

FIGHT AGAINST BANK CENTRES IS GROWING

It's Predicted That Federal Reserve Board Will Upset the Plan.

MR. GLASS DEFENDS IT Author of Currency Law Says Civic Pride Really Causes Protests.

WASHINGTON, April 4.—The storm of criticism that has been aroused in Washington over the selection of the Federal reserve banking centers and the delimitation of the districts in the new system gathered strength to-day.

It is already apparent that the Federal Reserve Board as soon as it is appointed by President Wilson and confirmed by the Senate will be overwhelmed with petitions and requests to change the plan of the organization committee.

The Federal Reserve Board will have the power to order such changes and the prediction is being made that the board will not be slow in undoing some of the work of the organization committee so as to allow the banking business of the country to flow through its normal channels as the spirit of the new currency act intended.

The organization committee itself made no formal answer to-day to the criticisms heaped upon it. The committee apparently is regarded by the committee as having been inspired by political animosity and disapproval. The confidence of the committee in the logic of the selections remains unshaken.

Percentage of Preference.

It was said that with the exception of one district under the scheme announced by the committee, 90 per cent. of the cities in each district are attached to the reserve centre for which they expressed a preference.

In one district the committee decided to locate the reserve in a city for which the majority of the member banks did not express a preference. This was regarded as necessary because of geographical and other considerations growing out of the designations of neighboring districts.

It was said that the data accumulated by hearings of the organization committee show that Richmond loans approximately four times as much money to the territory in the fifth district as does Baltimore. In addition, the majority of the banks in this territory in making clearings is much stronger toward Richmond banks than toward those of Baltimore.

One of the prime considerations in bringing about a decision to locate a reserve bank in Atlanta instead of New Orleans was the geographical location. The committee recognized that the normal tendency of financial interchanges throughout the country is eastward and for the most part northward.

For this reason it was desired the South Atlantic reserve city be somewhere in the eastern or central portion of the district. Also the committee took into consideration the inaccessibility of New Orleans to Florida and other South Atlantic territory which had to be included in that district.

The committee is not disposed to give much thought to the criticisms emanating from Connecticut and northern New Jersey because they are dissevered from the New York district.

It is contended that in this, as in other cases in which bankers are dissatisfied with their new reserve connections, they may continue their financial relationships with the New York banks as extensively as they wish, provided they maintain the required amount of reserves in the cities to which they are accorded.

A member bank in Jersey City or Connecticut will still have the privilege of taking a part of its commercial paper to New York for discounting if this seems most convenient.

Effect of Civic Pride

Members of the committee are disposed to believe that civic pride on the part of disappointed cities is playing a more important part in the criticisms which have been heard than the consideration of the practical benefits which the location of reserve banks will confer upon the successful competitors.

The view is that the reserve bank will be nothing more than a "strong box" for the reserves of the twelve districts and that the member banks in a reserve city will have little advantage over the other member banks in their districts except that of accessibility.

It is in the hope of the members of the committee that the new system actually will be in operation some time in the summer. No need for special haste exists in their minds.

The committee expects to stand by the fundamentals of its selections when appeals are made to the Reserve Board after that body is appointed by the President, but it will not do this in a narrow way. Should good cause be advanced for the removal of a county or a certain town or city from one district to another the committee will not oppose such removal.

Representative Glass of Virginia, chairman of the House Committee on Banking and Currency, one of the authors of the new banking law, to-day issued a statement in which he defended the designation of Federal reserve cities made by the organization committee.

He insists that a study of the districts embraced in the new system has been convincing that the committee was not influenced by favoritism or political conditions, as has been alleged.

"The importance to any community of a regional reserve bank has been in some instances lamentably overestimated," said Mr. Glass. "Aside from a senti-

mental prestige and the advertisement which the possession of one of these banks is assumed to give the seat of their location there is absolutely nothing else to it.

The Branch Banks.

"For practical purposes the branch banks are the real working elements of the system. It is these branch banks which in most instances do the discounting."

"Under the terms of the bill the branch banks are to be administered by duly appointed boards of directors and the management of these branch institutions will be distinctive and will more nearly relate itself to local business interests than the regional banks, so that the outcry against the organization committee is a mere expression of disappointment and consequent resentment arising from a very natural civic pride."

