this represents items that we have collected in the City of Chattanooga and in a radius of about 50 miles. It does not include the collections on large city banks away from there. An analysis of the business of the Hamilton National Bank to some extent shows the same thing, except that it is hardly as much in detail as that. It shows \$369,000.00 that day, \$13,000 of items on

Georgia and about a like amount on Alabama. We feel that on account of the trend of our business being from the south to the North and East, that we ought not to include altogether a Southern territory.

The Secretary of the Treasury: Now, how much of Ohio did you incorporate in this district -- the whole of the state?

Mr. Preston: No, sir, only about half of the state of Ohio.

The Secretary of the Treasury: Did you take in Columbus?

Mr. Preston: No sir, I think only about half of the state.

The Secretary of the Treasury: How much of Indiana?

Mr. Preston: None of Indiana.

The Secretary of the Treasury: You included Louisville and Cincinnati both?

Mr. Preston: Yes, sir.

The Secretary of the Treasury: Where is the trend of your business?

Mr. Preston: It is towards Cincinnati, going North. We have a great deal of business, however, towards Atlanta, -- towards Georgia.

The Secretary of the Treasury: Is more of it towards Cincinnati than Atlanta?

Mr. Preston: I am inclined to think it is, yes, sir.

The Secretary of the Treasury: How is it towards the East, towards Richmond, Washington and Baltimore?

Mr. Preston: We have no connection of any consequence with Richmond; very little with Baltimore and Washington.

The Secretary of the Treasury: How is it with Louisville?

Mr. Preston: Very little with Louisville.

The Secretary of the Treasury: Where do you keep your reserve now?

z Mr. Preston: Principally in New York and Cincinnati.

The Secretary of the Treasury: How much in each?

Mr. Preston: I should think, speaking for the banks as a whole, 50% probably in New York and the rest scattered.

The Secretary of the Treasury: How much in Cincinnati?

Mr. Preston: Probably ten or twenty per cent; a very little in Louisville and a little in St. Louis and a little in Baltimore.

The Secretary of the Treasury: Well, what would be your choice outside of Chattanooga OO your first choice outside of Chattanooga?

Mr. Preston: It would be--

The Secretary of the Treasury: In this district, as you have

laid it out.

Mr. Preston: Speaking for the Clearing House, I think they are about equally divided between Atlanta and Cincinnati. Either point would serve us acceptably.

The Secretary of the Treasury: Now, suppose it were Atlanta, what is the drift of business from Cincinnati to Atlanta?

Mr. Preston: Well, I couldn't answer that definitely. There is a good deal of business between the two points, I should think.

The Secretary of the Treasury: Would it be doing great violence to the normal course of trade and the course of general financial business to reverse that movement?

Mr. Preston: Yes, it would -- if you reverse it.

The Secretary of the Treasury: You prefer Cincinnati, you think, first, and Atlanta second?

Mr. Preston: Well, I think our Clearing House is about equally divided. My personal preference would be Cincinnati first and Atlanta second.

The Secretary of the Treasury: You do not want to be put with Louisville at all?

Mr. Preston: No sir, we do not want to be connected with

Louisville at all.

The Secretary of the Treasury: Why not?

Mr. Preston: Well, the trend of our business is not that way. We have very little in common with Louisville.

The Secretary of the Treasury: Would you not get just as good facilities, though, in this district as you have laid it out, with the reserve bank at Louisville as at Cincinnati?

Mr. Preston: Possibly so.

The Secretary of the Treasury: As you have stated in your arguement, however, it is not so much the location of the bank itself, but the district is the crucial point?

Mr. Preston: Yes. Possibly we would get just as good service with Louisville as Cincinnati, through the trend of our business is not in that direction.

The Secretary of the Treasury: You may proceed. I interrupted you.

Mr. Preston: Another reason why we laid out this particular territory is that we know the credit conditions somewhat in that territory, for instance, St. Louis. St. Louis's conditions might be equal, better or worse, but we do not know that. We believe that with branches located at different

sections, it is not so much importance where the central bank is located -- I mean, the regional bank.

The Secretary of the Treasury: Suppose it was so related to the eastern district-- I mean this Atlantic coast district, Some suggestion has been made here, I think from the Florida people, as to a district of the Carolinas, Virginia and Maryland and perhaps the District of Columbia; what would be your choice then as to the reserve city?

Mr. Preston: Well, either Washington or Baltimore, under those conditions.

The Secretary of the Treasury: You would prefer that to Richmond?

Mr. Preston: Yes sir, we have no railroad connection, no through connection with Richmond. We have little in common with Richmond.

The Secretary of the Treasury: Would that do violence to the normal trend of things to be related to Washington or Baltimore?

Mr. Preston: Well, I don't hardly think you could put it that strong, but it would be out of our normal course, in a way.

The Secretary of the Treasury: You consider it much prefera-

ble to go to Cincinnati; the time is very much the same, is it not?

Mr. Preston: Somewhat the same. Our items leaving Chattanooga this afternoon would be in Cincinnati for clearance tomorrow morning.

The Secretary of the Treasury: Do you know whether that is true as to Baltimore, or not? It would be a little longer to Baltimore, would it?

Mr. Preston: A little longer. Of course money is artificial to some extent, accumulating in the centers. Still, we would like to have Cincinnati as that center in this district.

The Secretary of the Treasury: You think that the lending end would add strength?

Mr. Preston: I do, yes, sir.

The Secretary of Agriculture: What is your objection to the district that Atlanta suggests -- I believe it includes Chattanooga?

Mr. Preston: Well, I don't believe it is as strong a district as the one that our committee has outlined. I don't believe it would fit in with the rest of the territory, so acceptably.

The Secretary of the Treasury: Do you have a map, now, which shows the division of the entire country into districts?

Mr. Preston: No sir, but we have a list in the brief.

The Secretary of the Secretary: But you did not keep a map of it?

Mr. Preston: No sir. We didn't know the trend of business in some sections, but our committee spent a great deal of time in getting up what they thought would be eight acceptable divisions of the United States, and named the fifth one as Chattanooga as being about the center; just about as much business North of the line, using that as the equator, as there is South.

The Secretary of Agriculture: You think you would get a better balanced self-sustaining district North and South, than East and West?

Mr. Preston: That is the way we feel about it. That would be true in this section. I don't know as to some other. Much of the success in the size of our reserve bank would depend upon the Clearing House functions we thought would be performed by this regional bank. I think a great many of the state banks want to come in, but they are just waiting to

see the practical side of it, but they will come into it, a very large percentage of them.

The Secretary of Agriculture: What is your law on that -- the law of your state?

Mr. Preston: A state bank can come in. The reserves of our state banks in Tennessee are about equal to those of our national banks.

The Secretary of Agriculture: Is there any affirmative provision in the law?

The Secretary of the Treasury: The Attorney General has rendered an opinion on that question.

Mr. Preston: Yes sir, he has rendered an opinion on that.

The Secretary of the Treasury: You heard the questions, Mr. Preston, that were addressed to the Atlanta Clearing House?

Mr. Preston: Yes sir:

The Secretary of the Treasury: We would like for you to consider them as addressed to the Chattanooga Clearing House also and the reporter will give you copies of those questions. We would like to have a brief from you at the earliest possible moment, by the first of March, if possible. If you cannot complete it by that time, then let it come in as soon after that as you can.

Mr. Preston: We will be very glad to do so.

The Comptroller of the Currency: May I inquire who else recommends this particular district besides the banks of Chattanooga?

Mr. Preston: The Chamber of Commerce, which represents --

The Comptroller of the Currency: I mean to say, outside of Chattanooga itself.

Mr. Preston: Well, I don't know that any one in particular has. We have not solicited these things. I presume we could have gotten a great many, if we had solicited them.

The Comptroller of the Currency: Have you any reason to think this would be an acceptable district to any of the other important cities of this district?

Mr. Preston: Yes, answering only from the general trend of trade, we are inclined to think that it would be acceptable to a great many of them.

The Comptroller of the Currency: Which of them, do you think?

Mr. Preston: Take Nashville, Knoxville and Atlanta. As just stated, I don't think Birmingham would be objectionable. Birmingham would not be objectionable to us.

The Comptroller of the Currency: Now how about Louisville and Cincinnati.

Mr. Preston: Those larger cities, aside from their pride, I do not see why they should object.

The Comptroller of the Currency: But you have no reason to think they would prefer that?

Mr. Preston: None whatever.

The Secretary of the Treasury: You are speaking of the district itself, and not so much the location of the reserve bank. You simply suggest that this primarily is a good district.

Mr. Preston: We suggest it as a good district.

The Secretary of the Treasury: And then you would like to see Chattanooga have it?

Mr. Preston: Yes, sir.

The Secretary of the Treasury: But how are willing it should be put wherever the needs of the district could best be served?

Mr. Preston: Yes, of course, if the bank is to be located in a money center, of course, Chattanooga does not stand a show, but if the convenience of the territory is to be considered, we think it does.

The Secretary of the Treasury: Don't you think, Mr. Preston, with the establishment of branch banks at these important points in these districts, that the system itself could be so intimately related that you could get excellent service whether this reserve bank is in one community or another?

Mr. Preston: I do.

The Secretary of the Treasury: We thank you, Mr. Preston. It is now half past five, and unless you gentlemen from Chattanooga here want to get away tonight, we will adjourn until tomorrow and resume on Chattanooga in the morning, but we will suit your convenience.

Mr. Watkins: I would prefer that, so far as I am concerned.

The Secretary of the Treasury: We don't want to hold the Chattanooga delegation here, if you desire to be relieved.

Mr. Watkins: I would prefer to be heard in the morning.

The Secretary of the Treasury: Then we will adjourn until tomorrow morning at 10 o'clock.

Whereupon, at 5:30 o'clock P.M., the committee took a recess until tomorrow morning, Feb. 14, 1914, at 10:00 o'clock.

Atlanta, Ga., Saturday, Feb. 14, 1914.

The Committee met, pursuant to adjournment,
at 10:00 o'clock A. M.

The Secretary of the Treasury: Mr. Watkins, we will hear from you now.

Mr. Sanders: The Committee will recall that on yesterday we did not have some tables in our brief. They have since come in and we now hand them to you.

The Secretary of the Treasury: Thank you, sir.

STATEMENT OF E. WATKINS

The Secretary of the Treasury: Mr. Watkins, give your name and address to the stenographer.

Mr. Watkins: E. Watkins, lawyer, Chattanooga, Tenn.

The Secretary of the Treasury: You know our problem; we would like to have your views on it, and I will ask you to speak a little louder so these gentlemen can hear you; they will want to hear what you have to say.

Mr. Watkins: Gentlemen, when the Act of Congress was passed providing for the regional banks, the business organization of Chattanooga -- the three business organization, appointed,

a committee of three each. The Chairman of these committees composed the central committee. The central committee immediately went to work to study out and understand as nearly as possible the provisions of the Act of Congress, and it became apparent to this committee that it was an extensive system, not depending upon any one district, but depending upon a proper administration of the law for all the people of the whole country. Now, to do this -- I mean, to form an idea of what was necessary, they followed the hearings of Your Honorable Committee, that you have given the people at various places, and saw what the different sections, the different districts in the country, desired, and then with the information they had, they went to work to prepare a map showing eight districts, dividing the territory into eight districts, thinking that eight was perhaps a preferable number. In fact, it is easier to increase them than to decrease the number. In order to do that, as you perhaps will observe from our map, they laid off an Atlantic seaboard district, corresponding to some extent with a similar district on the Pacific slope. That left the Central South lying between the Mississippi River and this Seaboard district, and, by the way, in some instances, they straightened the lines and took some

part of the State of North Carolina, perhaps. They came to the conclusion that these relations between the states in this section of the country was such that they ought to be thrown into the same district in order to make this district self sustaining, and they took that part of Louisiana lying east of the Mississippi River, and a third, or a portion of the state of Ohio, such portion as would be deemed proper upon a more critical examination and investigation, that part of the state of Ohio, the southern part of the state of Ohio, and added to this district, that they thought-the bankers, I mean, when I say they-that the bankers thought would perhaps make a district that would be self sustaining. Of course, I, as a lawyer, am not familiar with exactly what would make a district that would be self sustaining. Now, therefore, we respectfully submit to this honorable committee our view on the whole scheme, not on the district in which Chattanooga should fall alone, but on the whole territory, for the reason that this honorable Committee will have to look to that when you come to make up the district. Now, we do not know what merit there is in our suggestion, but to us, it strikes us that it is the best disposition that could be made of it. It gives us the central south here, embracing a man-

ufacturing and mining district; it gives us an ideal district--

The Secretary of the Treasury: All that is covered in your brief, is it not - these facts and figures?

Mr. Watkins: Well, I am not going into the figures at all, on that.

The Secretary of the Treasury: What we would like to know is this, if you will pardon me for interrupting you.

Mr. Watkins: Yes, certainly.

The Secretary of the Treasury: You have laid out a district here and you have stated your reasons for that. Now we would like to know what paramount advantage Chattanooga has over any other city in this district, assume that should be created as the headquarters for this bank. If it has any superior advantages over any other city in the district, we would like to have that fact brought out.

Mr. Watkins: It is the equator or central part of that district. There is a population north of Chattanooga that is similar to the population south of it --

The Secretary of the Treasury: Well, all of these facts are in here, are they not?

Mr. Watkins: Yes sir. I am simply mentioning that to show

you the reason why it balances up the district.

The Secretary of the Treasury: The only point I am getting at is this, so far as any facts that have already been testified to are concerned, I don't think it is worth while to cover that ground again, but any new or additional reasons showing Chattanooga's paramountcy, we would be glad to have.

Mr. Watkins: Well, you are familiar with the fact that, coming out of the state of Virginia and passing through the states of Kentucky, Tennessee, North Georgia and Alabama for a distance of more than 400 miles, it is one of the finest mineral districts in the United States anywhere. It is the great store house of wealth of this country. Now, Chattanooga is in the very center--not the central point, from one view of it; that is, it is not in the middle of the district, but on account of the approaches to it, it is the only place that could be easily approached from all parts of that district.

The Secretary of Agriculture: To what extent does that trade center there now?

Mr. Watkins: Well, I could not state the facts and figures. But it is to a very large extent, perhaps second in

the district.

The Secretary of Agriculture: To what extent would you say Chattanooga is the industrial and financial capital of that region?

Mr. Watkins: You mean with reference to other places?

The Secretary of Agriculture: Yes.

Mr. Watkins: Well, I would say that it would take the second place.

The Secretary of Agriculture: Which would take the first?

Mr. Watkins: Perhaps Birmingham - I think that Birmingham - (at this point there was a flash light explosion brought about by some fool photographer which interrupted the proceeding.)

Mr. Watkins: Now, let's see; what was your question?

The Secretary of Agriculture: To what extent is Chattanooga the industrial and financial capital of that section?

Mr. Watkins: Well, you take upper east Tennessee, zinc is very largely up there, and the copper interests also.

The Secretary of Agriculture: To what extent does that center there more than anywhere else?

Mr. Watkins: Well, with the conveniences, with the roads leading directly through there --

The Secretary of Agriculture: Does it handle that trade?

Mr. Watkins: No, sir, that trade is chiefly handled in the East.

The Secretary of Agriculture: What is there in your argument that would not apply with equal or greater strength to some other city?

The Secretary of the Treasury: In the district.

Mr. Watkins: In that district?

The Secretary of Agriculture: Yes sir.

Mr. Watkins: Well, nothing, except the Kentucky district—in passing through down to the south, all that trade comes through Chattanooga.

The Secretary of Agriculture; Is it handled there?

Mr. Watkins: Well, a large portion of it is, sir.

The Secretary of Agriculture: The larger portion?

Mr. Watkins: No, sir. I couldn't say that the larger portion is handled here. I would say, however, that perhaps a larger portion of it than any other place south of Kentucky.

The Secretary of the Treasury: What city in the district would you say was the dominant city of the general trade and intercourse with the entire area?

Mr. Watkins: With regard to what?

The Secretary of the Treasury: All of the general course

of business-- the general finance and business throughout the district.

Mr. Watkins: Well, I think --

The Secretary of the Treasury: You say Chattanooga is second; state where the first is.

Mr. Watkins: I think that is the most convenient. It is not the largest in volume. Birmingham is larger in volume on account of her iron.

The Secretary of Agriculture: How about Cincinnati?

Mr. Watkins: Well, Cincinnati is a very large city. I expect, from a commercial standpoint, Cincinnati and New Orleans both are larger than any other two cities in the district.

The Secretary of Agriculture: Which would be the larger commercial center, Chattanooga or Louisville?

Mr. Watkins: Well, Louisville is the larger commercial city. It would not be the larger commercial center of this district, as I conceive the purpose of the law, because it is not as convenient a place as Chattanooga would be. Now, I was going to suggest that it is 300 miles to Cincinnati and about 500 miles to New Orleans. Either place is reached during a night's run. Now, if it was thought best to do so,

each of them could have a branch bank in that district and in that way accommodate all the people in the district. However, if you will permit me to suggest, I don't see why, if a place is reached during the hours between the business in the afternoon and the business of the following morning, it would make any difference whether it was 500 miles or 50 miles, so far as that is concerned.

The Secretary of Agriculture: Your principal point is merely that the mailing center and not so much the trade center centers there, but it can be more easily reached.

Mr. Watkins; Well, that is true, but the idea we have is that in the organization of these banks you will look to the future as well as to the present of them.

The Secretary of the Treasury: Now, Mr. Watkins, have you any additional light you can give us on Chattanooga's supremacy in the district? We are bound to sort of hold you down to that, because that is the material point.

Mr. Watkins: Well, nothing -- I don't know that there is anything more than the subjects that have been discussed in our brief, which I did not expect to go into, except one thing I wanted to say, that we have a district that has telephonic communication with every part of it, and a great portion of the

commercial business of this day is done over the telephone.

The Secretary of the Treasury: Now, we have got all of those facts.

Mr. Watkins: Well, I thought, perhaps not on that subject.

The Secretary of the Treasury: Yes, we had a telephone manager here yesterday who testified 'as to that.

Mr. Watkins: I mean, you didn't have it -- well, yes. Now, with Cincinnati on one end and New Orleans on the other, it occurs to us that the equitable thing to do would be to locate a bank in the center between the two, and then, as suggested awhile ago, if it is necessary, that one or both of them should have a branch bank. The question may be asked, why not give one of these the reserve bank and Chattanooga a branch bank, but you can't reach New Orleans from Cincinnati in a night's trip; it would take 36 hours -- it would take 24 hours to make the run, but it would be 36 hours out of business; whereas, it would only be 12 or 13 hours out of business from Chattanooga in communication of the branch bank with it, and, therefore, we say that that is a very strong reason. We do not know what would be the policy of the administration, we don't know what will be the policy of the ad-

ministration with regard to these branch banks. We do not know whether you will deem them proper or not, but we say if you do deem them proper and for the proper accommodation of the people, and think it better, why that would be a handsome way to handle this district. These are the two extreme points.

The Secretary of the Treasury: We thank you, Mr. Watkins. We will give that consideration.

Mr. Sanders: I would like to say, Mr. Secretary, that we very much appreciate the privilege of being heard here, and the courteous treatment that we have had, and if it turns out that we have been of any assistance or help to you in making a district here in the central south, we will be very much pleased, and if it turns out you think it wise to make Chattanooga a bank city, we shall be delighted.

The Secretary of the Treasury: We thank you, Mr. Sanders. Now, we will hear the claim of Columbia, S.C. We will here from Mr. Clark first.

Mr. Stevenson: Mr. Secretary, Mr. Clark is unavoidably detained from being here.

The Secretary of the Treasury: This is Mr. Stevenson, I believe.

Mr. Stevenson: Yes, sir, from South Carolina.

STATEMENT OF W. F. STEVENSON

The Secretary of the Treasury: Give your name to the reporter for the record.

Mr. Stevenson: W. F. Stevenson, from Cheraw, S.C., occupation; occupation, lawyer and banker. I am here at the direction of the Legislature of South Carolina.

The Comptroller of the Currency: You are speaker of the House, are you not?

Mr. Stevenson: I am not. I have been, but that was some time ago, but the Legislature designated me to take the place of the speaker who could not come at this time. I desire to state that the President of the State Bankers Association, Mr. Williamson, who was to have presented one of the principal briefs in this matter, was taken very ill indeed this morning and will not be able to appear, but his brief will be read by another gentleman. He asked me to state that if it was entirely agreeable to the Committee, if the Committee should have a meeting in Washington, that he would like to appear personally for a few minutes to answer any questions the Committee might desire to ask.

The Secretary of the Treasury: Well, if any questions should be desired, we will, of course, be glad to give him that opportunity. The brief, however, will be filed, of course, and we will give it consideration.

Mr. Stevenson: He will probably desire to revise that and have it more perfect to present when he files it.

The Secretary of the Treasury: Now, Stevenson, address yourself to the particular matters before us. Have you in mind a district of which Columbia is to be the center?

Mr. Stevenson: Yes, sir. we desire to advocate a district.

The Secretary of the Treasury: Have you a map?

Mr. Stevenson: We have not a map specially prepared, but I have, since being directed to come here, which was only day before yesterday, marked out a map, and on that map which we have is the district which we are advocating.

The Secretary of the Treasury: Please describe it.

Mr. Stevenson: That district consists of the District of Columbia, Virginia, taking a very small part of the Southeastern part of West Virginia, which is naturally tributary to Virginia, North Carolina, South Carolina, Southeastern Georgia and Florida. That is the district which we think is the natural district in which we fall. Our reason for that

district is that the theory of this law, as has been abundantly indicated, is that each district should be self-sustaining, and we think that the figures which will be presented by others, will show that this would be a self-sustaining district; that each district, in order to be self-sustaining, necessarily must be a district made up of a diversity of interests. A district made up entirely of cotton growing states would want to borrow at the same time, and necessarily they all would be flushed with money at the same time, and there would be no equalization of matters. Therefore, we have presented this district which has the cotton growing territory; it has the citrus fruit and phosphate territory, it has the trucking territory all the way up the coast, it has the minerals of Virginia and the lumber, grain and live stock of Virginia and North Carolina, and it has a great many diversified interests. In certain parts of this district, especially North Carolina and Virginia, the season of the year when they are borrowing from our country, the cotton country is lending; on the other hand, the thing is reversed, and when our country is borrowing, why those sections have money to lend. That is a reason we advocate this district from a financial standpoint, and then from a trade standpoint; it is a district

that is naturally bound together in matters of trade. The question on yesterday was raised as to the mercantile trade of this district. Speaking for South Carolina, especially eastern South Carolina, I represent a firm which handles possibly a larger amount of commercial collections than any other legal firm in the eastern part of the state, without attempting to blow our own horn or anything like that. Take the shoe trade, for instance, which was brought up on yesterday; I venture the assertion that in that section of South Carolina, the collections for shoe houses are pretty nearly 75% of the City of Lynchburg, which gives a view of the dimensions of the shoe trade. While the collections that fall into the hands of attorneys do not always indicate the amount of trade, but it may indicate that the Lynchburg people are more unfortunate in creating bad debts than other people, still the general rule is that there is a certain percentage of all these sales -- commercial sales by wholesale houses, that get into the hands of attorneys, no matter where they come from; then, as to the mailing facilities and transportation facilities, it is hardly necessary to discuss that with this Committee.

The Secretary of Agriculture: What city are you suggesting?

Mr. Stevenson: Columbia, S.C. The City of Columbia is practically in the center of that district. Then we have other lines, of course, to Charleston and the port -- two lines, the coast lines -

The Secretary of Agriculture: We are entirely familiar with that.

Mr. Stevenson: Yes, and it is not necessary to discuss that. These railroad facilities of Columbia for mailing purposes and all that are familiar to this committee, especially to a member of it who has been very largely concerned in the development of those facilities. As to the disposition of the state banks, I desire to say that, notwithstanding I heard a report on yesterday that was made some weeks ago that there were legal difficulties in the way, there was no power under our Legislature for a state bank to take stock in this institution until a week ago, I looked into it, and introduced, myself, a measure in the Legislature which became a law on yesterday, and which gives them express authority to do so, and in the Legislature, which has a large number of country bankers in it, that measure was given preference over everything, and it is the unanimous desire, I think, of the state banks of South Carolina, who are now arranging to become

members of this system. It will, however, depend somewhat on the location of the central bank and the naming of that bank, as to whether they will or not. Speaking for the institution which I represent, -- at a meeting at about a week ago when our stock was increased to \$125,000. from \$50,000., the stockholders unanimously directed the directors, when it was deemed absolutely judicious, to enter this system.

The Secretary of the Treasury: You do not mean by that, do you, Mr. Stevenson, that you would not join the system if this district were laid out and reserved were located at some other point than at Columbia?

Mr. Stevenson: No sir, not at all. The point which we make is that it depends to a certain extent on the location of the central bank, as to its proper communications with the banks of this state and with the personnel of course of the people in it, as to whether there will be unanimity on the part of the bankers who are eligible to enter, -- whether or not they will enter.

The Secretary of the Treasury: Can you state offhand what percentage of the banks of South Carolina -- the state banks, are eligible under this Act?

Mr. Stevenson: A very large percent. I should say 75 or 80%

of them. There are quite a number of banks under \$25,000 capital, but in the whole aggregate, they are rather a small percentage. The tendency is to put the capitalization to at least \$25,999 although we have no law requiring that. Now, as to one other feature of it, and that is the only other feature that I desire to present, so far as we are concerned, as to the location of a bank in Columbia. At a glance, the Committee will see that that will be pretty nearly the center of borrowing in that district. With the location of the bank, the Board of Directors there will keep the Board more nearly in touch with the financial conditions of the borrowing constituency, I think, than if it were located elsewhere.

The Secretary of the Treasury: How can that be, as, under the law, the Directors are to be drawn from the entire district, and chosen in the manner prescribed by the Act?

Mr. Stevenson: Well, it is generally supposed that the location of the regional bank will be somewhat the center of the whole business, and while they are drawn from elsewhere, they would naturally be more in touch with conditions contiguous to the location of the bank. Otherwise, there would be very little occasion for us to dispute about where the bank is to

be. Now, these are the general representations as to that matter.

The Secretary of the Treasury: You think the Board of Directors, even though drawn from the district, would ultimately become affected by the local environments?

Mr. Stevenson: They would ultimately become more familiar, I should think, with the district more nearly contiguous to where the bank is located.

The Secretary of the Treasury: Well, you are familiar, are you not, with the provisions of the Act about the branch banks and the directors of the branches and how they are chosen?

Mr. Stevenson: Yes sir, I am familiar with it, but I have not studied the bill as some of the members of the delegation here have, because I had no idea of coming here, and it was only at the direction of the Legislature that I came, but I think that the suggestions which have been made, that the branch banks will, to a considerable extent, localize, and that they will be considered more local than the regional banks, of course appeals to me as a reasonable proposition. Now, we are very deeply concerned as to the district in which we are placed, and we think that a district created on these lines will be much more helpful.

The Comptroller of the Currency: You did not include Maryland?

Mr. Stevenson: We did not.

The Secretary of the Treasury: You would not object to Maryland, would you?

Mr. Stevenson: We would object to Maryland or West Virginia, we have an objection to that, but as to the question of second choice which has been asked, I think the unanimous second choice of the state of South Carolina, or the bankers of South Carolina, would be Richmond; that is, so far as I have been able to ascertain.

The Secretary of the Treasury: How would you regard Washington?

Mr. Stevenson: Washington has been very little considered, because our people have always regarded Washington as purely dominated by a political sentiment, and when we start to buy goods or make banking arrangements, we go to Richmond or jump to Baltimore or Philadelphia or New York, and then we drop back there to see the Congressmen and find out what is doing politically; but there are practically no bankers in South Carolina that even have a speaking acquaintance with any bankers in Washington, and our feeling about that is this,

without any antagonism to Washington or any reflection on the fact that it is a political center, our feeling about this particular territory, and it is from an experience of fifty years of practical hostile sentiment politically to that particular territory, and we have very naturally acquired the idea that in business matters, and in political matters, too, we have very little to expect. We are beginning to feel that we are more at home up there at the present time, (laughter) but that is strictly in a political way.

The Secretary of the Treasury: Now, assuming that a fund was in Washington that was available to the bankers and to the people of this territory, you wouldn't have any more trouble getting access to that fund in Washington than in any other city in the district, would you?

Mr. Stevenson: I apprehend not.

The Secretary of the Treasury: As a matter of fact, the United States Treasury holds a little money, and I observe that when we propose to let the banks throughout the country have some of it, they were just as willing to take it as if it had come from anywhere else, and seemed a little more willing to take it out of Washington.

Mr. Stevenson: They all seem to find the road to Washington

very promptly.

The Secretary of the Treasury: Now, waiving all sentimental consideration as to politics and considering it seriously, and regarding the problem as an economic one, with a reserve bank in this district to which resort may be had in time of necessity, or for any other reasonable purpose, by the banks in that district, who come hither to rediscount paper, can you see any more objection to Washington from that point of view than to Richmond or to Baltimore, or to any other city of the district?

Mr. Stevenson: I apprehend not. There is one consideration, one reason, I take it, that Washington has not be considered is the fact that it has been considered by the people as a political center, and our experience as bankers has been that when it comes to mixing up political matters, it is a very unsatisfactory condition.

The Secretary of the Treasury: Doesn't that argument react on Columbia? Isn't that a political center?

Mr. Stevenson: Well, sir, in a very small way. The political center seems now to have shifted up into the cotton mill section in the northern part of the state. The political center is in Spartanburg and Greenville at the present time.

These two counties dominate the state. As to that matter, however, the location in that district is a matter of minor importance, from my view of the case. Now, Mr. Williamson's paper, the paper which he would have read, will be presented to you by Mr. Richard I. Manning, of South Carolina.

The Secretary of the Treasury: Thank you, Mr. Stevenson.

STATEMENT OF RICHARD I. MANNING

The Secretary of the Treasury: Give your full name, please, sir.

Mr. Manning: Richard I. Manning. I am first and foremost a farmer, but incidentally President of the Bank of Sumter.

The Secretary of the Treasury: You are a farmer, but not an agriculturist?

Mr. Manning: Not an agriculturist.

The Secretary of the Treasury: I believe there is a broad distinction between the two.

Mr. Manning: Yes sir, the farmer makes his money, I believe, on the farm and spend it in town, and the agriculturist makes his money in town and spends it on the farm.

The Secretary of the Treasury: I just wanted to get that definition in the record again. I wanted to find out if it is

universal throughout the country.

Mr. Manning: Mr. Secretary, I have just been asked to take Mr. Williamson's place, who is detained by sickness, and to read the brief which he had prepared for you. Mr. Stevenson has already gone into some of the matters which were touched on here.

The Secretary of the Treasury: Now, I would suggest simply, in order that we may not repeat or cover the same ground, that you touch upon any points in this brief which have not been covered by Mr. Stevenson.

Mr. Manning: In reply to that, sir, I would say that Mr. Williamson has outlined here the case of the South Carolina banks. In their first meeting, they endorsed strongly the proposition to get a north and south district. Subsequently there was another meeting of the bankers held at which there were 180 banks represented. At that meeting they reiterated their desire to be in a north and south district, and added that they wanted Columbia as the regional bank city, and it is those two points which we desire to present to this Committee. We realize the importance of the question which you developed yesterday of a district being a self supporting district.

The Secretary of the Treasury: As far as practicable.

Mr. Manning: As far as practicable. Of course, we are in an agricultural community which of necessity is a large borrower. We have not yet reached that point of development where we are able to lend to our neighbors to any great extent, but we are obliged to use our funds for the development of agriculture primarily, and the demands on the banks for money has been steadily increasing one, owing to the adoption of the policy of lending to the farmers as far as it is practicable to do so, and furnishing them money at a low rate of interest -- at a low a rate as practicable, and to take them out of the hands of the commission merchants. It is for this reason, that their money comes in only in the fall of the year, and it makes our line of borrowing very heavy during the spring and summer months. Mr. Williamson here has gotten up two districts, and in one of these districts he has shown that the total resources of the national banks in that district are absolutely inadequate for the needs of the district in the matter of rediscounts. That district, as he has outlined it, sir, comprises the states of North Carolina, South Carolina, Georgia, Florida and Alabama.

The Comptroller of the Currency: He puts in Georgia and

leaves out Virginia?

Mr. Manning: Yes, sir. In that district we find that the total resources of the bank would be something over twelve million dollars, while the rediscounts of the national banks in that district during the past season amounts to something over twenty-six million.

The Secretary of Agriculture: Does that reflect the total value of rediscounts.

Mr. Manning: It does not touch the state banks at all.

The Secretary of Agriculture: Nor the borrowing outside?

Mr. Manning: None whatever. That is confined simply to the national banks.

The Comptroller of the Currency: When you speak of resources of twelve million, do you mean capital only?

Mr. Manning: Capital deposits and government deposits.

The Comptroller of the Currency: What would the capital be?

Mr. Manning: I will just give you the figures, sir. The approximate capital and surplus of all the national banks in these states is \$70,000,000. The approximate deposits are \$170,000,000, and the customary rediscounts of these banks during August and September was \$26,900,000, at

rates ranging from 4 to 8%. The paid in capital of the reserve bank of such a district would be \$2,100,000. The deposits, based upon one half of the member banks' reserves being placed with the reserve bank, would be \$10,200,000.; the aggregate capital and surplus of these banks being about 4% of the total capital and surplus of all the national banks in the country, it is reasonable to suppose that about 4% of the total United States deposits would also be placed with that bank. Assuming all the United States deposits to aggregate \$150,000,000., the share of this particular reserve bank would be \$6,000,000. The funds available for rediscounts or investments would be as follows: capital, \$2,100,000, 65% of the total deposits \$10,530,000, making a total of \$12,630,000. Inasmuch as the rediscounts are \$26,000,000, it will be seen at once that the resources of such a bank would be entirely inadequate to the needs. Now, we come after going over this situation, to see what district we would like to be in, recognizing the fact, and stating it frankly, that we are a very large borrowing state, that we want to be linked up with some states where the deposits are larger in proportion to their rediscounts. To do that,

of course, we go into a north and south district, and, as Mr. Stevenson suggested to you, the district that we have fixed on as being what would best supply the general needs of that territory, would be one half of West Virginia, or a portion of West Virginia, the district of Columbia, Virginia, North Carolina, South Carolina, Georgia and Florida.

The Comptroller of the Currency: I think, Mr. Stevenson did not include Georgia.

Mr. Stevenson: I included southeast Georgia -- from Augusta across.

Mr. Manning: That left out Atlanta and all the Western part of the state. I won't go into the figures here, as we propose to file this brief with you, but I will state that on examination you will find that the resources of the national banks in the territory would more than equal the demands of the territory for rediscounts. Now, that does not take into account the state banks at all, but the proportion would be practically the same, and we feel that it is simply a question of time when the state banks will come into this system. I wish to say, as far as the bank I represent is concerned, that we already had a meeting of the stockholders which authorized the Board of Directors to take steps to go into

system as soon as the rules are laid down, and other conditions are known. We feel that we have every desire to see the system succeed, and realize that the more banks come into it, the safer the system, and the more sure the system will be of success. Now, as to the question of location, I want to say this, and impress on you gentlemen this fact, that the question of the district is -- I will use Mr. Bryan's words -- the paramount matter in our minds, but that along with that we realize that, located as we are in South Carolina and with the advantages which Columbia presents, we want to submit to you that a reserve bank located at Columbia would fill the needs and facilitate the business, we believe, in that territory. I have here a statement, which I will file with you, showing the mail facilities and the promptness with which that part of the business would be transacted. Of course Columbia, taking in Florida as the southern point, -- you can see how nearly the center of the district it would come, but I will file with you the statement which shows that. Now, Mr. Williamson wishes further to impress upon your attention this fact, that with the advantages of Columbia which we wish to submit, the reserve bank will not depend on or be dependent on any immediate local condition for capital or deposits. These will be the

same, whether it be at Key West, Columbia, Washington or any other point in that district; that the reserve banks will not largely as a clearing house and for the supply of funds to banks only and that probably over 90% of its business will be through the mails, and practically all of it will be from other banks and the government, and for these reasons a central location and its mail facilities with ability to make prompt clearings with reference to economy in time, which is a great saving, not only of interest, express, etc., but safety, should largely govern the location. If these premises are correct, the size of a city and its financial strength will add nothing to the advantage of location, but that promptness, celerity and dispatch surely will, and that these are the principal advantages of the location, and we herewith submit the mail facilities of Columbia as compiled on this sheet, which I will just filed with you. "As a banker," says Mr. Williamson, "I know that each incoming and outgoing mail is taken advantage of, and I herewith submit the average times of delivery and transit of certain cities in comparison -- Columbia, Atlanta, Richmond and Savannah. Again we wish to present this idea, that one of the purposes of this bill is to decentralize, and that placing the clearing house and the depot for the supply

of money and credit in the direction of the aggregation of wealth of the country is a continuation of the principle and of the idea, that the money centers are still to control. For instance, the premiums paid for life insurance from South Carolina, and held in investment awaiting distribution, amount to \$27,000,000, of which about \$10,000,000 is invested in South Carolina, as shown by the Insurance Commissioners' report for 1913 -- an amount nearly equal to the capital of all the state banks in South Carolina, to be invested in foreign securities. We concede that the banking capital of the South Atlantic States is very small in comparison with the states to the north of them, but how about the agricultural wealth, the most important and foundation of the other wealth, and we respectfully call your attention to the fact that the future wealth and the hope of this country lies in the first few inches of its soil, and that South Carolina the smallest of our agricultural states, ranks thirteenth in the value of its products, and for 1913 made an increase of \$31,000,000." He says in conclusion, "that the south, with the opening of the Panama Canal and the vast resources of the South, has turned its face towards the rising sun and to the future with its great possibilities."

The Secretary of the Treasury: Mr. Manning, what would be your second choice - the second choice of the South Carolina bankers, what city in this district?

Mr. Manning: Mr. McAdoo, I would like to be perfectly frank with you on that. Of course, we are looking only to Columbia at the present.

The Secretary of the Treasury: I understand that, but assuming you had to face another alternative, what would you say?

Mr. Manning: Well, I would say frankly, on that, take my own town Sumter, for instance, there is a diversity of opinion on that matter. There is one bank that desires Washington. There is one bank that wants New York; they want to be linked up still with that center. The rest of the banks prefer Richmond as the second choice.

The Secretary of the Treasury: How do you regard Atlanta?

Mr. Manning: Well, now, sir, we are very friendly indeed with our neighbors down here, but this is a business proposition which is more far reaching than a mere sentimental feeling for any one locality that way. Atlanta would be absolutely out of the line of the trend of our business. To show you how it would affect us in our collections with points East of Spartanburg and Greenville, -- the connections are such that

it takes too much time to get here and too much time to get away. The bank I am connected with, during the year, expresses for cotton business over \$17,000. not to be exact. Now, we get that money at present during that season, which is the only season we have, but we send for the currency as needed, and sometimes from Charleston, generally from Columbia and also from Richmond and Baltimore. Now, if we find that the amount of cotton coming in in that wagon trade is very large on any day, so that our currency runs down at the close of business, we can wire even as far North as Baltimore for currency, and have it there for the next morning to meet that trade. We do an enormous business in that territory; we handle about 70,000 bales of cotton from wagons, and of course, that is all to be paid for in currency, and it takes a very large volume of money. Now, with Atlanta, there is no way in which we could get that money even ordering it at the same time, for 24 hours later, and of course, at that season of the year you are just obliged to have the currency, and there is no way of predicting what the trade of any day is going to be. That is a very important matter. Now, the fact is that our items are nearly all -- our out of town items are nearly all north and east. We have a very small per-

centage of anything that we have to collect from this western country, nothing to the west of here.

The Secretary of the Treasury: You did not include Maryland in that district, I believe.

Mr. Manning: No sir, I did not.

The Secretary of the Treasury: Suppose that were included, how would you look upon Baltimore--as between Richmond and Baltimore, I would say.

Mr. Manning: Well, personally, now, I would say -

The Secretary of the Treasury: Well, considering it as a business proposition; that is the only way you can look at it.

Mr. Manning: Why; certainly; really, I do not think there is very much difference, so far as we are concerned, between the two. There is, however, this, that Baltimore practically puts us one mailing day further off. Of course, our mail would reach Richmond by the afternoon, or if mailed in the afternoon, would reach Richmond the next morning by five o'clock, everything entering into the business of that day; whereas, with Baltimore, it is 10:30 or 11 o'clock and that mail is not answered until the day after. Anyone who has been in the banking business knows what the value of a day is,

both in the matter of saving of interest and time.

The Secretary of the Treasury: How about Washington, how would you view Washington?

Mr. Manning: Well, we feel, frankly, that as long as the present administration is there, it would be satisfactory and we would have a very friendly attitude to Washington, but seriously, I do not feel - we do not feel that the capital of the country should be the place for this banking institution. In the first place, none of our business relations are with Washington. We do scarcely any business through there and we are not thrown with the banks or banks there.

The Secretary of the Treasury: Well, construing the functions that this bank is to perform, which, as you understand, is confined to rediscounts and certain other specified things mentioned in the bill, and as having relations with a number of the banks in the district, would it not serve your purpose just about as well in Washington or Baltimore or Richmond, for that matter?

Mr. Manning: I will say, frankly, that I think it could, except as I said before, that with our view of the matter, Washington being the center of all political associations, affiliations and influences, that we feel just in a sentiment-

tal way that it is best not to have business mixed up with it.

The Secretary of the Treasury: Well, that is a sentimental consideration, of course. The directors of this bank, wherever located, are to be drawn from the entire district.

Mr. Manning: Certainly.

The Secretary of the Treasury: So you would have the same directors, no matter where the head bank happens to be located.

Mr. Manning: Yes sir.

The Secretary of the Treasury: It would be no more susceptible to any other influence in one community, I imagine than in another.

Mr. Manning: We are not inimical to Washington, but we simply have not had any occasion for association in a business way there with those people and of course you will be influenced by that to a certain extent.

The Secretary of Agriculture: Didn't you include Washington in this district?

Mr. Manning: Yes sir.

The Secretary of Agriculture: What would they say about Columbia, wouldn't they make the same argument as to

Columbia?

Mr. Manning: Well, I suppose at present they might.

At the same time, I don't know that that would be as far reaching outside of South Carolina as in the state.

The Secretary of the Treasury: As has been remarked, the political argument reacts on Columbia as well as on Washington, because you have got a state capital and it is supposed to be the headquarters of a good deal of political activity.

Mr. Manning: Well, at the present moment, the political influence is not exerted as a very potent factor of our life.

The Secretary of the Treasury: Did you give the capital of this bank -- I was out at the moment.

Mr. Manning: Yes sir, it is in here, and I have it in the brief which I will file.

The Secretary of the Treasury: That is all for you, Mr. Manning. Who is the next.

STATEMENT OF B. F. TAYLOR

The Secretary of the Treasury: Give your full name and residence to thereported for the record, please.

Mr. Taylor: B. F. Taylor, Columbia, S.C., banker and manufacturer, representing the Columbia Clearing House Associa-

tion, South Carolina Bankers Association and the Bank of Columbia, S.C.

The Secretary of the Treasury: Are you President of the Bankers Association of South Carolina?

Mr. Taylor: No sir, I am Secretary of a committee that was appointed by the Association to appear before you gentlemen.