"It is an expression which can be and should be easily pardoned, because it is perfectly natural. But when anybody undertakes to say that the action of the committee was prompted by motives of political considerations or influenced by the supposed activities of any public man or set of politicians I think such a critic is going far afield from the truth of the situation."

"With my knowledge of facts and study of the situation, covering a period of sixteen months, I would not, had I the power, make more than a single charge in the districts as defined by the organization committee, and that charge I do not care to point out, as no good could be effected by my suggestion that now might be made."

"Referring again to the relative importance of the branch banks and regional reserve banks, the practical operation of the system, no business centre has its identity or has its business relations seriously interrupted."

"The banking operations and the commercial relations of any given territory will be practically maintained as they exist to-day for the reason that such territory will transact its business with the branch bank, if more convenient than with the regional reserve bank, so that there is no earthly reason why any large financial or commercial community should be the least degree less uneasy over the prospect of losing any business which it now commands."

Mr. Glass, president of the Chamber of Commerce, said that he had heard of no move on the part of a New York bank to protest and did not consider that any protest was needed.

John Clavin, president of the Chamber of Commerce, said that he had heard of no move on the part of a New York bank to protest and did not consider that any protest was needed.

The obvious effect of the organization committee of the Federal Reserve bank to reduce New York as a financial centre in the districting of the country drew smiles from New York bankers yesterday. The natural course of money toward New York cannot be artificially changed, said bankers, nor can trade be restricted.

Something of a boomerang upon the committee is its effort to limit New York by cutting off northern New Jersey and western New York as a monetary center.

It will hardly be felt by New York in the matter of resources taken from it thereby.

Injury to Nearby Cities.

Great injury and loss, however, will be caused to the institutions and communities of Jersey City, Hoboken, Newark, Stamford, Bridgeport and New Haven, which it is held should have had all the facilities that the committee could give to them.

Walter E. Frew, president of the Corn Exchange Bank, which is not a national bank, said yesterday that the limitation of New York is far from being a bad thing for this centre.

"It is really a blessing in disguise, so far as New York is concerned," said Mr. Frew. "I think that when the New York banks begin to think it over they will recognize that the organization committee did them a better turn than it realized at the time. It is a good thing for the territory New York city stands a better chance of retaining its supremacy in the banking field."

"The banks in the New Jersey and Connecticut districts included from New York will continue to do business with New York and will continue to require banking facilities here. If these banks had been included in New York, they would have been able to use their balances at the New York reserve institution for remitting to New York. They would not, therefore, have to keep special balances with New York individual banks."

"But as now their affiliation will be with the Federal Reserve bank of Philadelphia or Boston their balances in these institutions are unavailable for New York purposes and they are compelled to maintain separate balances here with individual banks."

"This is smaller the better," said Mr. Frew. "The smaller the New York district the greater the chances that the inferior bank balances will be retained in individual banks here. It is a bad for New York city banks that the Federal Reserve Bank of Philadelphia could not have been confined to Manhattan Island."

Max May, vice-president of the Guaranty Trust Company, a leading authority on New York foreign exchange, said the position of New York in the European markets, said:

"This division into many Federal reserve banks cannot destroy the financial supremacy of New York as a monetary center. It may matter what the reserve banks may do. New York is the great market for foreign exchange and here it will remain. Europe will not ship gold to Boston or to Chicago without a stop in New York."

"The function of the Federal Reserve banks is not to compete with the banks for foreign exchange business. To control the money market movements must be controlled. The only way to do this is by exercising an influence on interest rates. The latter rise after a certain amount of gold is taken out of the country."

"Last year the Guaranty Trust Company drew bills on 2,389,966 boxes of cotton and 1,827,000 boxes of wool, as well as grain bills totalling \$38,000,000 and copper and other metals amounting to \$10,000,000. London bills of exchange were \$1,827,000, German bills, \$544,000,000, French, \$1,000,000,000 and other countries \$12,000,000, or a total of \$2,363,000,000. That is one-third of the foreign exchange business of the United States."

Charles A. Peabody, president of the Mutual Life Insurance Company, said: "In my opinion the division of territory under the Federal Reserve system has been greatly muddled. Following the natural course of business Jersey City and other cities in that vicinity should have been connected with New York. Buffalo has a very large foreign exchange business and New Orleans should have been selected instead of those cities in their respective territories."