The Secretary of the Treasury: Have you the resolutions?

Mr. Taylor: They have been filed with Mr. Williamson's brief. I have the original here, though.

The Secretary of the Treasury: What do they cover, what is the authority?

Mr. Taylor: The authority is to appear before you gentlemen in the interest of Columbia, first for a regional bank north and south, and second for Columbia.

The Secretary of the Treasury: You mean for a district north and south?

Mr. Taylor: Yes sir, for a district.

The Secretary of the Treasury: Have you any facts in addition to what have been presented by Mr. Williamson, Mr. Manning and Mr. Stevenson?

Mr. Taylor: I think so, Mr. Secretary. I have some figures

here showing the capital and the borrowing of the banks of this territory. Just roughly, without going into the details, I will say that the district that we laid out was Virginia, North Carolina, South Carolina,-

The Secretary of the Treasury: That is the same district that has been described?

Mr. Taylor: Yes, sir, the same that has been mentioned. With that district, the capital of the regional bank, speaking from the national banks alone, would be \$6,156,000. deposits, on the basis of 6%.

The Secretary of the Treasury: What resources would the bank have?

Mr. Taylor: The resources under this would be \$7,000,000, practically, of government deposits, \$18,000,000 reserve deposits from the respective banks that are members. That would give a total of \$31,156,000, and the reserve of such a bank that would be required to be kept in gold, would be \$10,800,000., leaving for loans \$20,350,000.

The Secretary of the Treasury: That is on the assumption you have \$7,000,000 government deposits?

Mr. Taylor: Yes sir; now, that bank in that same period

would borrow, according to this statement of June 14th, 1913, that is the only one I had available when I made up this-

The Secretary of the Treasury: Well, that is not very useful, is it?

Mr. Taylor: No sir, that is not very useful. I have another one as of August 9th.

The Secretary of the Treasury: Have you got the Oct. 21st statement?

Mr. Taylor: I have not the Oct. 21st statement, but I have one that is worse than Oct. 21st.

The Secretary of the Treasury: Well let us take that one.

Mr. Taylor: All right, we will take that one. Under that condition we would have practically the same resources, \$104,000,000 capital from the banks of this district.

The Comptroller of the Currency: What date is that?

Mr. Taylor: August 9th, I think. One hundred and four million capital the national banks, one hundred and eighty-one thousand deposits, \$306,445,000 -- the resources would be \$20,350,000, with a total borrowing of \$29,430,000.

The Secretary of Agriculture; That is the national banks alone?

Mr. Taylor: Yes sir. Now, that \$29,000,000 borrowing in the district, I think, is very abnormal.

The Secretary of the Treasury: These are borrowings of the national banks only?

Mr. Taylor: The national banks only.

The Secretary of the Treasury: Have you any idea how much additional borrowing there is in the district here outside?

Mr. Taylor: Yes, I have it here, if I can put my hands on it. Where the national banks borrowed 3% of their capital, the state banks borrowed 15% of their capital, so that will give you the ratio.

The Secretary of the Treasury: What does it amount to in dollars.

Mr. Taylor: It amounts, in the state banks, the same day the national banks borrowed \$15,000,000, the state banks borrowed \$24,000,000.

The Secretary of the Treasury: How much is the borrowing of the state banks reflected in the borrowing of the national banks?

Mr. Taylor: Very directly, sir.

The Secretary of the Treasury: Have you any idea?

Mr. Taylor: Yes, I think I can give it to you in an instance from own bank.

The Secretary of the Treasury: I mean in the district.

Mr. Taylor: I haven't figured that out accurately, but I can tell you my experience. With my bank, we borrowed \$100,000 in New York, \$200,000 borrowed, so you see that 50% of what the state banks borrowed would be borrowed in this district. Now, Mr. Secretary; if all of the state banks were to come into this concern, I figure there would still be ample resources to take care of the district.

The Secretary of the Treasury: If every state bank would come in, you mean?

Mr. Taylor: I didn't separate those that were eligible and those that were not, but if all of the state banks in this district were to come in and become members of the regional bank, there would be ample resources, in my opinion, to take care of the needs of the peak point of borrowing.

The Secretary of the Treasury: Have you the figures on that?

Mr. Taylor: Yes sir, I have them before me, but didn't think you would want to bother with them.

The Secretary of the Treasury: You are including all eligi-

ble state banks?

Mr. Taylor: No sir.

The Secretary of the Treasury: Well, then, you figures would not be of much value.

Mr. Taylor: No sir, they would not be of much value.

The Secretary of the Treasury: What is the second choice of the Columbia bankers if this regional bank could be located in some other city in the district?

Mr. Taylor: Richmond. I think Richmond is the unanimous opinion of the bankers of South Carolina.

The Secretary of the Treasury: How do you feel about Atlanta?

Mr. Taylor: We do not business with Atlanta. It is a hard thing to get anything over to Atlanta and back in a reasonable time.

The Secretary of the Treasury: You mean it is a hard thing to get something back from Atlanta?

Mr. Taylor: Yes, sir, hard to get something back from Atalanta. For instance, you just take it this way, under the railroad schedules from Columbia to Atlanta, it is two hours shorter to come to Atlanta than it is to go back. That is just an illustration of how the thing works from this side.

but we are not familiar with Atlanta and we do not do business this way. Atlanta is considered a western city; it does business with Kentucky and Tennessee, out that side, and very small percentage of the Carolina business is done in Georgia. The whole trend of our business, so far as banking is concerned, is northward. I don't think we ever come to Atlanta to borrow. The State of Georgia borrows ten million dollars, South Carolina five million and North Carolina four million, but, of course, we realize fully that that would have absolutely no effect on the regional bank, that you could locate a bank at Marietta or East Point or any other place, and the resources would be the same; you could borrow just as well from Atlanta as from Richmond or Columbia, Savannah or any other point in the district, but we feel that the mail facilities and the natural tendency of travel and everything else is away from Atlanta, as far as we are concerned.

The Secretary of Agriculture: How about Savannah?

Mr. Taylor: Well, Savannah, so far as Columbia itself is concerned, would be a very good point. We can reach them by a number of trains each day, but for the whole district, I don't think Savannah would be near as practicable as some other.

The Secretary of the Treasury: The whole trend of business and the customary course of business is eastward, is it, or north, I mean?

Mr. Taylor: At present, but I have given this matter a great deal of thought, and I declare this matter of the trend of business is one that is very complicated. For instance, I asked a friend of mine what was the trend of business, and he says it is the way the caravans move. Well, that is very true, but we are not handling cotton; we are not handling coal or iron; we are bankers and this is a banking proposition and it doesn't make any difference to us how the caravans move, what we want to know is, how the paper moves, which represents money to us.

The Secretary of the Treasury: Well, that has relation to trade and commerce, doesn't it?

Mr. Taylor: If the balance of trade is in favor of the south, it seems to me the paper moves south, it doesn't move north. The money moves south. The paper moves along that way, but it may not go by the same route. We ship cotton from Savannah to Liverpool, but we do not send our mail documents by ship. So the trend of business, the trend of documents and the trend of the movement of money is entirely

different from the trend of the movement of commodities, in my opinion, and the question is a question of banking. The trend of trade is the way the greatest volume of money moves.

The Secretary of Agriculture: What would be your attitude towards Baltimore?

Mr. Taylor: We are very friendly towards Baltimore and I think they could serve our needs as well as Richmond, except they are a few hours difference in time.

The Secretary of Agriculture: Would it strengthen the district to include Maryland?

Mr. Taylor: I think it would. At least the Western part of Maryland. I haven't been able to figure out a district, Mr. Secretary, for Pennsylvania--I don't know whether you gentlemen have figured one for that or not -- without including at least the eastern part of Maryland.

The Secretary of the Treasury: We thank you, Mr. Taylor.

The Secretary of Agriculture: Do you want to file your figures?

Mr. Taylor: If you want me to file them. Mr. Rhott asked me to state to you that he was detained in Washington on account of a meeting of the National Chamber of Commerce in which

he is some kind of an officer.

STATEMENT OF E. J. WATSON.

The Secretary of Agriculture: Give your name and what you represent, Mr. Watson.

Mr. Watson: E. J. Watson, Commissioner of Agriculture and Commerce and Industries of South Carolina.

The Secretary of Agriculture: Have you any additional information on this point?

Mr. Watson: Gentlemen, as far as I am concerned, I am not here as a banker. I am here very largely representing the manufacturing and basic agricultural interests of my immediate section of the state. The matter I want to call your attention to is that most of the evidence and discussion seems to deal with this entire matter from the standpoint of local environment. In my humble judgment, we ought to look at this matter from a larger view point, as has been mentioned here a great many times, as the trend of trade, and I have tried, coming over here with this committee, to look at this matter with a view to the opening of the Panama Canal--

The Secretary of Agriculture: That has followed us all the

way around from Boston and is pursuing us still.

Mr. Watson: I just wanted to suggest that if you desire it, I would ask the privilege of filing a brief later on on that particular subject; not from a standpoint of sentiment; but from a standpoint of pure hard figures as representing the cotton belt territory of the Atlantic Coast. We want a north and south region. Cotton is our principal product, and it is a product that amounts to so much to the nation at large. A government map I had the other day, showing the amount of cotton consumed and turned into manufactured products, showed that South Carolina, North Carolina and Georgia are the three states in the South that manufacture more than 500,000 bales of cotton annually.

The Secretary of the Treasury: We would be very glad to have you file your brief, Mr. Watson.

Mr. Watson: I thank you, sir, I will be glad to do so. Now, we want to get the banking situation so arranged that we are not compelled absolutely to go to New York --

The Secretary of Agriculture: Well, this bill arranges that.

Mr. Watson: We believe that with the volume of this business down here in this territory it amounts^{to} enough to give recognition to this portion of the country. Now, so far as

the territory is concerned, I would like to call your attention to a fact shown by the 1910 figures that you will find-- I think it was issued by your department, Mr. Watson--in the cotton crop report for 1910. The productive power of the states we are asking to be put into this territory runs up to the annual sum of \$678,163,000.00 of agricultural products exclusive of live stock. North Carolina now is consuming 800,000 bales of cotton and South Carolina is consuming practically 800,000 bales, and we are sending out from that territory something over two million bales of exports in cotton. These three states, therefore, are in a position and ought to be, in my judgment, kept together. The district is arranged on a north and south basis, largely on the matter of transportation; the transportation lines running north and south.

The Secretary of the Treasury: We are familiar with that.

Mr. Watson: I would like to call your attention further to the fact that has been brought out here by other witnesses for the state of South Carolina this morning, that is, from the standpoint of Atlanta, it is almost impossible to get across between the two main north and south direct lines, one leading to New Orleans and the other leading to Florida.

One reason we are trying to embrace Columbia is this, that the port of Charleston is necessarily going to be used sooner or later. The railroad world is looking to it now. It is only 129 miles away from Columbia, and we get good rail connection and mail facilities. Now, these are the principal points I think worthy of consideration. As to the rest of the country, we take the view that if we could suggest to you a practical composite district, starting with the coast line, that we are concerned principally and primarily with that, with a view to the development that is coming in the future, and not entirely that of the present day conditions.

The Secretary of Agriculture: Will you file your brief?

Mr. Watson: I will be glad to.

ADDITIONAL STATEMENT OF B. F. TAYLOR.

Mr. Taylor: I just want to add a word to my testimony then. If this section of Georgia, that section of Georgia which is more tributary to South Carolina and Richmond, were included in the district which is proposed, with Augusta and Savannah following the trunk lines down to Florida, it would very much improve the financial standing and financial statement of the district in question, but that would throw this, the largest

borrowing part, ten million dollars of borrowing, into one district; whether that would be advisable or not, we have not figured out.

The Secretary of the Treasury: You would rather unload that on some one else?

Mr. Taylor: We would rather unload that on Chattanooga.

Mr. Stevenson: I would like the privilege of withdrawing this brief of Mr. Williamson's, because he will want to file a perfected brief and a good deal of the matter that is written in here he will have to have.

The Secretary of the Treasury: You may withdraw it, but we ask that it be submitted later in triplicate, and by the first of March.

STATEMENT OF JOSEPH F. GRAY.

The Secretary of the Treasury: You may state your name, residence and occupation.

Mr. Gray: My name is Joseph F. Gray. For the purpose of this hearing I represent the Savannah Clearing House Association and the Savannah Chamber of Commerce, the business men and citizens of Savannah generally.

I should like to state, Mr. Chairman and gentlemen, for the benefit of the record and for your information, that I have had about 23 years of transportation experience in this State, most of that time in an executive position, and I have been one of the Railroad Commissioners of this state, and have had occasion to study the economic conditions in this state and in this section. I do not pose here as any Doctor of Philosophy, Economy, or any Professor of Economics, but I think I have a fairly correct general idea of the economic and commercial conditions of this section.

Now I have sat, as it were, on the other side of the table in cases of this sort so often that I believe I know just what you gentlemen want at the outset. You would like

to have a man state the main points of his argument, and I am going to state that now, and say to you that this argument is builded logically along these lines, and that is this, I am going to endeavor to show that the economic necessities and the economic opportunities and possibilities of the southeast section demand that this Federal Bank be located in the southeast. I am going to try to show you in the second place that Georgia, being in the centre of the southeast territory, her economic necessities, requirements and possibilities and opportunities being the greatest, entitle Georgia to have this Federal Reserve Bank.

I am going to endeavor to show you in the third place that at the port of Savannah the larger volume of the basic commerce of this section funnelizes. I am going to show you that Savannah as a port handled in and out imports and exports and other basic commerce, if you please, of greater volume than any other port on the South Atlantic, and as a matter of fact, more than most of them combined.

I want to show you finally that Savannah actually finances to a larger extent a larger volume of that basic commerce than any other port in the southeast section or any other city in the southeast section.

Now, Mr. Chairman, that is my entire argument, and I want to say right now that I am the only spokesman for Savannah. We have not come here loaded with facts or figures or endorsements. The gentlemen who will follow me have no speeches, they are simply here to answer any questions that you may ask bearing on banks. I am not here as a banker but more as a student of the economic conditions in this section. Mr. Lane, the President of the Citizens and Southern Bank, will follow me immediately, and if you have any questions as to banking, please direct them to him. If you have any questions on the general subject, I will endeavor to answer them.

Now with that preliminary statement --

The Secretary of Agriculture: Could you show us the district you have in mind, before you begin?

The Secretary of the Treasury: Have you a map there?

Mr. Gray: Yes, sir, I have a map here and I wanted to ask you whether you cared to have some of the minor considerations in this whole subject discussed before this map is introduced.

The Secretary of the Treasury: We would rather have the map first, because that is the concrete thing to which you

are addressing yourself.

Mr. Gray: That map shows in a general way the territory we have selected, comprising the States of South Carolina, North Carolina, Georgia, Florida and Alabama. It has been suggested that southeast Tennessee, including the cities of Chattanooga and Knoxville, might properly be included in this territory. But we understand it is desirable to recognize state lines and boundaries wherever it is possible to do so. The map which you have before you shows the transportation facilities, rail and water. I will not go into that in detail.

The Secretary of the Treasury: We are familiar with that.

Mr. Gray: Yes, sir. I might call your attention to just one little point here, the number of ports in the United Kingdom and Continental Europe to which Savannah has direct sailings of freight ships. I do not think it is worth while to discuss this point whether two banks doing business with one another are 50 miles apart or 300 miles apart. In the matter of mail transportation it is just an overnight proposition, and I am submitting figures to show you on that basis Savannah is in ready access and communication with the entire territory, and as a matter of fact, from a practical stand-

point, we can serve the territory just about as easy as any other city in it.

It does not seem necessary for us to state why we have selected that section. One of the reasons is that in order to get a section in this southeast territory, you have got to have several states. The other reason is, that in this section you get the minimum capitalization required by law for a Federal bank. The combined capital and surplus of the national banks in that section is about \$66,000,000, six per cent of which would give you the minimum of \$4,000,000 capitalization required by the law. My information is that the total resources, capital and surplus and deposits of the state banks of Georgia, Florida, Alabama, North and South Carolina, are about \$450,000,000.

Right here, Mr. Chairman and gentlemen, the consensus of opinion so far as I have been able to gather it among the bankers of this section is that sooner or later all of the state banks are coming in, because of the supreme advantage to them to be taken care of in times of stress.

Bearing in mind always that this entire southeast is distinctively agricultural territory, the district that we have selected is just about as well balanced a territory as

you could get.

The Comptroller of the Currency: What do you mean by well balanced?

Mr. Gray: Well, I mean that it has in it as great a variety of industries as you could get. You have the agriculture --

The Comptroller of the Currency: You do not refer to the time the money is needed?

Mr. Gray: That is a banking question, and I am not going to undertake to answer banking questions. We have an expert here.

The Comptroller of the Currency: But that is a right large part of the whole proposition, is it not?

Mr. Gray: Yes, it is. What I mean is in this Piedmont Plateau up here you have the cotton mill industry and the cottonseed meal industries and the iron industry of Alabama--

The Secretary of the Treasury: We are pretty familiar with that, Mr. Gray, if you will excuse me, for sparring you the necessity of covering old ground, we have had that diversification brought out by other witnesses, and we have all three lived in it, so we are all familiar with it.

Mr. Gray: Yes. I will introduce here another map. This map is intended to show the territory we have selected where the basic commerce originates. For instance, below the red line on this map, I will not give you the lines, it is apparent here, is cotton and below this black line is the naval stores and below the blue line is the lumber.

Now it is needless for me to repeat what so many have said here, that the trend of commerce in this entire section is towards the north and east or abroad through the ports. Speaking generally of the relative importance of the South Atlantic ports --

The Comptroller of the Currency: Does that refer to Alabama too?

Mr. Gray: My information on the subject of Alabama is not as complete as it is on the other states. I say it is my impression, or rather what I think about it that the trend of commerce even in Alabama is north and east and foreign through the ports, but that commerce is divided.

The Comptroller of the Currency: Is it not largely west?

Mr. Gray: Just one minute. I may be mistaken as to Alabama, but I want to give you my impression. The commerce of Alabama is divided with the ports of New Orleans, Mobile,

Pensacola, Jacksonville, and Norfolk on the other side. Now I do not know just to what extent the commerce of Alabama moves through the South Atlantic ports, but I do know from my practical experience in transportation there is one thing, cotton, that moves from Alabama through Savannah, from such points as Montgomery, Opelika and Andalusia.

The Comptroller of the Currency: I was speaking of coal and iron.

Mr. Gray: You may be right as to that movement of coal and iron being to the west. In that connection I would like to mention we get cargoes of steel rails moving from Birmingham to South America through Savannah.

The Secretary of Agriculture: What part of the commerce of this entire section is foreign commerce?

Mr. Gray: I will treat that question a little bit later on, if you will wait.

The Secretary of Agriculture: Yes.

Mr. Gray: Speaking generally of the relative commercial importance of Georgia, of which Savannah is the great export, as compared with the other four states in the section selected, suffice it to say here, that Georgia in all of the following particulars, namely, square miles of area,

population, mileage of railroads, factory capital, factory products, mineral products, farm capital and farm products, exceed each and every one of the states named, with the exception of mineral products, in which Alabama leads because of her deposits of coal and iron ore, and of factory capital and products, in which Georgia yields the palm to North Carolina.

I have analyzed the products in each one of these five states, and I will not trouble you with that analysis. I have stated what this commerce consists of in this brief. I have endeavored to show you what the trend of that commerce is. Generally speaking, agriculture is the chief industry and the larger part of the population is engaged in agriculture, and the trend of business is, as I have stated, to the north and east and abroad through the ports. So I will not give you the details for North Carolina, South Carolina, Florida or Alabama. I do want to give you a few details for Georgia. I want to say with regard to North Carolina ports—

The Secretary of the Treasury: You might summarize the important points.

Mr. Gray: Yes, I am doing that as I go along. Neither Wilmington nor Norfolk are comparable with Savannah in

exports. Charleston does not begin to compare with Savannah as a port. With regard to Florida, there are one or two things I want to tell you. In the first place, the exports of any or all of the ports of Florida are considerably less than those of Savannah.

The Secretary of the Treasury: What are the total exports of Savannah?

Mr. Gray: \$104,000,000. I will get to that in a minute. With regard to Florida, it now produces more naval stores than any other state in this section; as you will probably remember, the industry started in North Carolina and moved southward. But notwithstanding the fact that Florida produces this naval stores crop, it is marketed and it is financed in Savannah, to the extent of about \$12,500,000.

The Comptroller of the Currency: What per cent would that probably be?

Mr. Gray: I think the total naval stores is about \$32,000,000; about one-third, if you please. The reason why Savannah finances and markets the naval stores, notwithstanding it is grown in another state, is this: We are the primary naval stores market of the world. We fix the prices on naval stores for the entire world. Savannah furnishes the

ocean tonnage to move the crop. It is an unprofitable proposition to ship solid cargoes of naval stores, because the ocean rate would be too high. Cotton takes a higher rate, and therefore the logical thing to do is to load your vessel partly with cotton and fill out with naval stores, to get the benefit of the lower rate on your naval stores, and as Savannah is the second cotton port in the United States, she furnishes the tonnage for the cotton and incidentally for the naval stores, and therefore controls and finances the exports of naval stores, notwithstanding the major production is in the neighboring state of Florida.

The Comptroller of the Currency: As cotton takes a higher rate than naval stores, why would it not be logical to send the high priced commodity down towards the low priced commodity bearing the lowest freight rate, naval stores?

Mr. Gray: State that again, Mr. Williams, please.

The Comptroller of the Currency: As cotton commands a higher freight rate than naval stores, why would it not be better to send the cotton down to Fernandina instead of the naval stores up to Savannah?

Mr. Gray: Jacksonville is not a cotton market. Jackson-

ville's production of cotton --

The Secretary of the Treasury: Fernandina.

Mr. Gray: Well, even Fernandina. Florida's production is largely in Sea Island cotton, and it is not one, two, three, as compared to the upland crop which is tributary to the Port of Savannah. I think that answers your question. It is just a banking proposition. If Jacksonville were the cotton port, the question might be in order. The gentleman who was on the stand from Florida yesterday was a mighty good witness. The only objection I had to him was that he seemed to be hooked up to Atlanta. He explained the trend of commerce from Florida.

I simply want to make this point: The peculiar outline of Florida, it is peninsular in form, which confines Jacksonville's activity largely to the state of Florida, and Savannah's location enables her to serve Florida better than any other point.

I have answered the question here about the trend of commerce from Alabama. There is no occasion for my going into that again.

Now as to Georgia, I want you to listen to this. Of the five states Savannah has selected as her Federal Reserve

Bank section, I have reserved Georgia for discussion last, because of her paramount importance from practically every standpoint from which this entire question can be considered. Agriculture is Georgia's principal industry, and employing three-fifths of her population, and cotton is her chief crop-

The Secretary of the Treasury: We are very familiar with those statistics, Mr. Gray.

Mr. Gray: Very well. Let us see if there is anything special in there that I want to bring out. While it is true that a part of the commerce of Georgia moves to and from the North and East and abroad through the ports of Norfolk and Charleston, the overwhelming part of it goes through the port of Savannah.

The Secretary of Agriculture: Where is it handled, abroad?

Mr. Gray: Yes, and a large part to the eastern mills.

The Secretary of Agriculture: What percentage of the trade of this whole section is exported?

Mr. Gray: Of the basic commerce?

The Secretary of Agriculture: I mean the total commerce. We have to consider the whole.

The Secretary of the Treasury: Domestic and foreign combined.

The Secretary of Agriculture: Is not the export foreign trade of this country negligible compared with the domestic?

Mr. Gray: I would answer that in this way, and I have it covered a little further down, if you will permit me to get to it.

The Secretary of Agriculture: I am trying to get you to it.

Mr. Gray: Yes, I will get there in a minute. I have this in my system and want to get it out. I want to say right now that Savannah's export business is \$104,000,000. It gives her the second rank in all the ports on the Atlantic; she comes next to New York, and among the entire ports of the United States her rank is fourth.

Speaking about cotton, it might interest you all to know that we get cotton not only from Georgia, Florida, Alabama, North and South Carolina, but from Arkansas, Oklahoma, Mississippi, Tennessee, and even as far west as Texas. I had occasion to get that for the purpose of this brief a few days ago.

The Secretary of Agriculture: How many bales do you handle?

Mr. Gray: The receipts are about 2,500,000 bales, in round

numbers.

The Secretary of Agriculture: What percentage of the cotton produced in these states is shipped abroad?

Mr. Gray: I do not know, Mr. Secretary, I have not got that information. Of the entire section selected by Savannah as the region to be served by a Federal Reserve Bank, with headquarters at Savannah, Georgia is the most important, not only from the standpoint of basic commerce, but practically in every other respect. Savannah as a port handles for the section a larger volume not only of the basic commerce, but commerce of every other kind, than any other port that serves the section, and really more than most of the other ports combined.

Savannah, through her banks, her cotton and naval stores factors, her lumber merchants, her fertilizer manufacturers and her business men generally, does more than any other port that serves the section, or than any other individual city in the section, to finance the making and marketing of the basic commerce of the section.

The question may be asked here, to what extent does Savannah finance the basic commerce of this section. The

question is certainly a pertinent one. The financing of cotton, lumber and naval stores and other commerce -- export and domestic, and imports, passing through the port of Savannah-- in and out -- is done in so many varied ways -- by the banks in shipments of currency and loans to interior banks and individuals, in purchases and sales of domestic and foreign exchange, loans to factors (cotton, naval stores and lumber) and fertilizer manufacturers; and by the factors in capital invested and in money borrowed which is advanced to the producers, and by exporters through credit established for them in the interior by the Savannah banks, or through loans or banking facilities, and by the fertilizer manufacturers in capital invested and in the value of annual output, which is sold to the producers on time to be paid for when the crop is marketed -- that we have found it impossible to secure detailed statistics without duplication or possibly triplication, covering the amount of money turned over annually in each class of business or in each of the many varied ways in which the business is actually handled and financed. Besides, we have never had occasion, except for the purposes of the present hearing, to need statistics of

this character. We are in a position, however, to determine with approximate accuracy, the extent to which Savannah finances the basic commerce of this section.

Savannah's cotton receipts, using the figures for 1911-12 (1913 being a short crop year) were 2,382,181 bales. The value of this cotton at this year's prices, approximately \$70.00 a bale, is in round figures \$168,000,000. We know that Savannah financed either with actual cash or credit or otherwise, most of the money needed to make and market this cotton.

Savannah's fertilizer manufacturers -- to say nothing of Savannah's banks or cotton factors or exporters -- do more than any interior bank or city, or probably many of them combined, to finance the cotton crop.

The Secretary of Agriculture: What are the resources of the Savannah banks?

Mr. Gray: I will ask Mr. Lane to answer that question. I understand in a general way --

Mr. Lane: \$4,000,000 capital and surplus.

The Secretary of Agriculture: And yet you say they financed \$168,000,000.

Mr. Gray: I say we financed more of that than any other

port or city in the southeast territory.

The Secretary of Agriculture: Including the production of it?

Mr. Gray: Yes, sir.

The Secretary of Agriculture: How what percentage of it do you finance?

Mr. Gray: I have already explained, Mr. Secretary, that on account of the many varied ways in which --

The Secretary of Agriculture: Well, these little details, you know, are very important.

The Secretary of the Treasury: I understood some banker was going to appear.

Mr. Gray: Yes.

The Secretary of the Treasury: Suppose you proceed, and we can get that information from him.

Mr. Gray: I am reliably informed that Savannah manufactures more fertilizers than any port or city in the south, but more fertilizers than are manufactured at any other one point in the world.

The Comptroller of the Currency: You mean to say it manufactures more than Charleston?

Mr. Gray: Yes. II have not the figures, but I am informed

that is correct. There was a time when Charleston exceeded us in fertilizers manufacture.

The aggregate capacity of her fertilizer factories is approximately 450,000 tons annually, which at \$25.00 per ton gives a value of \$11,250,000 -- very large figures when it is considered that the total expenditures for fertilizers in the five states of Georgia, South Carolina, North Carolina, Alabama and Florida aggregate about \$68,000,000. Apparently, Savannah furnishes and finances more than one-sixth of the fertilizers used in the entire section, and these figures do not include large imports of fertilizers that move through the port of Savannah direct to interior manufacturers.

As nearly as we can ascertain it, the value of the naval stores crop which Savannah finances annually is about \$18,500,000-- striking figures when taken into consideration with the fact that the aggregate naval stores production of the five states of North Carolina, South Carolina, Georgia, Alabama and Florida is a little over \$32,000,000. Savannah finances therefore over one-third of the naval stores crop of the southeast.

The purchases of domestic and foreign exchanges by Savannah banks aggregate about \$250,000,000 annually.

Now Mr. Chairman and gentlemen, I am going to ask you to listen to this, because here is the most important argument I have got.

The Most satisfactory and conclusive way, however, of determining the extent to which Savannah finances the commerce of this section is to consider her bank clearings. In this connection, it should be understood that in arriving at the figures given as the bank clearings of Savannah, at this time --

The Secretary of the Treasury: Let me suggest this. Those bank clearings are very fallacious, and unless you are prepared to submit to question and an analysis of that, you had better leave it out.

Mr. Gray: Mr. Lane is right here.

The Secretary of the Treasury: Suppose you let him deal with it.

Mr. Gray: Let me just state the amount of it.

The Secretary of the Treasury: Because we do not want to duplicate this ground, and the time is pretty short and we have a number of other gentlemen to hear.

Mr. Gray: Well, the bank clearings are \$280,538,512, but including out of town items it is \$903,000,000, and Mr. Lane

will give you the rest of it. Do you care to hear about a branch bank?

The Secretary of Agriculture: Do you care to advocate one for Savannah?

Mr. Gray: No. All we have to say about that is this. The question has often been asked whether, under the theory of this law, with all these banks coordinated with one another and the strength of one being the strength of all, whether a branch bank which has the same power of initiative, discretion and decision that the Federal Bank has, would satisfactorily serve us. If that hypothesis be correct, then the answer is contained in the question, it would. But there has been a recurrent question with us as to what the branch bank would do or could do, and what its authority would be. We felt about the whole thing in this way.. We felt like asking you this sort of a question, where would you locate a main hydroelectric power plant? Would you not locate this plant at a point on the stream where the banks came closely together, forming a funnel, as it were?

The Secretary of the Treasury: Well, we do not think the analogy is good.

Mr. Gray: Don't you? You might put it this way. Suppose

you have an independent country with this district, suppose the point of imminent invasion, we will say, is at Savannah. Are you going to put it in the centre of the territory simply because of centrality of location or where the pressure is the strongest?

The Secretary of the Treasury: We say we do not think the analogy applies.

Mr. Gray: Well now, answering the question of the Secretary of Agriculture, the point made that relatively speaking the foreign commerce of the southeast should not be given as much weight in your consideration of this matter as the purely domestic commerce, I have no way of determining just how the purely domestic commerce compares with the aggregate of foreign commerce. I may be mistaken, but I think so far as basic commerce is concerned, cotton, lumber and naval stores, the aggregate value of foreign business will exceed that of domestic business. But be that as it may, it is all the same to the producers of this section whether it be domestic commerce or foreign commerce, it is all financed practically in the same way,

I am not here to say that the purely domestic commerce, based on manufacturing, jobbing, retailing, and

so forth, does not require large sums of money, but it does not require that money in the same way as the basic commerce, which comprises largely cotton, naval stores and lumber. The manufacturer, the wholesaler or the retailer is in a position to determine his financial needs well in advance. These needs are more or less stable and continuous and uniform. Cotton however, is a cash crop. It is cash from the time it leaves the producer until it gets to the eastern mills or across the Atlantic. When it begins to move --

The Secretary of Agriculture: We are entirely familiar with that.

Mr. Gray: All right, Sir. I might mention here that Savannah finds it is not infrequent that she has to handle cotton drafts of \$1,500,000 a day during the season. It is not an infrequent occurrence that her banks have to wire New York from day to day to place vast sums to their credit with which to move the crop.

The naval stores crop is practically a cash crop, between the factors and producers and between the factors and the exporters.

The Secretary of the Treasury: You say a banker will be here to clear up some of these points?

Mr. Gray: Yes. Just to repeat, there are one or two things I might want to cover. Mr. Williams asked a question yesterday with regard to North Carolina, whether a city, say up in North Carolina, would object to being connected with a bank south of it or would rather have a connection with a bank north of it. I have been impressed with this idea--

The Secretary of the Treasury: You may file that as an exhibit.

Mr. Gray: I am going to ask the privilege of perfecting that brief and filing three copies of it. In answer to Mr. Williams' question, I have been impressed with this fact, that you were confronted with a condition and not with a theory and that it is going to be impossible for you anywhere in this country to establish a Federal Bank region and at the same time preserve throughout that region what you call the trend of financial transactions. In other words, you are going to have to do the very best you can do with this proposition, and as I see it, this is what you are going to do with it, in a practical way. You are going to pick your section and find out what part of that section or in what part of it the economic necessities and opportunities are the greatest, and you are going to find out what part or

what city finances to the largest extent the volume of the commerce of that section, and then you are going to put that bank there, and you are going to say to that section in the extreme north, Gentlemen, we have handled this case in accordance with the law and the economic necessities of it, and we have done the very best we can and here is our decision and your decision will be accepted gracefully and cheerfully.

Now there is just one other thought. I imagine you want to ask me what my second choice is. I imagine that question has been asked, and by the way, I have read the stenographic reports of the hearings in Washington, Baltimore and New York, and I imagine you have gotten a great deal of amusement from that question all the way from the Atlantic to the Pacific and back again. I notice some of them have dodged it --

The Secretary of the Treasury: We have not intended to get amusement. We have been trying to get some facts.

Mr. Gray: I am going to answer that question from the shoulder. I think I have a logical answer to it, a logical answer based on economic facts. I say to you now, you have got to have one of these Federal Banks in the southeast territory. Now assuming that that has been proven, the next

J. F. Gray.

question is where are you going to locate the bank. Georgia is in the centre of the southeast territory. Her economic necessities and opportunities and possibilities are the greatest. Logically, in accordance with the economic requirements of the Act, you are going to locate this bank in Georgia. I have given you my reasons why Savannah should be selected as a point, because she finances to a larger extent --

The Secretary of the Treasury: What is your second choice now? That is what we want to know.

Mr. Gray: All right, my second choice from the standpoint purely of banking convenience and banking facilities, from the standpoint of the trend of financial transactions, it would suit Savannah bankers to have this bank in Washington, from my own personal standpoint, based on my study of this question, just as a student of commerce, and bearing in mind always that the fundamental purpose of this law is to distribute reserves, to promote basic commerce rather than convenience of banking, I should say that this bank must be located in Georgia, whether it be in Savannah or Atlanta (applause).

Mr. Myers: We have a number of Savannah banks represented

M. B. Lane.

but Mr. Lane will be heard first.

STATEMENT OF MILLS B. LANE.

The Secretary of the Treasury: State your name, residence and occupation.

Mr. Lane: Mills B. Lane; President of the Citizens Southern Bank, Savannah, Ga.

The Secretary of the Treasury: Will you be good enough to give us any new light on this subject, with emphasis on the new, and if you can tell us at the same time any paramount reasons why Savannah should be selected as the headquarters for the Reserve Bank, we should like to have them.

Mr. Lane: I am not going to read a document, but I have this here for reference.

If I understand the situation correctly, this bill was passed creating the Federal Reserve banks for the purpose of promoting the commercial credit and the protecting of that credit after it has been once put into existence, and I believe that Savannah is the place for this bank to be located, in order to carry out the two things mentioned.

The Secretary of the Treasury: You think you can protect that commercial credit from Savannah better than from any other point in the district?

M. B. Lane.

Mr. Lane: I think we could.

The Secretary of the Treasury: Give us your reasons.

Mr. Lane: Well, sir, since the war between the states, Savannah has never had a banking failure, while in all of this territory there have been many bank failures.

The Secretary of Agriculture: Savannah is not going to manage this particular bank, you understand.

Mr. Lane: I understand, but I am telling you why we have not had one, and it has been due to the fact that we have been so busy furnishing money to the turpentine factors and the cotton factors and the country merchants and banks that we have not had time to get into any speculative schemes, and our money has been used strictly in developing the agricultural needs of this territory. We have many cotton and turpentine factors who are doing the same thing, they are putting their money into the interior for the purpose of making these crops. If we had not had this use for our money we might have been tempted to go into some speculative schemes to make dividends for our directors. I believe if this bank were put in Savannah the managers of this bank could get a better line on credit through Savannah than at any other point.

M. B. Lane.

The Secretary of the Treasury: Well why? The directors are drawn from all over the district.

Mr. Lane: Yes, but that is the best place to get information. Take our bank, we loan over two and a half million dollars to country banks throughout Georgia, Alabama, North and South Carolina, and the northern end of Florida, for the purpose of making this crop. These banks send in their notes with their customers notes, and we go to the cotton or fertilizer factor who sells these people, and we get better information about these people, as to whether they pay their debts or not, than we could if we were not down there where they have a direct connection with them.

The Secretary of the Treasury: These practices and methods are going to continue just the same in the future as in the past, and this reserve bank is not going to alter that situation a particle.

Mr. Lane: I understand that, but I thought that would be a better place for them to get this information.

The Secretary of the Treasury: How about the rest of the district? Here is a large area. They make the same argument as you do, when you localize it.

Mr. Lane: But the people of Savannah sell direct to

M. B. Lane.

these operators, while the others do not sell to as large an extent.

The Secretary of the Treasury: But it is a mere question of re-discount by banks with these reserve banks, wherever located. These facts do not have the importance as to the location of the reserve bank that many people seem to think.

Mr. Lane.: I think they can get better information there.

The Secretary of the Treasury: Could not a branch do that more effectively?

Mr. Lane: No.

The Secretary of the Treasury: I mean get the information about credits.

Mr. Lane: Yes, you could get the information about credits; you could have your representative there to get this information.

The Secretary of Agriculture: Would there not be seven representatives there?

Mr. Lane: Yes, sir. Then another point, I understand this Federal Reserve bank is only to discount for member banks and buy foreign exchange, am I correct?

The Secretary of the Treasury: No, it has various open market operations.

M. B. Lane.

Mr. Lane: I thought it only had the right to lend money to a member bank and buy foreign exchange, or lend money to each other, in the event the other fellow got short.

The Secretary of the Treasury: It has various open market operations. If you will read the Act you will see it is not restricted to foreign exchange by any means.

Mr. Lane. If they are going to have foreign exchange, Savannah would be a very desirable place for this reason. You get your money out in the spring of the year to make the crop --

The Secretary of the Treasury Would you not think a branch in Savannah could buy that foreign exchange with some degree of intelligence?

Mr. Lane: I think it could, yes, sir.

The Secretary of Agriculture: What do you think about this district?

Mr. Lane: I think that is a very good district, with the exception of North Carolina. I think the trade of North Carolina, with the exception of the cotton meal business is more towards the east.

The Secretary of Agriculture: What do you think from the point of view of its being an independent district finan-

M. B. Lane.

cially.

Mr. Lane: I think it is entirely independent. It could be operated as an independent district.

The Secretary of Agriculture: You think it could?

Mr. Lane: Yes, sir.

The Secretary of Agriculture: And it is self-sufficient?

Mr. Lane: Yes, sir.

The Secretary of Agriculture: Except in stringency?

Mr. Lane: Yes.

The Secretary of Agriculture: Is it now self-sufficient?

Mr. Lane: Of course, we have to go to the east to borrow money to move the cotton crop.

The Secretary of Agriculture: To what extent do you estimate you have to re-discount in this district?

Mr. Lane: I think we would.

The Secretary of Agriculture: To what extent, I say?

Mr. Lane: Considerably in the fall, during the movement of the cotton crop, and if you cannot get shipping facilities: Sometimes we have considerable trouble in getting ships to move the crop. For instance, the ocean ship agents in Savannah sent out 500,000 bales of cotton, and sent it to Baltimore and New York, and it was re-shipped from these points.

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and New York got the benefit of the facilities for that cotton. The rates were very high and ships going into New York bringing in this import stuff had light freight back, so they took this cotton and re-shipped it from New York.

The Secretary of Agriculture: Are not these states you have included in this district every year pretty heavy borrowers?

Mr. Lane: Yes, sir, very heavy borrowers.

The Secretary of Agriculture: Ought we to create a district that is normally a heavy borrowing district?

Mr. Lane: I think you should.

The Secretary of Agriculture: You think that is the purpose of the law?

Mr. Lane: Yes, sir.

The Secretary of Agriculture: We read the law rather differently.

Mr. Lane: I think you need to assist those who make the crop and make this difference in trade between this country and Europe.

The Secretary of Agriculture: How is the district going to accomplish that if it is not strong enough to take care of it in normal times?

E. B. Lane.

The Secretary of the Treasury: There is an emergency clause here, but the Secretary means should we lay out distficts which are normally dependent when we might lay out districts more independent?

Mr. Lane: We would certainly have to go somewhere to get money to move the crops. This bank laid out in this district would not be able to do it.

The Secretary of the Treasury: What do you thin of the district as suggested by Columbia, going up to the District of Columbia, and including those coast states; is not that a more logical and more diversified district?

Mr. Lane: I do not think so. There is not enough business going through there to warrant it unless you took in the District of Columbia and Maryland.

The Secretary of Agriculture: North and South Carolina tell us their business does go in that direction.

Mr. Lane: Yes, but a large quantity of South Carolina's business comes through the Port of Savannah. Some banks in Columbia send us \$60,000 of drafts a day in the cotton season and we ship them quantities of money up there.

The Secretary of the Treasury: Where do the Savannah banks keep their reserves?

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Mr. Lane: We have to keep them in the east, so as to make it available.

The Secretary of the Treasury: Which cities?

Mr. Lane: Philadelphia and New York.

The Secretary of the Treasury: What proportion?

Mr. Lane: New York about 75 percent.

The Secretary of the Treasury: And Philadelphia 25 percent? Do you keep any in Baltimore?

Mr. Lane: We keep some in Baltimore. Certain interests require us to send business through Baltimore.

The Secretary of the Treasury: What is the purpose of keeping it in Philadelphia, are there any extra inducements held out in the way of interest and free check collections?

Mr. Lane: No, it is due to the exporter. Mr. McFadden, the largest cotton buyer in the world, having his largest office in New York, rather than sell his foreign bills in New York and other places, he will many times buy and sell them in Philadelphia, and therefore we have to have Philadelphia exchange.

The Secretary of the Treasury: With the parring of exchange you are not going to have the same necessity of maintain ing reserve balances in New York.

M. B. Lane.

Mr. Lane: We do not keep money in New York for convenience.

The Secretary of the Treasury: You keep it there for reserves, of course.

Mr. Lane: Our bank is not a national bank, and therefore we do not have to keep a reserve in any particular city.

The Secretary of the Treasury: I was speaking more of the national banks.

Mr. Lane: We are a state bank, and we can keep it any place, so long as we keep it in a bank and in our vaults. Savannah is situated peculiarly because it takes lots of money to move the crop.

The Secretary of Agriculture: How many national banks have you in Savannah?

Mr. Lane: Two, and ten state. I made a mistake in stating the capital of Savannah banks was only \$4,000,000. The capital is \$4,000,000 and the surplus is about the same.

The Secretary of Agriculture: How many are in the Clearing House?

Mr. Lane: Two.