Jersey Bankers Protest. Institutions in North Object to Being in Philadelphia District.

NEWARK, N. J., April 4.—A movement to protest against the action of the Federal Reserve bank organization committee in placing northern New Jersey banks in the Philadelphia district, instead of in the New York district, was started here to-day by the bankers cannot get relief in this way they will appeal to President Wilson.

Letters were sent this afternoon by Walter M. Van Deusen, cashier of the National Bank Building Company, chairman of the banking and currency committee of the New Jersey Bankers Association, to all banks in the northern section of the State asking that certain date be furnished.

As soon as Mr. Van Deusen gathers these statistics, he will lay the facts before the executive committee of the State Bankers Association and probably the whole body will accompany him to Washington.

The Federal Reserve bank act says the determination of the organization committee shall not be subject to review except by the Federal Reserve Board when organized, provided the districts shall be appointed with due regard to the convenience and customary course of business.

"The assignment in this instance," said Mr. Van Deusen, "was certainly not with regard to the convenience and customary course of business. Our course of business is entirely with New York and not Philadelphia."

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NO ORGANIZED FIGHT HERE ON BANK PLANS

Financial Leaders Deny That Clearing House and Chamber Will Protest.

CANT INJURE NEW YORK Walter E. Frew, Head of Corn Exchange Bank, Says System Is a Blessing.

Reports were heard in Wall Street yesterday that the Clearing House and the Chamber of Commerce were to take action against the plan of Federal Reserve bank districts as announced by the organization committee. It was reported that special meetings of these bodies were to be held to frame protests.

Albert H. Wiggin, president of the Chase National Bank, and chairman of the Clearing House committee, said last night that there was nothing in the report. He said he had heard of no movement of the kind in the Clearing House and he was sure that he would have been informed of it if there was. He had likewise heard of no move on the part of a New York bank to protest and did not consider that any protest was needed.

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WILSON WOULD STOP ATTACKS IN CONGRESS ON RAILROADS

His Insistence in Daniels Case Regarded as Favorable to Carriers.

WASHINGTON, April 4.—Federal officials awake today to a realization of the fact that the confirmation by the Senate of the nomination of Prof. Winthrop M. Daniels for Interstate Commerce Commissioner is highly significant for the railroads of the country.

The forcing by the President of this nomination through the Senate indicates more clearly than anything that has yet happened President Wilson's attitude toward the carriers.

It is interpreted as reflecting his firm conviction that the time has come when there should be a let up in Congress on the attacks upon the railroads of the country.

The President's insistence also indicates a very liberal tendency on his part toward the gigantic task which the Interstate Commerce Commission has undertaken in making a physical valuation of all the railroads in the country.

Mr. Wilson in insisting upon the confirmation of the Daniels nomination told the Senators that he was perfectly familiar with the record of Prof. Daniels as a member of the New Jersey Public Utilities Commission and was convinced of his fairness and competency.

It was this willingness on the President's part to assume personal responsibility for Prof. Daniels that led many Democratic Senators who were opposed to his confirmation to reverse themselves and finally vote in favor of the Princeton man.

The President's acceptance of Prof. Daniels and the latter's acts as a member of the New Jersey Public Utilities Commission, regarding the views of the Interstate Commerce Commission and the Interstate Commerce Commission, was regarded as a method of valuation to the railroads of the country in the proceedings now under way by the Interstate Commerce Commission.

The President's strong stand in support of Prof. Daniels, even after Democratic leaders had asked him to withdraw the name, has been accepted here also as further encouragement to the railroads in their application for a 5 per cent. increase in freight rates.

The President's deep concern over the railroad situation has been apparent repeatedly and the belief in Washington is that the President is insisting upon the Daniels nomination to emphasize the disposition of the Administration to be liberal toward the carriers and to discourage indiscriminate attacks.

Prof. Daniels added to the actual value of the physical properties of the company 47.5 per cent. for intangible values.

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It made a canvass of all the banks in the State when the organization committee was considering the assignment question. We found that a line could be drawn across the State at Trenton, and all places north of Trenton would be New York and all south of it would be Philadelphia as their reserve center.

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This included good will, going business and other so-called intangible assets. These are the things which Senator La Follette and men of his school insist never should be included in a physical value—especially of railroads.

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