The Secretary of the Treasury: Have you made any estimate of the borrowing demand of this district at the maximum

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period of the year?

Mr. Lane: Our own bank alone sometimes had to borrow one million or a million and a half.

The Secretary of the Treasury: I am speaking of the district as you have laid it out.

Mr. Lane: I do not know, but it will have to borrow considerable money.

The Secretary of the Treasury: You have not gone into these figures carefully?

Mr. Lane: No.

The Comptroller of the Currency: As a matter of fact, does not that district include the states that do the largest borrowings in the United States, except Texas?

Mr. Lane: Yes, I think so. They produce the wealth which produces the balance of trade. The balance of trade between this country and Europe is \$600,000,000 a year, and that is produced by the balances which we produce more than that consumed in this country.

Mr. Myers: Are there any other bankers you wish to hear from, from Savannah?

The Secretary of the Treasury: I think not. I think the facts are pretty well put in here.

Mr. Myers: If there is any question you wish to ask which has been unanswered, I would be glad to answer it.

The Secretary of the Treasury: I suggest that you have these other gentlemen forward any briefs they may have to the Committee at Washington, and they will be given consideration.

Mr. Myers: In that connection we feel indebted to you for your consideration.

The Secretary of the Treasury: Not at all.

The Comptroller of the Currency: Do you feel that is the best section for Savannah, including the Carolinas and Georgia?

Mr. Myers: By all means.

The Comptroller of the Currency: You would hold the Carolinas with Georgia?

Mr. Myers: Yes.

The Comptroller of the Currency: And would not have an east and west district as has been suggested?

Mr. Myers: No. You referred to the matter of branches. Of course, we do not understand that very well, but under the present National Bank Act I thought we already had a branch in Savannah.

W. H. Kettig.

The Secretary of the Treasury: Well, we are going to improve on that. I do not mean to say we are going to improve on it by putting a branch in Savannah, but we are going to improve the system.

Mr. Myers: Well, do the very best you can for us.

The Secretary of the Treasury: We will hear from Birmingham, next.

Mr. Harding: Mr. Kettig is the Chairman of our Clearing House Committee, and will present our case first.

STATEMENT OF W. H. KETTIG.

The Secretary of the Treasury: Will you state your name, residence and occupation.

Mr. Kettig: W. H. Kettig. I am in the hardware business in Birmingham, and I am the Chairman of the Regional Bank Committee sent over by the Clearing House.

The Secretary of the Treasury: There are four gentlemen who wish to speak for Birmingham. Is my list right, Mr. Harding? Mr. Crawford, Mr. Tilton, Mr. Comer and Mr. Kettig.

Mr. Kettig: Mr. Comer is not here. I will announce the speakers. We have no list of speakers.

The Secretary of the Treasury: Suppose you tell me what

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you want to speak for Birmingham now. We want to get an idea of the amount of time that is going to be required.

Mr. Kettig: We hoped to have one principal speaker for Birmingham. We do not want to take up your time with a lot of useless statistics that you are already familiar with. Birmingham is represented here today by about 100 people, and we have quite a number of orators with us.

The Secretary of the Treasury: You heard our remarks on oratory yesterday, did you?

Mr. Kettig: Yes, sir, we heard that, but these 100 people came here not for the purpose of speaking, but to show their respect and appreciation for this Committee, and we came here to show we were in earnest in asking for a bank for Birmingham.

We wanted to ask you to give Birmingham a serious and thoughtful consideration for this bank.

The Secretary of the Treasury: We want to give Birmingham every opportunity to be heard fully, and that is the reason I am suggesting that we should like to have a list of the witnesses, if you have it.

Mr. Kettig: We have no list to submit. Our principal speaker is Mr. W. P. C. Harding, who is President of our

W. H. Kettig.

Chamber of Commerce, and also president of our principal bank, the First National. Mr. Harding, as I have said, will be our principal speaker, and we think if you give him sufficient time, that he will cover the ground to our satisfaction, and that we will not have any other speakers, representing Birmingham, and for that reason, we ask you to give him all the time that he requires, and we hope it will not be necessary to have any other speakers.

The Secretary of the Treasury: We do not want to limit you, of course, to Mr. Harding, and you must feel free to produce all the information you desire, and we will be glad to hear it.

Mr. Kettig: There are some outside bankers whom we will probably call, who will testify as to their preference for Birmingham, and any other information you want, but we think Mr. Harding can do justice to the subject.

STATEMENT OF W. P. G. HARDING.

The Secretary of the Treasury: Give your full name, address and occupation.

Mr. Harding: W. P. G. Harding, President, First National Bank of Birmingham, and President of the Birmingham Chamber

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of Commerce.

The Secretary of the Treasury: Before you start, give the map of the district that you are going to address yourself to.

Mr. Harding: I was here yesterday, Mr. Secretary, and I burned up my speech last night.

The Secretary of the Treasury: You brought it up to date?

Mr. Harding: No, I say I burned it up.

The Secretary of the Treasury: I thought you said you brought it up. I hope we did not intimidate you.

Mr. Harding: No, sir, you did not.

The Secretary of the Treasury: Have you three of those maps?

Mr. Harding: Yes, sir. That shows the actual railroad lines. We have three of the large maps, and here are three of the small maps.

(The maps were filed accordingly.)

The Secretary of the Treasury: Now you may proceed.

Mr. Harding: In considering this question, gentlemen, we did not draw any circles. Private John Allen of Mississippi, when he was in Congress --

The Secretary of the Treasury: You are not going to talk

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in one, we hope.

Mr. Harding: No, I will try not to. Private John Allen tried to prove that Tupelo was the centre of the earth. He said he know it was the centre of the earth forevery time he went out on the street he saw the sky line the same distance all around him. Now that is a phenomenon you have found in some of the other cities on your trip.

The Secretary of the Treasury: We have found that condition exists in every city .

Mr. Harding. We thought we would not try that. We have endeavored to lay out a territory here which is logical and has special reference to that section of the Act which requires you to pay due regard to convenience and customary course of trade.

Now it occurred to us that there are certain natural boundary lines, natural lines such as the Ohio and Mississippi rivers and there are certain well defined railroad groups in the country. We have adopted another principle in this. If we were going to build a dwelling house, a substantial dwelling to have either eight or twelve living rooms in it, we would not build that house with reference solely to one room, but we would get an architect and have a comprehensive

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plan and lay out something with reference to all the rooms we were going to have in the house. This district, I believe, fits in with the adjacent districts and with any other districts which can be outlined for the whole country. We have thought a little bit about that, and could probably discuss that if you cared to have us.

You are familiar with the resources of that territory, as to the diversification of products, and so forth, and I believe it is generally accepted that it would be an unwise proposition to tie up the cotton states together with the logical centre at New Orleans, all in one district. so we have adopted this as our scheme.

The Secretary of the Treasury: This is the district proposed by Louisville?

Mr. Harding: Pretty much the same.

The Secretary of the Treasury: I mean substantially.

The Secretary of Agriculture: Except that Louisville did not include Cincinnati.

The Secretary of the Treasury: No, but substantially.

Mr. Harding: That is susceptible to slight modifications such as would not impair it.

The Comptroller of the Currency: Yes. Yours does not include Cincinnati?

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Mr. Harding: No. For instance, if Florida and Georgia desired to ally themselves to the east, a line would be drawn from Augusta, Georgia, say down to the Chattahoochee River and give us West Florida and the rest of that territory would go east, and it would rather strengthen our district than otherwise, from the standpoint of resources.

The Secretary of the Treasury: Now what is the capital and resources of the Federal Reserve Bank for this district and as you have figured it out.

Mr. Harding: There are 552 national banks in the district, and I have them by states, and the capital --

The Secretary of the Treasury: What is the combined capital and surplus?

Mr. Harding: The combined capital and surplus in that district, which includes the New Orleans banks, is \$72,514,790, that is on the October 21st call, and the surplus \$56,509,259.99, and undivided profits of \$23,356 --

The Secretary of the Treasury: Give us the capital and resources of the reserve bank based on the national bank capital and the surplus alone, just as a starter, and its deposits.

Mr. Harding: Its approximate capital would be \$6,540,000

and it would have deposits of about \$17,000,000, that is exclusive of any government deposits.

The Secretary of the Treasury: What available resources would it have for lending purposes?

Mr. Harding: It would have, as I understand -o it would require 35 per cent reserve against those deposits and it would have about \$17,500,000 resources for lending purposes.

The Secretary of the Treasury: What is the extreme borrowing demand of the district, seasonal demand?

Mr. Harding: I have the Comptroller's report here of national banks.

The Secretary of the Treasury: Of what date?

Mr. Harding: October 21st. Notes and bills re-discounted \$3,374,078.81, bills payable \$18,174,243 --

The Secretary of the Treasury: Something like \$22,000,000, is it?

Mr. Harding: Something like \$22,000,000, and June 4th call only showed \$17,000,000.

The Secretary of the Treasury: But I am trying to get the peak.

Mr. Harding: Well, I think that is about the peak.

The Secretary of the Treasury: Have you any idea how much

the state banks borrowed in addition to that, throughout this district?

Mr. Harding: I can tell you for Alabama, on October 21st. I tried to do no guessing about it. I have the exact figures for Alabama from the State Superintendent of Banks. 258 state banks in Alabama on October 21st had re-discounts \$1,266,000 and bills payable \$5,030,000.

The Comptroller of the Currency: How much of that was borrowed outside of this district?

Mr. Harding: I cannot say.

The Comptroller of the Currency: In New York or Chicago or elsewhere.

Mr. Harding: I cannot tell you about that. I know Birmingham alone loaned the state banks, some national but mostly state banks \$1,225,000.

The Secretary of the Treasury: How much indirect re-discounting do the banks in this district do? Of course you have to make a guess at that, there is no means of ascertaining it, but the practice is very general, is it not?

Mr. Harding: Yes. I understand the indirect re-discount is where they transfer paper on the guarantee of the directors or sell bonds where they have an agreement of repurchase,

or where they give some side guarantee. I think the national banks have quit that, but the state banks I believe do it. I do not believe very much of that is done in Birmingham, possibly \$500,000 in Birmingham.

The Secretary of the Treasury: There is a good deal of that done throughout the country.

Mr. Harding: I knew there is.

The Secretary of the Treasury: And that is a very uncertain factor in this question, and we would like to get as much light as we can upon it.

Mr. Harding: It is very difficult to get any light upon it.

The Secretary of the Treasury: How much borrowing do you think there is by individuals and corporations outside, not reflected by these book statements? Can you give any sort of an approximation of that? In other words, we would like to get as good an idea as we can of the borrowing demand of this district.

Mr. Harding: I will call your attention to the fact that my estimate I may give you about the borrowings of the banks would be very largely a matter of guess. If you will confine that to the State of Alabama, I will try to give you some definite and specific information.

The Secretary of the Treasury: You might incorporate that in your brief. But of course, we have to consider the district, and the data we would like to have ought to relate to the entire district, as best we can get it. But on the showing of the national banks you have a borrowing district considerably in excess of its resources. You start off with that.

Mr. Harding: That is without reference to the currency and without reference to any government deposits.

The Secretary of the Treasury: Yes, I am speaking of the normal conditions.

Mr. Harding: Let me call your attention, that the banks of this district at that time had over \$16,000,000 government deposits, so if half of that were added to the reserve banks, that would make a balance.

The Secretary of the Treasury: But it showing the available resources you had there you did not count these deposits as bills payable or re-discounts, did you?

Mr. Harding: There is another matter you did not ask me, as to the amount of money these banks had on hand. Some of them had pretty large reserves. I know we carried very much larger reserves in times past than we expect to do again.

The Secretary of the Treasury. Yes, but in speaking of the government deposits here, I treat those as deposits or bills payable.

Mr. Harding: I treated them separately. I treated the individual deposits and due to other national banks and state and private banks as deposits, and combined them and put the government deposits off to one side as a separate item.

The Secretary of the Treasury: They are not included in the totals of the extreme borrowings or bills payable or re-discounting that was shown.

Mr. Harding: No.

The Secretary of the Treasury: These figures do not include any government deposits or any special government deposits?

Mr. Harding: No.

The Comptroller of the Currency: What cash will be released under the new reserve law?

Mr. Harding: In our case we would release probably \$2,000,000, in one bank in Birmingham.

The Comptroller of the Currency: Take the other states of the district, how much do you suppose will be released, probably \$20,000,000?

Mr. Harding: October 21st, the banks in the district

showed \$25,414,000 due from other national banks, and \$14,041,000 due from private banks and bankers, and \$40,546,000 due from approved reserve agents. There would be a release of this \$40,000,000, would there not? Of course, these assets due from private and state and other banks would be transferred, some of it would go --

The Comptroller of the Currency: What is the sum total of deposits of all sorts for that district, country banks and reserve city banks?

Mr. Harding: The sum total of national bank deposits in that district, \$345,000,000.

The Comptroller of the Currency. If there is an average release of six per cent, that would be about \$20,000,000.

The Secretary of the Treasury: Now proceed with your argument.

Mr. Harding: I want to correct that. It ought to be \$20,000,000 instead of \$17,000,000 for that reserve bank. That would be \$26,000,000 available.

The Comptroller of the Currency. Instead of being \$17,000,000 it would be how much?

Mr. Harding: \$26,000,000. The way I figure it, it is just a self-sustaining district in normal times

and if eastern Georgia should be eliminated, the proposition would be strengthened.

The Secretary of the Treasury: How many districts have you assumed that the country should be divided into, in laying out this district for Birmingham?

Mr. Harding: I assumed there would be 10 or 11.

The Secretary of the Treasury: Have you a map of the whole country showing the division of the entire country into districts, as you propose it?

Mr. Harding: Yes sir.

The Secretary of the Treasury: Have you given us the data of the capitalization of these different districts and the resources of reserve banks within them?

Mr. Harding: I would prefer to file that as a brief.

The Secretary of the Treasury: If you will, please.

Mr. Harding: This whole proposition is laid out throughout the country on the basis of the natural territory, based on railroad groupings. Now there are the New England states --

The Secretary of the Treasury: Without reference to capitalization and resources?

Mr. Harding: Yes, partly with reference to capitalization and resources.

The Secretary of the Treasury: How many districts?

Mr. Harding: It provides one district which is essentially a district free for open market operations, and which at all times has a surplus of funds to act as an aid to any district which may be in distress.

The Secretary of the Treasury: What is the total number of districts?

Mr. Harding: Eleven.

The Secretary of the Treasury: Will you file a memorandum showing the capitalization and resources of each one of these districts, along with that map, in triplicate?

Mr. Harding: We will, and will file the definite figures on this proposed district we have laid out, in which Birmingham should be located.

The Secretary of the Treasury: If Birmingham were not made the reserve bank headquarters, what would be your second choice within that district?

Mr. Harding: Personally I would have no second choice, because we are so centrally located with reference to that district that any point in it would suit us.

The Secretary of the Treasury: Any point in it would suit

Mr. Harding: Yes.

The Secretary of the Treasury: New Orleans?

Mr. Harding: New Orleans, Memphis, Atlanta, Chattanooga or Louisville.

The Secretary of the Treasury: You would as soon have any place in that district?

Mr. Harding: We would as soon have any place in that district, because there would be no occasion to have a choice. We have railroad lines radiating to every point in the district, and are within a few hours ride of any point.

The Comptroller of the Currency: Which do you think would be the best to serve the whole district, not considering yourselves alone?

Mr. Harding: Well, the Birmingham Clearing House sometime ago adopted a resolution naming Louisville as second choice. The Louisville people were down to see us and talked about the trend of trade being in that direction.

The Comptroller of the Currency. That is on the extreme north.

Mr. Harding: That is on the extreme north. I do not see the logic in that exactly, about the trend of trade being northward, because our trains run both ways on these roads;

they haul passengers and freight both ways. And I have some figures relating to the trend of trade which may be of interest to you. These are actual figures and not any guess-work about it. I could not get this from all the banks in Birmingham, but I did take it from the First National Bank, and I assume it represents about 40 per cent of the total. Take Baltimore, for instance, I have a list here for the year 1913 of the total of items that we sent to different cities and the total that the different cities sent us, as indicating in some way the trend of trade and the exchange of business between the two places. Now I have it naturally that the checks that Birmingham would receive from other places represent payment for goods or commodities or labor spent in the Birmingham district for material and so forth, and the checks these other places send Birmingham represent payments they are making to Birmingham merchants and others for materials and commodities purchased in the Birmingham district. Now \$728,855 if what we had to send Baltimore.

The Secretary of the Treasury: For what period?

Mr. Harding: For one year.

The Secretary of the Treasury: That is your bank alone?

Mr. Harding: Our bank alone. At the same time the Baltimore banks, four of them with whom we had dealings there, sent us \$4,819,341. That is abnormal in that particular case, because there is not any bank in Birmingham which handles all the meat drafts from Chicago. They work this thing around to try and save exchange, and about \$3,000,000 was meat drafts on Chicago.

The Comptroller of the Currency: It should have been credited to Chicago and not Baltimore.

Mr. Harding: Yes. That is abnormal for them. Now here is a normal proposition. Boston. The total items we sent, these are checks and not collection items, but actual checks -- we sent Boston checks and time loans which were paid and went into the account, \$2,104,468 in the year 1913, and Boston sent us \$63,795. We deal with ten banks in Boston. We get collections from them. But there is a reason for that. In order to save exchange, Boston ships around very largely through Albany and Philadelphia.

The Comptroller of the Currency: Unnatural channels?

Mr. Harding: Unnatural channels.

The Secretary of the Treasury: That is an artificial situation entirely.

Mr. Harding: Yea. Now in Chicago the First National Bnk of Birmingham sent cash items to Chicago in 1913 amounting to \$7,034,590. We received from Chicago, from the four banks we deal with there, including the First National and the Continental and Commercial, which also have other correspondents in our city, \$3,386,000. I will just give round numbers. Now if you add that \$3,000,000 which really does not belong to Baltimore and put that in there, that creates an unnatural situation and creates unnatural balances. We have to carry a very large balance in Baltimore, which we would not otherwise carry. We could not borrow a cent there though, if we wanted to. We have never tried it. We make no use of it except as a dead balance. That would make \$6,686,000 against \$7,034,000. Chicago pays us for our pig iron and cast iron pipe which we ship up there, and we buy their meat products.

The Secretary of the Treasury: That represents a more normal condition.

Mr. Harding: That represents a more normal condition, leaving a small balance in Birmingham's favor. Now with Cincinnati we deal with five banks. We sent them \$3,379,000 and they sent us \$17,778,000. There is a balance in our

favor, being one bank doing probably 40 per cent of the total of \$1,600,000 in one year. We sent Cleveland \$516,000 against \$380,000 this season; small transactions either way, as that is rather out of our territory. Detroit \$194,000 against \$200,000. The automobiles come on bills of lading with draft, and are not included.

The Comptroller of the Currency: You send them the crude material and they send you the finished products?

Mr. Harding: Yes. Kansas City \$579,000 against \$65,000. There is a heavy balance in our favor there, but not as great as indicated, because a great many grain drafts come bills of lading attached, and are not included. We sent Louisville checks on themselves for \$3,857,000 and they sent us checks on Birmingham and nearby points of \$1,280,000, a large balance in our favor out of Louisville.

The Comptroller of the Currency: Louisville and Cincinnati both.

Mr. Harding: Yes. We sent New Orleans \$4,749,000 and they sent us \$1,892,000. The bulk of what we sent them was cotton drafts and they sent us checks in payment of sugar and things of that sort.

I will come to New York separately, because all our

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miscellaneous exchange is paid in New York. Philadelphia \$2,685,000 sent them, and they sent us approximately \$8,000,000. That is abnormal, because that represents all the New England and all the central west business sent there to avoid exchange. Pittsburgh is almost an even standoff. We buy some shapes in Pittsburgh that they do not make in Birmingham, and the headquarters of some of our steel companies are in Pittsburgh and we have the pay roll. \$1,362,000 and they send us \$1,382,000, a balance against us of \$20,000.

St. Louis is a heavy purchaser of pig iron and pipe from Birmingham, and we buy a good many mules and shoes from them. It is our biggest shoe centre, and we buy a great majority of the shoes in St. Louis. \$3,528,000 is what we sent to St. Louis and they sent us \$2,400,000, a balance in our favor of \$1,100,000. Washington. This does not include any treasury operations, but includes the operations of the Southern Railway, \$1,983,000 we sent them, and we received from them \$801,000, a balance in our favor of \$1,100,000.

Now our dealings in Georgia are principally with Atlanta and Savannah, although we have reciprocal accounts

in Macon, Columbus, Augusta, Rome and possibly one or two other points, but they are the main ones. I have the figures here with Atlanta. We deal with five banks in Atlanta and the five banks in Atlanta do not send us exclusively the items they have in Birmingham, as they have other accounts, and probably send other banks some of these items. And Atlanta has told you they collect their miscellaneous items through the Clearing House, so that what we get from Atlanta was for Birmingham alone, and they handle a few items that they can collect cheaper than we can ourselves.

The Secretary of the Treasury: What are the totals with Atlanta?

Mr. Harding: \$2,949,000 is what we sent them, checks in this direction representing payments for pig iron and coal that they bought over in our districts, and checks that they sent us, representing payment for the candy and cece cola and anything else we may have bought in Birmingham amounted to \$1,768,000, a balance in trade in our favor of \$1,200,000.

The Secretary of the Treasury: We will take an adjournment now until 2:30.

Whereupon, at 12:30 o'clock P.M. a recess was taken until 2:30 P. M.

AFTER RECESS. 2:30 P. M.

CONTINUATION OF STATEMENT OF W.P.G. HARDING.

The Secretary of the Treasury: Mr. Harding, you may proceed.

Mr. Harding: When we took the recess I had just given the exchanges between the banks in Birmingham which I represent and some banks in Atlanta for the year 1913. The exchanges between Birmingham and Savannah, between that same bank and three in Savannah for the same year 1913, Birmingham sent Savannah checks amounting to \$2,668,000 and Savannah sent Birmingham checks amounting to \$2,133,000, a balance of over \$500,000 in favor of Birmingham as between these points.

Coming back to this territory a minute, gentlemen of the Committee, here is a map that I have had prepared giving the principal items from the statement of October 21st, 1913, by states, showing the capitalization, surplus and deposits and the loans all placed there where you can see it readily for each state. The gentleman who compiled this is a good deal fender of mathematics than I am and he figured on it a good deal, and he figured the centre of the banking power in this district at Springfield, in St. Clair County,

between Chattanooga and Birmingham, about 25 miles from Birmingham. I do not know whether he is correct or not.

The Secretary of the Treasury: Do you consider him an expert in that matter?

Mr. Harding: Oh, he is an expert; he can tell you the centre of the cotton production or anything else.

The Secretary of the Treasury: I am speaking more of the financial power of the district. Do you think he is correct in figuring it there?

Mr. Harding: No, I would not think it was in Springfield. I think it is closer to Birmingham. Before I go ahead any further, I would like to revise my remarks as to the capitalization of the Regional Bank for this proposed district. I take it that is a very important matter, not only to those of us who desire to see a bank in the southeast, but those who desire to see a bank located anywhere in the south.

Here is the population in this district laid out here of six states, of over 12,000,000 people according to the census of 1910. A glance at this district would lead anyone to suppose that we were certainly entitled to a banking centre in that territory: It is a well proportioned district.

It has got all the necessary requirements as to diversity of industries, crops and so forth. The analysis of it reads that way. That is what you want, is the figures; as I understand from your remarks this morning, you want a district laid out that would normally self-supporting. The deposits in the reserve bank for that district, after deducting the reserve required by law to be held against these deposits, would be sufficient to enable that reserve bank, without issuing any reserve notes, to take care of the normal rediscounts and bills payable, as now shown by the banks in the district.

The Secretary of the Treasury: Well, we have expressed no desire or opinion on that matter, but we are asking for the opinion of others as to whether or not it is a desirable thing to do, and the most desirable.

Mr. Harding: That is one thing I want to discuss with you, and I take it that New Orleans, Atlanta, Chattanooga, Dallas, Houston or Richmond or any of these ambitious southern cities that are anxious to establish financial independence and in the south do away with this having to run north every time to want a few dollars, as has been in vogue for the last 50 or 75 years, are vitally interested in it. Taking this

proposed district, I want to emphasize what I said this morning. We certainly would have no objection to having a line run from the Chattahoochee river up to Augusta so as to give all of eastern Georgia and eastern Florida to a district in Washington or Baltimore, and if it suited them better, it would suit us better, and would strengthen our case.

I am going to give you the figures based on October 21st call, in relation to that.

The Secretary of the Treasury: That relates to the district as laid out?

Mr. Harding: Yes sir. Capital and surplus of national banks, Florida \$10,600,000 --

The Secretary of the Treasury: Just give us the totals.

Mr. Harding: Yes.

The Secretary of the Treasury: I mean the total of all the states. You need not itemize it by states for the discussion. Just give us the totals.

Mr. Harding: I think later on you may want it. \$108,900,000. The capital of the reserve bank would be \$6,504,000. Deposits exclusive of government deposits, deposits that the national banks would be required to keep with the reserve bank/ on account of maintaining their

reserves, \$17,375,000. 35 per cent reserve against that, to be held by the reserve bank, \$6,081,000, leaving net deposits available for loans by a bank located anywhere in that district, \$11,294,000. The bills payable and re-discounts, without reference to the concealed loans or indirect loans, as you may call them, \$20,800,000. Showing that we would be over \$9,000,000 short of being self-sustaining.

Now the only way to make that self-sustaining would be to issue your reserve notes on the basis of that \$11,300,000 of free deposits, which would allow you to issue reserve notes of \$23,000,000. Now these loans of \$20,800,000 on October 21st are not at the high point. I imagine that the high point was possibly a month earlier than that, and there must have been about \$5,000,000 more, say about \$25,000,000.

The same condition will apply to any group of southern states at that time of the year. The only way I could see to establish any districts taking in the southern states, to make them self-sustaining, would be to split the country up into ribbons north and south, and in doing that you could not follow the explicit instructions of this Act, to have

due reference to convenience and the natural course of trade.

I want to show you how this thing works apparently an injustice to these states, if that rule is adhered to. For instance, here is the State of Florida, which would have to deposit with the reserve bank and would have to contribute to the system \$603,000; that is, its proportion of the capital of the reserve bank would be that amount. It would have to deposit \$1,900,000 as its part of the reserve. That would be Florida's contribution to the deposits. That is \$2,500,000. Now the average borrowing requirements of the national banks of Florida, bills payable and re-discounts, are \$2,500,000. You see they deposit what their average borrowing requirements are, and yet on the basis of their deposits they would be \$600,000 short, because they have a fixed capital in there.

Georgia's contribution to the capital stock of the reserve bank would be \$1,473,000 and deposits with the reserve bank would be \$3,175,000, a total of \$6,000,000. The average borrowing requirements of the State of Georgia, I take it, are not far from \$6,000,000. They were \$5,800,000 on the October 21st call, and may run to \$7,000,000 at times, but I should say \$6,000,000 as an

average.

Alabama would contribute \$960,000 to the capital stock of the new bank, and Alabama national banks would have to put up \$2,400,000 of deposits. Our borrowing in Alabama on the 21st of October was approximately \$3,000,000. If you add \$960,000 and \$2,400,000, that is about \$3,400,000, and we would be independent, but lack up the capital and we would be \$6,000,000 short.

Mississippi would put up \$300,000 and deposit \$1,000,000.

The Secretary of the Treasury: You would get a release of reserves under this Act, however, that would compensate you in a measure for that.

Mr. Harding: I am coming to that, but I am showing how it works out. Mississippi borrows an average of \$1,500,000. The City of New Orleans would put up \$492,000 capital and deposits of \$1,500,000. Their average borrowing requirements are \$1,800,000, as shown by the statement.

The State of Kentucky would contribute \$1,548,000 to capital and \$3,700,000 deposits, and their bills payable and re-discounts on October 21st, which were twice as great as they were on the first of June, were only \$2,400,000. The

State of Kentucky is in an independent position.

Tennessee would contribute \$1,128,000 to the capital stock and \$3,700,000 deposits, about the same as Kentucky, but their bills payable and re-discounts in October were \$3,800,000. They were higher in October than they were in June. Their business runs different than the states further south.

So if the principle is to be adopted that any of these banks must be built up on a prima facie independent basis without reference to your reserve notes, I believe the problem is impossible, to establish a bank in the south.

The Secretary of the Treasury: The point is this: This Committee has to consider the division of the country into districts, under the provision of the bill requiring us to have due regard to convenience and the customary course of business. Now in considering the problem from that standpoint as well as with reference to all of the other factors that necessarily enter into the situation, what is your judgment as to the fundamentals that should guide us. Should we undertake to let the country off into districts that are as far as practicable, in view of all the conditions, self-sustaining or self-contained in normal times or under normal

conditions, or should we deliberately create a lot of weak units and a lot of borrowing units so as to get the maximum of units in the system at the beginning? Now as a banker, I would like your view on that.

Mr. Harding: My opinion is you should not deliberately create a number of districts weaker than there is any necessity of their being. For instance, on the proposition we heard yesterday, of putting Georgia and the Carolinas together, I think that is a bad proposition, because that makes a weaker district than there is any use in making. The Carolinas logically go east, they prefer to go east. The three states of Georgia, South Carolina and North Carolina borrow more money in proportion to their banking power than any three states in the union that are contiguous, and there is no use in making a district just to suit any one locality that is unnecessarily weak.

The Secretary of the Treasury: Is it your view that as far as practicable the Committee ought to combine a lending end with a borrowing end in creating these districts?

Mr. Harding: That is my view, and I believe you should lay out the northern districts with reference to having some of those districts so strong in reserves that they are bound

to look for loans in some of their sister reserve districts in the south.

The Secretary of the Treasury: Is it your judgment that we ought to have the minimum number of units and make them as strong as possible, or have the maximum or some intermediate number of units?

Mr. Harding: My personal idea on the subject was that four would have been stronger than eight, but there is no use discussing that. Congress has fixed the minimum number at eight. I believe eight banks could be constructed that would serve districts that would be stronger. I believe, I do not know just how the convenience and course of business would come in there, that is the only proposition, but I believe though it was the intent of Congress when they changed that number -- the original bill, as I understand, which passed the House provided for eight, and it was changed in conference to not less than twelve --

The Secretary of the Treasury: It was not less than twelve in the House.

Mr. Harding: There was some reason, for they have evidently wanted the Organization Board to have some discretion in the matter.

The Secretary of the Treasury: That was exactly the purpose of the Act, to give the Organization Committee some discretion.

Mr. Harding: They evidently responded to some sentiment in the country which was probably southern sentiment, and gave the country more than eight. I am peculiarly familiar with the sentiment in the south, and I believe the sentiment which enables this bill to become a law at all was largely from the south and west. There was a feeling here, and I think in justice to some friends in New York, I should say so far as I am concerned I have no complaint to make regarding New York; they have always treated me very nicely, but there is a sentiment here in the south against the money power which is said to be located in Wall Street. They felt that New York was getting an abnormal proportion of the banking power of this country, and that its financial power was out of all proportion to its normal commercial power, and they felt there ought to be a better balance. They felt that the same situation existed to a less degree perhaps in Chicago. They felt that this money power ought to be better distributed over the country. They felt humiliated and sometimes inconvenienced. I know of some meritorious cases that

have not been accommodated; I do not know whether it was wilfully or that the proposition was not sound in the opinion of the New York bankers; but it is more or less humiliating for a man who lives 1000 or 1500 miles away to go to New York and feel that his whole destiny is in the hands of one man whom he sees up there. And the people in the south would prefer to have some home banks. There are a great many people who do business in the First National Bank in Birmingham, country bankers, who would pay us six per cent interest on loans which we make them at times, when they could get that same money in New York at four and a half per cent, but they feel that New York is a long way off, and they go up there and the man they want to see is very busy and they do not get slapped on the back properly, and they come to Birmingham, and they know us and we do not put on any airs with them, and they would rather pay us the extra money and do business close by.

The Secretary of the Treasury: What in your judgment would serve the interests of the south best, dismissing all sentiment and looking at it really from the standpoint of security to the south, the maximum of benefit and advantage under this bill; what would be best, to try to create these

districts, as I said before, upon the theory that we should combine a strong end with a weak end, by running the districts north and south, or laying them out on the theory of a homogeneous cotton territory or a homogeneous geographical territory, as has been suggested by a great many of the cities? I asked the question a moment ago in another form and you answered it, but I put it in still another form, because I want to emphasize it.

Mr. Harding: Of course, the simplest form would be to have a north and south district in the proposed carrying out of the theory that there was money to loan in the north and to be borrowed in the south --

The Comptroller of the Currency: Will there be as much money in the north hereafter?

Mr. Harding: That we cannot tell. Maybe the south will develop, if given a chance. Take certain sections, they are independent already. I think it makes a creditable showing for Birmingham that we are in as independent a position as we are, which I can show you later on. The bill provides that the Federal Reserve Board can permit, or I believe they can compel, is it not?

The Secretary of the Treasury: They may upon the vote of

five members compel one bank to re-discount for another.

Mr. Harding: Yes.

The Secretary of the Treasury: That is looked upon as more or less of an emergency provision.

Mr. Harding: There is another proposition. You know the sentiment in Washington better than I do, that existed all of this year. We all feel, and I do not believe there is a single banker present in this room, and I doubt if there is an intelligent business man present in this room but what feels that the escape from a panic in 1913 was due to you, sir. I feel that way, and I believe that is the sentiment general throughout the south. (Applause).

Now when you were in New York at the beginning of your hearings, I understand there was a good deal of talk there about the necessity of establishing a dominant reserve bank there, a very powerful bank. Some people wanted to cover a great deal of territory. I do not believe that that idea is a popular idea. I do not believe it met -- I have no reason for saying so, but I do not believe it met the approval of the Organization Committee. Now if New York is divided so that the New England States can be turned over to Boston, and that is consistent with this railroad grouping

idea I have tried to follow in laying out this district here, all New England is a New Haven system and the Boston & Maine with headquarters in Boston, and everything focusses in there. Then if you will take the Hudson River Valley north of New York and draw a line north and south, letting it come about to Schenectady, taking in New York City and Long Island you have a big bank there, too. It has not much loaning power, but that bank can be free for the open market propositions, and they will have spare money to loan these districts in the south which may be needing additional help, if you should deem it advisable not to rely too much on your reserve notes, and I agree with you fully it is not well to use your emergency currency except in cases of emergency, as far as possible, because if you are going to have an emergency all the time, what are you going to do when there is a sure-enough emergency?

The Secretary of the Treasury: The purpose of the bill is to prevent emergencies, and the theory is if the country is properly laid out, you will not have them.

Mr. Harding: But I can see no objection to using your reserve notes, if you provide an amount always for a margin. This district we have laid out only provides for an issue

of about half the reserve notes you have authority to issue,

The Secretary of the Treasury: What are the other districts you have in your mind? Have you a map of the entire country divided as you think it ought to be.

Mr. Harding: This I think is not original with me; I saw it in a banking journal and I modified it in one or two particulars, and I have been figuring on it a little, and I find most of the districts are self-sustaining, and that there are two that are not at certain times of the year, and possibly three; but this is on the basis of eleven, and the other eight would be self-sustaining. The first is a New England district, presumably with headquarters in Boston. That would be self-sustaining and would have money to spare to some other district.

Here is this abbreviated New York district, which would certainly be a safety valve.

Here along the shores of the Great Lakes is a tremendous commerce which is growing all the time. You have trunk lines of railroads, you have the New York Central and the Pennsylvania and the Michigan Central and the Nickle Plate running east and west. The course of trade is east and west rather than north and south in that section. The north and

south lines are just feeders to the big trunk lines. Now if you will take western New York, which is certainly not in very close social or political touch with the City of New York; I do not know how about the business relations normally, because we exist now under an artificial relation all over the country, as you understand.

The Secretary of the Treasury: Yes.

Mr. Harding: Take the ordinary course of trade as distinguished from the banking business, you have an important business centre there, Buffalo, and Erie, Pa. is a good town, and Sandusky, Ohio, and Toledo and Detroit and all this lower peninsular of Michigan. If a district were laid out here of western New York and northwestern Pennsylvania, so as to give these railroads full play through there and make up a district of Ohio and southern Michigan --

The Secretary of the Treasury: All of Ohio?

Mr. Harding: All of Ohio and southern Michigan; you could split Ohio if necessary.

The Secretary of the Treasury: No, I was asking for your district, that is all.

Mr. Harding: I tried to avoid splitting a state any more than necessary, but at the same time I realize there may be

some little excrescences to be trimmed off. For instance, St. Louis there (indicating).

The Secretary of the Treasury: Just finish that district now.

Mr. Harding: That would make a very well proportioned district. It looks a little odd at first until you study the railroad situation there, and then leaving out political state lines, the industrial situation in that district makes that a well balanced homogenous district. Here are your agricultural operations in western New York and northwestern Pennsylvania, there are some good agricultural districts there, and I believe there is some oil and coal in that section. There is all of Ohio with its varied industries, and Michigan. That would give a chance for Columbus, Cincinnati or Cleveland to put in a claim for that district, and it seems to me Cleveland would be the logical center.

You come to Chicago and you have the same situation existing there in a less marked degree than exists in New York. It is a big town with railroads radiating in every direction, and it is one of the central reserve cities, and they have a big business there.

The Secretary of the Treasury: I suggest if you would

file with us three maps and give us, if you will, a tabulated statement of the banking capital and the reserves of each of these districts as you suggest them, and file it with the Committee, we should be glad to have it.

Mr. Harding: If you take in Wisconsin, Illinois, Iowa and Indiana, Chicago would be self-sustaining. Then if you make a great district west of Minnesota, following the Northern Pacific and the Great Northern Railroad out west, there is a district that sometimes may be a little bit short, but ordinarily it will be a self-sustaining district. If you come in the central group out of St. Louis and Kansas City through Nebraska, Kansas & Colorado, the line of the Union Pacific and the Missouri Pacific, you have another big district there, and that is one that would be usually self-sustained.

Then your Pacific Coast is a vast territory, and it is sparsely settled, and I presume San Francisco is looking for a bank out there, and branches could be established at the other points.

The Secretary of Agriculture: We have four of them.

Mr. Harding: The law not only admits of branches but says the reserve banks shall establish branches. Here is a

territory, New Orleans, Texas, Oklahoma, Arkansas and western Louisiana, that is an empire in itself. The State of Texas covers nearly ten parallels of latitude from the south to the north -- .

The Secretary of the Treasury: What about that district in resources and power?

Mr. Harding: Well, at the present time that district, I imagine, is likely to have to be nursed by somebody else. It is going to be short at certain times.

The Secretary of the Treasury: Where would you put the reserve bank in that district?

Mr. Harding: It seems to me Dallas is the logical location in the district. It is the railroad center.

The Secretary of the Treasury: You may file that map with the tabulation of the different banks.

Mr. Harding: Yes. This district I have laid out here without reference to Birmingham in it, the railroads in this district are a group unto themselves, with the exception of a few lines that run through. New Orleans is a terminal; Memphis is a terminal for most roads and a division terminal for others; Evansville is a division terminal, and Louisville is a terminal and Cincinnati is a terminal. There are the

rivers. You take the freight rates out of this district, and you know your rates are to the Ohio river, and if you go ten miles beyond the Ohio river you have to pay a good deal extra, because you go out of this territory. You get your rates to New Orleans and Mississippi river points, and beyond there you strike a different rate. And even your cotton --

The Secretary of the Treasury: Well, we are familiar with the railroad situation.

Mr. Harding: That leaves a district over here on the Atlantic Coast that I have not described. Take Pennsylvania, New Jersey, Delaware, and I imagine that is big enough territory there with enough banks in it to make a good sized bank for itself with some surplus capital up in there. That would leave the City of Washington, Maryland, West Virginia, Virginia, North and South Carolina and possibly eastern Georgia and Florida, if they wanted to follow those routes.

The Secretary of the Treasury: yes, that is the district which has been described by Savannah and Columbia.

Mr. Harding: I believe the Southern people are sentimental. There is a good deal of sentiment in business, we run up against that every day. There are a great many customers

that do business with our bank in Birmingham where there is no particular reason they should do business there rather than bank across the street, or vice versa, but they may have a little personal preference, and there may be a little sentiment about the matter, and you cannot get around it. There is a sentiment in the south that we ought to have some banks here to make us independent, and the idea seems to be pretty generally crystallized that there ought to be two or three banks.

The Secretary of the Treasury: It is not so much the location of a bank in a city as to get the right sort of a district to give the south the right resources.

Mr. Harding: Yes.

The Secretary of the Treasury: This question of local pride and prestige I am perfectly familiar with, and I am in sympathy with it. I understand the south and I have lived in the south in cities where there was great rivalry. But we are bound not to consider that but to try and secure for the south the thing it needs most, that is the accession of additional banking power, in order that its resources and necessities may be cared for.

Mr. Harding: I understand. I believe the difficulties

of your Committee have been enhanced very greatly by one little section in this Act, by which, instead of numbering these districts one, two and three, this Committee has to have the name of the city in it, like the reserve bank of Louisville, for instance, and that is the reason so many ambitious cities are desirous to have the bank.

The Comptroller of the Currency: The districts may be numbered, but the bank has to have the name of the city.

Mr. Harding: Well, for instance, if it was a branch in District No. 5, we would not mind it so much, but many of them would object to having a branch of the Reserve bank of Birmingham, for instance.

The Secretary of the Treasury: Have you anything additional to submit?

Mr. Harding: There is one thing I would like to submit, Mr. Secretary. I do not want your Committee to feel, nor any of these gentlemen, that we have come over from Birmingham and submitted a plan for the district and asked to be made the location of a reserve bank for that district, feeling that we have a little one-horse two-by-four town over there --

The Secretary of the Treasury: Well, we will acquit you of any such purpose. We find you are not guilty, without

argument. (Laughter)

Mr. Harding: There is only one thing I want to bring out, and it will be very brief. There has been a great deal said about clearings. Of course, I have heard you say that you appreciate the fallacies in some of these arguments, and that clearings are not a criterion. Well, a good many people do not know that.

The Secretary of the Treasury: Well, you will admit that clearings are not always indicative of normal conditions?

Mr. Harding: I will admit that. The Birmingham clearings are simply the exchange of checks between banks. We collect the resulting balances every day. There are no outside items to go in; they do not have any outside collections go through the clearings, and they are kept small, and there has been no effort to boost them. To show you how free from that we have been, the City of Birmingham the other day had to pay \$450,000, \$150,000 each to three different banks. We had accumulated balances in each bank to pay those notes, all due the same day, and they gave each bank a check on themselves. There is \$450,000 that does not show in the clearings at all, whereas if they had given bank No. 1 a check on No. 2, and so forth, there would have been \$450,000 shown that day.

Now as to the volume of business in Birmingham, we have two national banks and five state banks that are members of the Clearing House, seven clearing house banks and two banks not members of the Clearing House. We have got capital and surplus of --

The Secretary of the Treasury: Yes, we have had that.

Mr. Harding: Have you all those figures?

The Secretary of the Treasury: Yes. You might just state the clearings five years ago and what they were this past year.

Mr. Harding: I do not remember what they were five years ago, but they were \$173,000,000 this past year. Here is the volume of business. The banks in Birmingham control their transactions pretty well, as I stated before. We carry a number of reserve balances, inactive balances, and control our checks so they are sent to us direct, and we get a little exchange out of it, and the other banks do the same thing. We control our checks very well indeed. The volume of transactions through a typical bank, the First National of Birmingham, for the year 1910, the sum total for the year, was \$1,012,000,000 as against Birmingham clearings of \$175,000,000. That does not represent over 40 per cent of

the total volume of business, so I infer that the volume of business is \$2,500,000.

The Secretary of the Treasury: You have a lot of statistical data there which you will of course file with the Committee as an exhibit to your testimony. It will not be worth while to read these statistics to us. We cannot carry them in our heads, and if you will file them we will examine them.

Mr. Harding: You are familiar with the increase of population of Birmingham and the building figures?

The Secretary of the Treasury: Yes. I do not think Birmingham lets anybody forget that.

Mr. Harding: I want to state that Birmingham already has a good clientele outside of town for borrowing money. We loaned Alabama or country banks \$1,225,000 and had that much out at one time, and our estimate for all the Birmingham banks was \$2,300,000. The shipments of currency by the First National Bank of Birmingham to country bank correspondents during the cotton season of 1913, and that does not include any that came and got it themselves, but includes shipments out, \$2,690,000 --

The Secretary of the Treasury: Those had better be filed.

Mr. Harding: And we shipped in as against that \$3,000,000. All the Birmingham banks shipped out \$4,000,000 and shipped in about \$5,000,000, and I can tell you where it all came from. You know where part of it came from, Mr. Secretary.

The Secretary of the Treasury: Just put in the record ^{it} as an exhibit, because it is impossible to carry these figures in our heads. We will refer to them and examine them.

The Comptroller of the Currency: You shipped in \$5,000,000 and out \$4,000,000. That is an estimate?

Mr. Harding: We shipped in about \$3,000,000.

The Comptroller of the Currency: You said the Birmingham banks, I understand.

Mr. Harding: And some of it went out over the counter, but our shipments by express and registered mail were \$2,690,000 from the first of September to the first of January.

TESTIMONY OF S. S. BROADDUS of Decatur, Ala.

The Secretary of Agriculture: What do you represent, Mr. Broaddus?

Mr. Broaddus: I have got a little original reserve bank up in the Tennessee Valley with 16 little branches, and I just represent them; I had not expected to be called on, so I didn't undertake to represent anybody else.

The Secretary of Agriculture: That is in the northern part of the State?

Mr. Broaddus: Yes sir, away up in the Tennessee Valley, right there (indicating on map).

The Secretary of Agriculture: Yes sir; what is your view on this subject, Mr. Broaddus.

Mr. Broaddus: Ten years ago -- the Tennessee Valley Bank is 31 years old -- the most of the business was with Tennessee points, Memphis, Chattanooga and Nashville, but in the last ten years, Birmingham has grown amazingly, and the convenience and the ease of doing the bulk of one's business in Birmingham, we deal with two of the Birmingham banks and keep the bulk of our balances there.

The Secretary of Agriculture: You want a district of which Birmingham would be the center?

Mr. Broaddus: Yes sir, by all means.

The Secretary of Agriculture: Well, have you any other points that you desire to emphasize in this connection?

Mr. Broadus: But if not Birmingham, then Chattanooga, and along with one of the two, certainly Louisville; the great bulk of our business, of course, is northward and Louisville gets mails from all over Alabama into to-morrow morning's business.

The Secretary of Agriculture: Louisville would be your third choice?

Mr. Broadus: Yes sir.

The Secretary of Agriculture: And Chattanooga second?

Mr. Broadus: Yes sir.

The Secretary of Agriculture: Louisville third; what about Memphis?

Mr. Broadus: Well, I don't want to say anything against Memphis, but Memphis is just in the same fix we are; when we want money, Memphis wants it more than we do.

The Secretary of Agriculture: That is not the situation with reference to Birmingham?

Mr. Broadus: No; Birmingham and Chattanooga both are in funds at times when we need it.

The Secretary of Agriculture: Have you any questions,

Mr. Williams?

THE COMPTROLLER: No sir.

The Secretary of Agriculture: Shall I file this as an exhibit (indicating map)?

Mr. Broaddus: If you like.

The Secretary of Agriculture: We thank you very much.

Mr. Harding: I would like to make the statement as to what the deposits and banking capital at Birmingham are.

The Comptroller: There is no objection to that.

The Secretary of Agriculture: No sir.

Mr. Harding: Capital and surplus \$7,000,000.00; deposits \$28,800,000.00.

STATEMENT OF McLEAN TILTON (Pell City, Ala.)

The Secretary of Agriculture: Mr. Tilton, we would be very glad to hear from you on this subject.

Mr. Tilton: I have a little statement here that will take about five minutes to read, and I believe it will cover all the points that have been inquired about from the different witnesses.

The Secretary of Agriculture: Very well, proceed.

Mr. Tilton: If Birmingham is made the location of a Regional Bank, that decision *eo instanti* fixed Alabama's destiny, and to a scarcely less extent determines the composition of its territory. The observation applies with like force if a Regional bank is located at Atlanta or New Orleans. If the latter, Alabama must go to New Orleans whether we wish to or not; if the former, we must go to Atlanta howsoever well grounded our objections may be. That this is true is indicated by the logic of the situation, recognized both by Atlanta and New Orleans when Alabama was included as a unit in each of their respective groups. I believe I occupy a position which enables me to view these three supposed plans with a minimum of bias. I have lived in Atlanta and I visit New Orleans almost as frequently as I go to Birmingham. In the large areas, tributary to these centers, I have a wide acquaintance amongst bankers and a fairly comprehensive knowledge of business conditions confronting them. Speaking from this standpoint, I believe the Birmingham plan has a number of advantages compared with the other two and is free also from a number of disadvantages that render these other two impossible in my judgment. The New Orleans plan links together an east

and west section of like climate, soil and rainfall, a section that is too largely concerned with a single crop. Its practical effect is to divide the cotton belt into two divisions, one of which raises the great bulk of the cotton crop. I prefer the cotton belt arranged in three divisions, which is necessary with the Birmingham plan. The Atlanta plan includes the State of Alabama and the two Carolinas. The Carolinas have violent and natural reasons against this grouping. Their financial faces have been for years turned towards the east. Their connections are eastward, Richmond, Baltimore, New York and Boston. These ties are strong as decades of service can make them. They have not looked to Georgia for help because Georgia has always been kept more than comfortably entertained in totting her own skillet. Any grouping of the southeastern states that does not disassociate the Carolinas from Georgia is fundamentally unsound. A grouping which associates these three States, and piles Pelion on Ossa with the addition of Alabama to them, is financial folly.

The Birmingham plan is relieved of the cotton growing and manufacturing load of the Carolinas, and the enormous

crop requirements of Texas. Taking in Tennessee and Kentucky to the north, it forms a natural and harmonious division of states with boundaries established by nature itself. Leaping over a wide range of latitude, it presents for your considerations an area of diversified and successive harvests, together with manifold mining and manufacturing operations. It recognizes the preponderance of north and south lines of travel and commerce; it takes care of what should be reasonably expected with the opening of the Panama Canal. The region is not only well balanced within itself, capable of self support, but it also balances with the other regions on every side.

If the number of regions you determine upon is to be more than eight, it will be difficult to overlook a region with Birmingham as a center. But for one, I am ready to admit because honesty impels the admission, that if the number of Regional banks is eight only, it is possible (I will not say probable), that neither Birmingham, Atlanta, nor New Orleans becomes a Regional center. Therefore, not as an advocate of Birmingham, but as a citizen of Alabama, it is of importance to consider where will Alabama be assigned in that event. It has been said that

the success of our government is explained upon the theory that every citizen holds that the polar axis projects square through his own hamlet. Unfortunately, you have not a sufficient number of financial axes to supply the demand. More cities are doomed to disappointment than to happiness. If, in the exercise of your wise and unprejudiced judgment, the proposal advanced by Birmingham, is not regarded with favor, permit me a few moments to discuss an alternative.

In my study of this problem several truths appear self-evident, to wit:

1. A properly balanced region is the primary problem. No matter how inconvenient the central point may be, branches will correct this difficulty.
2. Regardless of how desirable the central point may be, its success will be impossible without a well balanced region to support it.
3. Before a final decision each region must be studied in its relation with all the others.
4. No region should be preponderantly strong, none excessively weak.
5. Width in latitude is more to be desired than width

in longitude.

6. Eight regions should be selected at the start, with the facility later to increase, rather than more with the danger and humiliation of a reduction.

7. Existing lines of credit, commerce and travel are a co-ordinating factor, not an exclusive factor.

8. The cotton belt must be severed in two, and preferably three divisions.

If these fundamentals be true, the following arrangement of groups is a logical sequence.

1. Boston for New England. 2. New York for New York State alone. 3. Washington for Pennsylvania, New Jersey, Delaware, Maryland, the Virginias, the Carolinas, Georgia and Florida. 4. Cincinnati or Louisville for Alabama, Mississippi, Tennessee, Kentucky, Ohio, Indiana, and Michigan. 5. Chicago for Illinois and the northwest. 6. St. Louis for Missouri, Louisiana and the southwest. 7. Denver for the Rocky Mountain States. 8. San Francisco for the Pacific Coast.

To condense a few arguments supporting this arrangement observe:

That New England must be severed from New York unless New York is to continue paramount, and that the same reason-

ing applies with equal force to Pennsylvania and New Jersey.

That, where distances from circumference to center are too great, branches will overcome this objection.

That a Regional bank should be at Washington to enable the Federal Reserve Board to keep its finger upon the financial pulse of the nation.

That the cotton belt is divided into three segments, the Carolinas and Georgia going where they prefer, Alabama freed of the danger of a weak combination with them, Texas to St. Louis.

That Chicago and St. Louis are given all they proved themselves entitled to and should be satisfied.

That the largest bank will have less than twenty millions capital, and the smallest more than five millions; estimated on a three per cent cash subscription from National Banks only, Best 450 banks, Government bank capital six millions; New York 577 banks and twelve millions; Washington 1706 banks and 15 millions; Ohio Valley 808 banks and seven millions Government bank capital.

That the grouping gives to each unit a well balanced territory; borrowing and lending sections; diversified agriculture, manufacturing and mining.

That it makes Ohio, Indiana and Michigan a barrier between New York and Chicago, instead of the preponderating factor to either eastern or western metropolis.

That it recognizes the constantly growing tendency to north and south lines of travel, credit and commerce.

In conclusion: We are fortunate in having this great question in hands so able as yours. I have tried to present the case as the people know you will decide it upon the basis of broad Americanism. To confine one's horizon to the weal or woe of a single city, be it large or small, is altogether too narrow and selfish. It cannot be even fairly considered from the wider viewpoint of a single state. Credit and credulity are the two kingdoms upon which the sun never sets. The problem of credit is a national problem, and we will regret the day when it is forced into narrower confines. If you decide against the Birmingham plan, then let north and south clasp financial hands across the Mason-an-Dixon line; link together the financial destinies of sections, that were once in cruel war. God, with His wonders of temperature, rainfall and soil intended these sections to unite in minied matrimony. Wipe out, as this plan will do, the last vestige of sectional feeling, if, unhappily, any remain, and you will give

American a financial system that will enable the south to lead the union and the union to lead the world. But, whatever you do, of this you may be sure, country bankers everywhere will applaud your action as the matured decisions of able, honest, progressive, patriotic men, and will do their level best to make time vindicate your judgment.

The Secretary of the Treasury: We should like to have the Birmingham Clearing House consider the questions we addressed yesterday to Atlanta, about the effect of commercial paper on the question of clearances, as provided in the bill; I would like for you to consider these questions addressed also to the Birmingham Clearing House; those questions will be supplied by the reporter.

STATEMENT OF MR. W. H. KETTIG.

Gentlemen of the Committee, as I stated before, we brought with us quite a number of orators, and we have a great deal of statistical and other information which we will not submit and not ask you to listen to, because we know your time is too valuable, and we know that you have already heard those things. We feel, as we have only put on one witness from Birmingham, we feel so strong in the justice

of our cause and have such faith in Birmingham, that we are willing to leave the Birmingham case to the testimony of one witness from Birmingham; I think he has covered the ground. Mr. Harding has covered the ground in such a broad and comprehensive way that his argument is almost irresistible. We thank you for your kind attention, and we commend Birmingham to your careful consideration.

The Secretary of the Treasury: I may say that, if Birmingham has any additional data that she wished to have considered, it may be filed with the reporter as exhibits to Mr. Harding's testimony.

Mr. Harding: We will file all matters in proper shape, in triplicate.

The secretary of the Treasury: And they will receive attention at the proper time.

Mr. Kittig: We will leave the Birmingham case with you.

The following communication from MR. R. G. RHETT, dated Washington, D. C. February 12th, 1914, addressed to the Comptroller of the Currency was ordered incorporated in

the record:

Gentlemen: To quote Mr. Burke in his statement to this committee at Washington: "The first object of the organization committee should be to establish as many regions as will be wholly selfreliant throughout all seasons. In the performance of this task, the following objects should be kept in mind: First, to do the least violence to established commercial currents, and relations and so forth and so forth."

We wish to endorse and emphasize these views. I have followed with much interest the various suggestions for districting the entire country, and there seems to be a general assent to the principles laid down by Mr. Burke, but when it comes to outlining districts, many of those suggested, are not at all "self-reliant throughout all seasons," and some do great "violence to established commercial currents and relations." Especially is this the case with some of the districts in which it has been proposed to locate South Carolina. That state is not only an agricultural state, but sixty-eight per cent of its crops consist of cotton. While its acreage under cultivation is only five million, yet its crop yield for 1909, as shown in census report of 1910, was over one hundred and forty-

two million dollars; its net yield per acre being the greatest of any state in the union.

Georgia plants nearly ten million acres with a yield of two hundred and twenty-six million dollars and cotton constitutes sixty-six and two-tenths per cent of its crop.

Mississippi plants six million acres with a yield of one hundred and forty-seven million dollars, and cotton constitutes sixty-five and four-tenths per cent of her crops.

Alabama plants seven million acres with a yield of one hundred and forty-four million dollars and cotton constitutes sixty and three-tenths per cent of her crops.

Texas plants over eighteen million acres with the yield of two hundred and ninety-eight million dollars and cotton constitutes sixty-three and three-tenths per cent of her crops.

These are the great cotton growing states and their proportionate bank deposits and resources to annual production are amongst the smallest of any states in the union. The bank deposits of South Carolina are only eighteen cents for one dollar of annual production; of Alabama and

Mississippi they are nineteen cents; Georgia twenty-two cents. In the New England states they are about ninety cents, and in New York over eighty cents. A self-reliant district cannot be formed out of these cotton states alone. They must be separated and joined with other sections where agriculture is not so predominant, and the heavy demand for money does not come at the same season over the entire district.

Again the railway systems of the south have established a north and south trend of trade along the Atlantic coast, and have as completely severed business relations east and west as it has been possible to do. The products of the west are brought to the coast via New York, Philadelphia, Baltimore and Richmond and distributed by boat or rail to the States on the Atlantic Coast. There is little interchange of business between Georgia and South Carolina except in the distribution of goods from the port of Charleston, and in such cases the trend of money would be from Georgia eastward in payment for these. It is said to be harder to get a bale of cotton from the Central Railroad of Georgia for shipment through the port of

Charleston than for a camel to pass through the eye of a needle. Certainly the fact is that little cotton comes from Georgia to Caroline except from Augusta and vicinity.

To separate South Carolina from North Carolina and Virginia and place her in an east and west district with a reserve bank to the west of her, would be to do the greatest possible violence to her established commercial currents and relations. In fact, it would disrupt them entirely. It would be of no value to you to have us indicate what the districts in other parts of the country should be, because we had not the information upon which we could base it intelligently.

In so far as our own state is concerned, the banks and business interests want to be included with North Carolina and Virginia. They would also like to be included with eastern Georgia and Florida, but if the latter desire a district bank in Georgia or Alabama, or anywhere west of the Savannah River, we would ask that a district be formed with Maryland, District of Columbia, West Virginia, Virginia, North Carolina and South Carolina. Such a district would begin with a capital of over six million dollars, and deposits in excess of twenty million dollars. The maximum

bills payable of the National Banks of such a district reached fifteen million dollars in 1912, and twenty-one million dollars in 1913. The resources for rediscounting without any United States deposits would be sixty-five per cent of twenty million dollars, or thirteen million dollars plus the capital, that is to say nineteen million dollars. The minimum proportion of United States deposits upon which such a bank might count, would be about ten million dollars. Adding sixty-five per cent of this to the above resources and we would have a total of twenty-five million, five hundred thousand dollars, more than four million dollars in excess of enough to take care of even the abnormal demand of last August.

We have also made some inquiry as to the extent to which the use of reserve notes would expand these resources. We have no doubt that there will, at all times, be some of these reserve notes in circulation. Of course, it is of more interest to a bank to put into circulation its own notes than any other, than its interest would be served by putting out reserve notes, because they do not count as a part of the cash reserve. It is not practicable to give even an intelligent guess as to what the amount would be at the lowest periods, which are probably January and June, but I

have made inquiries upon which I think I can safely say we can count on a demand of from eight to ten millions of currency for harvesting the tobacco crop in July and August, and as much more for gathering the cotton crop in the proposed district in September and October. Some of the former will be retiring itself however, as the latter comes into use.

We are entirely satisfied that such a district will be wholly self-reliant during all seasons, and will do little or no violence anywhere to established commercial currents and relations. To those near the borders, there may be some inconvenience in having some of the banks we now do business with in another district, but that cannot be helped. When it comes to the location of the reserve bank, I had best give you the tabulated vote of one hundred and seventy-two banks of the state on the cities of Columbia, Richmond, Atlanta, Baltimore and Washington

	1st.	2nd.	3rd.	4th.	5th.
Columbia	132	10	7	5	3
Richmond	35	136	6	-	-
Baltimore	5	18	64	40	5
Washington	0	4	31	48	32
Atlanta	0	7	26	15	66

It will be seen that the majority have voted for their own capital city. If we exclude Columbia, the vote shows that Richmond has 37 1/2% of the votes for first choice, and 82% for second choice; Baltimore has 12% for first choice and 11% for second choice. The complete severance of business with Georgia is shown by no votes for Atlanta as first choice, only 4% for second choice and 73% for last choice.

The district proposed above contained National banks with the following statements in August 1914.

	Capital and Surplus	Deposits	Bills Payable
Maryland	\$29,000,000	\$39,000,000	\$2,600,000
Dist. of Columbia	12,000,000	27,000,000	1,900,000
West Virginia	17,000,000	57,000,000	300,000
Virginia	29,000,000	87,000,000	4,600,000
North Carolina	11,000,000	31,000,000	5,900,000
South Carolina	9,000,000	18,000,000	5,700,000

It will be seen that the South Carolina National banks are heavy borrowers in August, and the state banks, many of whom would like to become members, borrow even more in

proportion to their capital than the National Banks. Georgia is also one of the states whose banks borrow very heavily in August and September. (\$11,100.00 in August, 1914). Alabama is still another.

The District of Columbia and West Virginia borrow very little and have much larger banking capital to annual production. Virginia and Maryland also add strength to a district. Hence we have asked that South Carolina, as well as North Carolina, be joined in such a district.

The Secretary of the treasury: These hearings are, of course, public, and now, that these various cities have been formally heard, if there is anyone here who wishes to be heard, who can shed new light on the problem, we will hear from them, but we require new light and not repetition; anyone that can meet that qualification and desires to be heard, the committee will be glad to hear from them. Senator Smith, we should be very glad to hear from you. We understood you wished to present some matters, to the committee.

STATEMENT OF HOKE SMITH (U.S. Senator from Ga.)

Senator Smith: Mr. Chairman and Gentlemen: I am very strongly convinced that, under this bill, the southeastern section should receive a separate reserve district

and have a reserve bank. I want first to refer to a line of thought brought out by questions from members of the organization committee. Persons who have been before the committee, I think put the southeastern section in a false light. I think a bank in the southeastern section would be self supporting. This bill requires eight banks; it allows twelve. There are those who believed that the ideal system was to have but one bank, and place all the money from all the banks with the reserve in that one bank upon the theory that in this way all the funds of the country could be utilized everywhere, and of course, if the country was self supporting, the bank would be self supporting. But the legislation took a different shape; it required eight and allowed twelve, and the only direction given to the organization committee was that they should consider convenience of the course of business, and the first thought in the legislation was convenience of the course of business, and the abandonment of the idea of one central bank and the acceptance of the view that there should be not less than eight was at least largely influenced by the desire to furnish convenience.

Now, I say, that I consider that a bank in this section

would be amply self supporting.

The Secretary of the Treasury: Senator, will you kindly tell us exactly what district you have in your mind, I mean the limitations of the district, there have been so many plans presented here, referring now to the district presented by Georgia.

Senator Smith: Substantially, I don't think --

The Comptroller of the Currency: You include the Carolinas?

Senator Smith: Not necessarily, North Carolina.

The Comptroller: You don't include Kentucky and Tennessee?

Senator Smith: I would not include a certain part of Kentucky; I would not think of undertaking to pull Louisville here. I think you would find any efforts to bring Louisville, substantially south of Louisville and to a city not as large as Louisville greatly resented by the business interests of Louisville and I think it would be justified in feeling that it was scarcely fair to pull them out of their ordinary course of trade and course of business and carry them to a smaller city. I refer to the district of South Carolina, Florida, Alabama, perhaps Mississippi, probably Mississippi, East Tennessee, possibly eastern

North Carolina, it is not necessary for us to undertake to fix the exact limits of the district; I mean this southeastern section.

The Secretary of Agriculture: You mean western North Carolina?

Senator Smith: Western North Carolina, I meant Western, this southeastern section. I don't know how to treat New Orleans; it is a difficult problem, I may refer to that again later; the first thought I had in my mind was to answer the suggestion that a reserve bank would not and could not be made independent and self supporting in this section. I am sure it can.

The Secretary of Agriculture: We are trying to get the information on that.

Senator Smith: Yes, sir. Now, a misapprehension would be drawn if you simply consider the figures fixed by the bills payable from the banks of this section during the months of August, September, and October, part of July and part of November, the four borrowing months when the cotton crop comes upon the market. To charge against this

section the status of borrowers from other sections by reason of their total bills payable due to banks of other sections during those four months is entirely inaccurate and unjust. I think from my own observation that 75% of those notes should be deducted to determine the actual debtor status of this section; they have their reserves in the eastern banks, principally in New York; it is their money; under this new system, it would be in the reserve bank they have their deposits with banks in different parts of the country, kept there to maintain an exchange basis. With this new system the reserve bank in this section would handle their exchanges and the necessities for those deposits would cease.

Now, on yesterday first this question was brought actively to my attention and the first banker I met in Atlanta I asked to prepare for me a statement showing the true relation with reference to his own bank and I found that while the nominal indebtedness of his bank averaged for August, September, October and November evidenced by its bills payable last year, six hundred and thirty-nine thousand, four hundred and seventy four dollars (\$639,474) his bank had on deposit and had due to it from reserve banks \$411,000 and it had on deposit with other banks

outside of this section for exchange purposes, \$72,195.00, making a total of \$483,000 that it was creditor against banks outside of this section, against \$639,000. that it was a debtor; so that in point of fact, if the balance was struck as it would stand under the new system, even during those four months, this one of the largest banks in our city was really a debtor only \$166,000. Of course this fact also is true, that last fall the treasury furnished money here and I think this bank had something over \$100,000 from the Treasury. Another fact entering in as an element to determine the status of this section as a debtor section which should be considered, was that this same bank, during that period, had on an average \$459,520 due it from other banks in process of collection. With the establishment of a reserve bank in this immediate locality, convenience to the use of the banks in this section, these collections would be settled much more rapidly, and so large a sum would not be thus used, and easily the balance that I gave you before that this bank was a debtor outside of this section would be wiped out, and under the condition in which it did business last year, with the reserve bank here, the one hundred and odd thousand dollars that it received from the Government would cover all that it would have been necessary

for the bank to borrow outside of the section.

Now again, I say that New York is a debtor to this section a much greater portion of the year than we are a debtor to New York; eight months in the year our section carries heavy deposits in New York, and they pay interest on them; four months in the year, we borrow from New York. If you balance the situation between us, you find that month by month, taking the months I have given you, New York used more money out of this section than we use out of New York. I don't understand that this system contemplates that any reserve bank should be organized with the view of carrying the entire business of the district which it serves the year around. I think this bill was planned upon a scheme to prevent that very thing or to render it unnecessary, and I think it succeeds entirely. It must be logically true that pressure upon different sections of the country, with our vast area and multiplicity of resources, industries and enterprises, that that pressure will vary during the year upon the different sections. A business man with a legitimate amount of capital for his business cannot find it equally active the year through, and if he

has not more money in his business than he can wisely use, he finds periods in the year when he must be a borrower, so, if the money of the district was normally used all the time, it is more than probable that in every district, some of the outside money from other parts of the country could desirably be used in that district, as the pressure for money in any section varies during the year. That was the argument in favor of the Central Bank, that if we had one central bank, as the pressure from the various parts of the country varied during the year, that central bank, having all the money, would have it ready to put in this section at one time and that in another and that in another. Now, that scheme was rejected, and I think wisely rejected. The plan adopted was to localize the reserve banks, and to make convenience. The special feature of convenience is also stressed in this legislation. But we now can borrow from New York in the Fall when we need the money, and we lend to New York when New York needs the money; we have an individual reserve bank in this section, which for four months in the year may need more money than it has; it will have more money than it needs a part of the year, and this system wisely permits the reserve banks to loan to each other.

I think the scheme involves the plan wisely of facilitating the movement of money from one section of the country to the other, so that all the currency and money in our entire country may be available in that part of the country where it is most needed, and our reserve bank in this southeastern section will for more than half of the year be able to extend loans to reserve banks in other parts of the country, and if it desires, to make loans for four months from reserve banks in other parts of the Union. If they have the surplus money, they would desire to let it out, and it would be a service to them and not a burden to carry their surplus money part of the time and pay reasonable interest on it, just as it will be an accommodation to our reserve bank a portion of the year to furnish it to reserve banks in districts that need it, and receive in return the interest that they will pay; and with not less than eight nor more than twelve, as your judgment determines and as you find necessary, working out the entire scheme, all of the banks, or a particular bank probably part of the year may call upon other reserve banks for temporary loans; that I don't think amounts to any bid -- or should cause the conclusion that they are not self supporting. We did not

intend, this legislation does not intend to put a Chinese wall around each reserve district, and have it keep all of its money within its own district; it carries, as suggested by the Secretary of the Treasury, facility for movement from one part of this country to the other, from reserve bank to reserve bank; it does another thing. As the bill came from the House, the funds of the Treasury, the funds of the Government were required to be placed, prorated amongst all the banks, with no discretion in the Treasury Department to control them; the history of the bill in that provision put in by the House representatives was stricken in the Senate, and while it is not a part of the written history, it is the unwritten history that this was done under the advice of the Chairman of this Board, and wisely so, for two reasons.

The Secretary of the Treasury: Well--

Senator Smith: I beg your pardon, sir?

The Secretary of the Treasury: Go ahead, Senator. I reserve my remarks.

Senator Smith: I will say this, if the Secretary objects to the statement that it was on his advice, I will say that a number of us in the senate insisted upon his giving us his views, and we were influenced by them; I don't mean that

he undertook to press his views improperly upon the senate, but we sought them, and we found them wise. Now, why? For two reasons; first, that the Government might have its funds that the Secretary of the Treasury might be able to place these funds not automatically everywhere, whether they were needed or not, but in the part of the country where they would do the most good.

Now, Let's see what would be the condition of the reserve bank in this district. I have shown you how exaggerated would be the view of its borrowing requirements if you charge against it all the bills payable which it owes-during the four months of moving the cotton crop; I have called attention to the fact that all of the reserve of these banks will be in the reserve bank here, and largely available; of course, you understand the limitation that the act carries, these figures are not necessary to mention I have called your attention to the additional facility in collections, and the effect that would have on reducing the amount that we would be called upon to ask for from abroad. Of course, it is unnecessary for me to mention the fact that you cannot add up all the obligations of the banks of the south, and conclude that that is all borrowed

from outside; the large part of that for our small banks is borrowed from the bigger banks in the south where we have borrowing centers; what we want to ascertain is the money from beyond the limits of the proposed reserve district.

Now, that brings us almost to the place where we could handle ourselves; our reserve bank has the right to borrow from other reserve banks; of course, we have the --

The Secretary of the Treasury: On the affirmation of the Board.

Senator Smith: On the affirmation of the Board, yes, sir, and I apprehend that the Board, of course, would facilitate the mobilizing of funds from one part of the country to the other. The board also is given the power by an affirmative vote of five to seven to force it, but I am not regarding that as important; it is a valuable but not important, not a power that in all probability the Board will ever have to use. It will be perfectly easy for the reserve bank to borrow anything in addition it wants; the facility of the Banks to borrow if they want to, on their own hook outside during that period still exists; the competition exists between the eastern banks that have surplus money and the reserve banks here to make it easy.

They have been able to get what they needed before, practically, and there would be no difficulty about their handling themselves, but our reserve bank will extend to our reserve banks in the cotton section and in the wheat section the same kind of treatment and the same facilities it will afford them, which the Secretary of the Treasury gave them last year during the crop moving periods, and I think the whole scheme of the bill involves the idea that the reserve banks shall be put in a position to utilize the currency of the entire country by mobilizing it to the point where it is most needed.

But the bill don't stop there at all. The power to issue treasury notes or reserve notes, is in this bill, and I don't understand that it was put there simply as a fire escape to get out of the building if it is on fire; I understand that it is put there as a practical business proposition, not to wait for entirely abnormal conditions, but to meet normal wants, and prevent abnormal conditions, that, if the currency of the country was ample for our reserve bank, but if during the cotton moving season, it needed more money than it had to accommodate the banks in this section, it would easily obtain it from other reserve banks or would find its wants met by the deposit in the

Treasury, that they the location of a reserve agent of the Government in that reserve bank with Treasury notes, and with authority under the direction of the reserve Board to rediscount the paper of the reserve bank, I think that facility was intended to make possible, not less than eight, and even twelve reserve districts.

It is impossible, you could not locate two reserve districts or more than two which all the year would be entirely free from the need of some outside money; you can't locate a district in the United States that has done business for the last five years without some outside money; New York has not done business without it, and every part of this country at some period of the year has a call for some outside money from other portions of the country.

The secretary of the Treasury: If you are addressing that argument of yours, Senator, on the assumption that this Committee has already decided that it is to do that --

Senator Smith: I am not.

The secretary of the Treasury: You are mistaken.

Senator Smith: I don't believe the Committee has, I don't mean that at all; I am simply presenting a line of

thought which seems to me pertinent in support of what I believe is so important to our conclusions.

The secretary of the treasury: Yes, sir; I just interjected that remark for the reason of calling attention again to what was said here in the beginning of this hearing, that the questions brought out would be taken into consideration, and I didn't know whether you intended to develop the argument or what your purpose was.

Senator Smith: Well, it was only developing the argument, and I just wanted to put the argument into the record.

The secretary of the Treasury: I am glad to discover that you have been so eminently successful.

Senator Smith: Now gentlemen, there are to be eight reserve districts, and I think the Southern Cotton States are entitled to two of them. There can be twelve. I believe it is important to this section that they should be located here; we not only want to be the recipients of good treatment, but we want all the country to know we are. It is not simply a matter of pride; we believe our section is growing faster than any other section of this country; we believe it is going to contribute more than its part to the future commercial productions of this country,

and we want a chance, we want recognition, we want practical recognition and open recognition, I don't believe this bill would have passed except by the support of the Southern and Western Senators. The House put in not less than twelve reserve districts, because the representatives knew their sections wanted recognition, and they built it on a plan that did not require all the year independence in any district. The Senate Finance Committee, the Senate Banking & Currency Committee, after a stubborn fight, brought in a compromise of eight; six were for eight, and six were for four. That was amended after debate to not less than eight nor more than twelve, and it was done to insure the Southeastern section a reserve district. It was not based upon the argument that, with eight, you might not be able to give it to the Southeastern section, but we added four more that you might have that additional latitude, and that this section might be guarded against the possibility of a condition which would force you to ignore it as an independent reserve district with a reserve bank.

I want to give a few additional reasons in support of this Southeastern section: It has the largest state in it

east of the Mississippi, Georgia; it has the state that shows the most marvelous growth in the past ten years, in agriculture, in diversified manufacturing, in commerce. It is in the center of the Southeastern section. It has in it the Commercial Metropolis of the South, in the center of the South Eastern section. Let me just for a moment call your attention to a few facts very briefly; they are all in this record but just two or three of them. You can judge of the commercial business a city does and the section it serves by the postal receipts; Atlanta showed for last year \$1,328,000.00, New Orleans, \$1,182,000.00; Louisville \$1,163,000.00, Richmond \$828,000.00. Memphis \$747,000.00; Nashville \$653,000.00; Birmingham \$485,000.00 and so on. Take the parcels post; going out, Atlanta, \$77,693; New Orleans \$47,000; Louisville \$37,000; Memphis \$25,000; Nashville \$20,000; Birmingham \$37,000; coming in Atlanta, thirty-two, New Orleans thirty-three, running on down and giving Birmingham sixty-five, which was a splendid showing.

Now, let's take the growth; the banking capital in this city increased 400% in the last ten years, the deposits 500% and the clearings 600%. Of course New Orleans still has a larger banking capital than Atlanta;

Atlanta has something over twice the banking capital of Birmingham; Atlanta has clearings, I believe, next to New Orleans, New Orleans bank clearings \$980,000,000, Atlanta \$725,000,000, Louisville \$715,000,000, Nashville \$519,000,000, Memphis \$421,000,000, coming on down to Birmingham \$173,000,000.

Now, there has been some expression of opposition in Southern Carolina to coming into a district a little west, but when we come to the practical operations of the district, I think they will find the convenience ample. There would be no mortification to any city in South Carolina, because there isn't any city of South Carolina in the same business class as Atlanta. That Georgia would resent going to a smaller city, and a much smaller city, especially commercially and in point of bank clearings and in point of postal receipts and in point of everything except its mineral resources, hardly needs to be stated. That Louisville would resent it is equally true. That Memphis would resent it is equally true. You can bring a smaller city to a larger city without any cause of acute feeling, but you can't carry a big city to a smaller city commercially, without jarring the sensibilities of the people whose interests are involved.

Now, I want to call your attention to the fact that this southern metropolis, the central distributing point of the south, has been passed upon and established as such by the independent industries and enterprises of the Union. Where are the headquarters for the insurance companies doing business in the south? Atlanta. And Atlanta is the third largest insurance city in the United States. I am presenting the proposition of convenience to the section; I am discussing the southeastern section as entitled to a reserve district and finding the point in the southeast where the convenience meets the wants of commerce. The insurance companies considered this problem, and they located their business here, not because they had interests in Atlanta, but because Atlanta occupied the strategic point of value to them; 152 trains come in and go out of Atlanta every day.

The Secretary of the Treasury. Senator do stress convenience and accessibility more than the customary courses of business which the law requires us to consider?

Senator Smith. I think it comes first; I think the customary course of business--

The Secretary of the Treasury. It is conjunctive, I

Senator Smith. Yes, but it is given first; now, I think both are important, but I think the customary course of business is very difficult; if you take our customary course of business, we all go to New York.

The Secretary of the Treasury. For some things.

Senator Smith. Yes sir.

The Secretary of the Treasury. According to the statistics.

Senator Smith. Yes, for money.

The secretary of the Treasury. That may be true, according to the statistics.

Senator Smith. Yes sir. Well then, if you take the customary course of business, I am presenting that. What is the customary course of business in insurance throughout this entire southeastern section? The third largest city in the United States. Here is your customary course of business shown by the location here of all the great commercial agencies doing their business through the south.

The Secretary of the Treasury. It is a complicated and multiplex factor, there is no question about that.

Senator Smith. It is a question on which you can't lay down any iron clad rule.

The Secretary of the Treasury. It has got to be considered in its general scope.

Senator Smith. You have got to work it out and adjust it, but I am just presenting how the insurance companies treated this whole southeastern section, where they went and where they had fixed the customary course of business.

Now then, the telegraph companies put their headquarters here, the telephone companies put their headquarters here. I think it is safe to say that there are more agents of manufacturing plants and big enterprises in other sections of the Union where they have business in the south, that have located in Atlanta, than the balance of the cities of the south. Isn't Atlanta more easy than anywhere else? The business of the country coming to the South comes to Atlanta, and is distributed from here, acting voluntarily, after having mastered the situation, and this increased and dominating status of the city as the great distributing point, and the manufactures of the country, with their headquarters here, and the insurance men with their headquarters here, and the railroad companies maintaining headquarters here, illustrates the proposition, that, for this southeastern

section Atlanta occupies the central position with reference to the course of business. It is the second mule market, I am just told, in the United States.

The Secretary of the Treasury. Do you refer to that with pride?

Senator Smith. I don't know, if I could have my way, these southeastern states would raise their own horses and their own mules and their own cattle, and never buy a pound of meat or one single live stock from out this section. I believe that is coming; when the Secretary of Agriculture gets in the information he is going to send to us and stimulates local endeavor, and with that the power of this section commercially will increase tremendously.

Now, I am not going to detain this Board. The detailed figures you have filed with you by the representatives of Atlanta and it would be useless for me to go over them again. One thing I will mention indicative of growth; I have seen the figures for 1912, the buildings of Atlanta far exceeded the new buildings in 1912 of any other city in the south, three times as much as New Orleans; Atlanta went up to something over nine million dollars, New Orleans

a little over three million; as to commercial importance and dominating status in the southern section, where New Orleans is larger than Atlanta, Atlanta really, commercially in the course of business--

A member of the Birmingham delegation. How about your buildings in 1913, Senator?

Senator Smith. I haven't the figures for that year.

A member of the Birmingham Delegation. We can give them.

Senator Smith. Give them.

A member of the Birmingham Delegation. Birmingham, \$6,185,000; Atlanta \$5,088,000.

Senator Smith. I am surprised.

A member of the Birmingham Delegation. Birmingham in December 1913, carried it to a point more than Atlanta and Richmond combined.

Senator Smith. I haven't haven't had time to verify those figures; I am glad, we feel kindly towards Birmingham.

A member of the Birmingham Delegation. You overlooked the census of 1910, too, didn't you, Senator?

Senator Smith. It is one of our important outboasts.

The Secretary of the Treasury. You are willing to annex it, even, aren't you, Senator?

Senator Smith. Yes, sir, we are willing to give it a branch bank if it is necessary.

The Secretary of Agriculture. When you began, you stated you would return to New Orleans?

Senator Smith. Yes sir, I come back to New Orleans. I have been surprised in investigating New Orleans conditions at the small relationship it bears to the territory around it. I can hardly comprehend it; there business seems to be almost their own, and when you get only a short distance off from New Orleans, the business seems to want to go somewhere else. I am not the master of that problem. I would like to say this with reference to the location of Regional Banks, just this much further; of course, Boston, New York, Atlanta, Chicago, St. Louis, San Francisco a bank undoubtedly between New York and Atlanta, just where I don't know; you could put big cities into Washington and they would not complain.

The Secretary of the Treasury: I was just going to ask you this question; of course, this is a very difficult question, we have been more impressed with it as we have

gone over the entire country, it is not an easy problem; the districts have been laid out here, one of them suggested, one of the suggested districts includes the District of Columbia, Virginia, North Carolina, South Carolina, Georgia and Florida and perhaps Alabama; now, assuming that such a district as that was laid out, what would be your view, what would be your second choice for instance, after Atlanta.

Senator Smith. Well, I haven't any second choice.

The secretary of the Treasury. I know you haven't.

Senator Smith: I want the southeastern section to have a bank.

The secretary of the Treasury: I understand that, but we will be glad if you will be good enough to give us the benefit of your best judgment really.

Senator Smith. Atlanta, again, I say.

The secretary of the treasury. My question was, Senator, what after Atlanta, would be your second choice for the location of the reserve bank in the district as described?

Senator Smith: State your district again, please, Mr. Secretary?

The secretary of the Treasury: The District of Columbia,

Virginia, North Carolina, South Carolina, Georgia and Florida and perhaps Alabama, suppose that constitutes the District?

Senator Smith. Washington.

The Secretary of the Treasury: Washington?

Senator Smith: Washington.

The Secretary of the Treasury: How would you regard Richmond?

Senator Smith: I think Washington would be more satisfactory.

The Secretary of Agriculture: Let's put the question a little differently, Senator; in any district in which Georgia might perhaps be included, what would be your second choice if a city had to be taken outside of Georgia?

Senator Smith. I would be utterly unwilling, I can see no district possible to be formed without Atlanta as the reserve city, unless Georgia is carried far to the north to reach a city larger than Atlanta; I would naturally feel that the rights of our people were disregarded if the metropolis of the south were tied to a small place.

The secretary of the Treasury: Take this district which Birmingham has suggested, which includes Kentucky.

Senator Smith: I have no particular criticism upon that.

The secretary of the Treasury: Assuming, just for the purpose of illustration, assuming that such a district as that was laid out, what would be your second choice after Atlanta?

Senator Smith: I don't think such a district could be laid out, you can't put us in that district unless you pull the whole of our business up to Louisville, or pull Louisville down to Atlanta; you can't pull Louisville to a place no larger than Birmingham, and with no more banking capital and no greater clearings.

The Secretary of the Treasury. New Orleans is in that district?

Senator Smith: Is New Orleans in that district?

The Secretary of the Treasury: Yes, sir.

Senator Smith: That is away down on the corner.

The secretary of Agriculture: May I interrupt you to say that Louisville did lay out just that district?

Senator Smith: And wanted Louisville?

The secretary of Agriculture: Yes, sir.

Senator Smith. I think that is illogical, because it would be a lack of common convenience; Louisville would be satisfied with that district if Louisville were made the reserve bank, but Louisville would resent that district terrifically, if you pulled her down to Atlanta.

Secretary of Agriculture: Well, she said so, she admitted it.

Senator Smith. I am sure she would; I didn't know it, the admission, but I accept it.

The Comptroller of the Currency. Would you prefer to do business with Louisville next to Atlanta?

Senator Smith: No.

The Comptroller of the Currency: Or New Orleans, which?

Senator Smith: No.

The Comptroller of the Currency: I mean as second choice.

Senator Smith: I can have no such second choice, it is impossible.

The secretary of the Treasury: We would like very much to know your second choice, Senator?

Senator Smith: We would never have voted for the bill at all, if we had thought it would put Georgia in such a district, I want to say that the privilege of not less than

eight nor more than twelve was put on to this bill in the Democratic Caucus avowedly to protect us from such a possibility.

The Secretary of the Treasury. We thank you very much Senator.

Senator Smith: I am very much obliged to you gentlemen.

The Secretary of the Treasury: Are there any representatives here of Charleston? Please preserve order for a moment. Are there any representatives of Charleston here?

Before the Committee adjourns, we desire to express our appreciation of the great earnestness of the witnesses and their interests and also the value of the information they have presented. As I stated a moment ago, this is not an easy problem, it is a very difficult one, and we are impressed with its gravity and responsibility resting upon us, and we shall give very earnest consideration and very impartial consideration to the views that have been expressed here.

The Committee will now adjourn.