

A Reserve Bank for Richmond

*James Parthemos**

Not less than eight nor more than twelve. That was the number of regional reserve banks specified in the Federal Reserve Act of 1913. To implement its provisions, the Act called for the establishment of a Reserve Bank Organization Committee made up of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. The first two of these offices were held, respectively, by William Gibbs McAdoo and David F. Houston. The third was vacant at the time of the passage of the Federal Reserve Act, but shortly afterward President Wilson appointed John Skelton Williams, a well-known banker and businessman of Richmond, Virginia, to fill the vacancy. Senate action on that appointment, however, was delayed until mid-January. In early January, McAdoo appointed H. Parker Willis to head a special subcommittee of technical experts, styled the Preliminary Committee on Organization to assist with the work.

Not content to await the report of this group, McAdoo and Houston, constituting a quorum of the Organization Committee, set out to hold their own hearings. Hearings were held first in New York, beginning on January 4, then in Boston, with the Committee returning to Washington for hearings on January 15. Following these, McAdoo and Houston traveled some 10,000 miles around the country and held hearings in 18 cities. In the course of these hearings 37 cities asked to be made headquarters of a reserve bank, supporting their petitions with generous reams of economic data mixed with large dollops of civic pride and booster spirit. Of the hearings, Houston wrote:

It soon appeared that city, state, and sectional pride was involved; and that we were in for a great deal of roasting no matter what we decided. It also became obvious that if we created fewer banks than the maximum fixed by law, the Reserve Board would have no peace till that number was reached. . . .

There was a vast amount of state and city pride revealed to us in the hearings; and to hear some of the speeches one would have thought that not to select the city of the advocate would mean its ruin and that of their [sic] territory.

* The author retired in 1985 as Senior Vice President and Director of Research of the Federal Reserve Bank of Richmond. A slightly longer version of this article, complete with footnotes, is available upon request.

The petition of the city of Richmond, Virginia, was heard at the Washington meeting on January 15. Also heard at these Washington meetings were delegations from Philadelphia, Pittsburgh, Baltimore, Washington, West Virginia, North Carolina, and South Carolina.

The Campaign for a Richmond Location

The Richmond banking community and the city's two major newspapers followed closely the progress of the Glass-Owen bill (the currency bill as it was generally referred to at the time) through the legislative mill. The major role played by Virginians in shaping the bill and directing it through Congress gave the legislation special interest locally. Yet this interest did not translate into sentiment for locating a reserve bank in Richmond until after the bill became law.

Contemporaneous newspaper accounts credit the incumbent governor, William Hodges Mann, with the initial suggestion that an effort be made to locate a reserve bank in Richmond. According to these accounts, Governor Mann, in a letter dated December 2, 1913, to Oliver J. Sands, a prominent Richmond banker, noted impending passage of the currency bill and suggested that Richmond might well be an appropriate site for one of the several reserve banks envisaged. Sands is reported to have approached the local clearinghouse association with the idea and to have found the members skeptical. According to one account, four of the six clearinghouse banks thought it would be "useless to work for a [reserve] bank for Richmond," while the chairman of the association "doubted that the idea was worth a formal meeting."

Sentiment in favor of an active effort to have Richmond designated as a reserve bank site did not develop until after enactment of the bill on December 23. Articles in the local press on December 24, 25, and 26 did not include Richmond in listings of cities likely to be chosen as locations for reserve banks.

On December 27, however, the city's evening paper, the *News Leader*, carried a front-page story under a three-column headline: "Reserve Bank To

Be Sought Here.” It reported that Sands had called a meeting of all local banks eligible for membership in the new system for Monday afternoon, December 29, at the Business Men’s Club, to be followed by a meeting of the members of that club. The story noted that Atlanta was already “in the field as a candidate for one of the regional banks” and that “it is the belief of many bankers that the reserve bank to be located in the South will be placed either in that city or in Richmond. . . .” It added that the Richmond campaign “must accordingly be prosecuted with vigor.”

Obviously the local banking community, perhaps under Sands’ initiative, had, quite suddenly, upgraded Richmond’s chances. The reasons for this are not clear. On December 23, the day that President Wilson signed the Federal Reserve Act, it became known that John Skelton Williams, a Richmonder, would be appointed Comptroller of the Currency. That appointment, if confirmed by the U.S. Senate, would place the choice of regional reserve cities in the hands of a native son and two other Southerners, as McAdoo was a native of Georgia and Houston, of North Carolina. Whether the notion that an Organization Committee so constituted would tend to look with special favor on Richmond played a role in the reevaluation is moot. In any case shortly after passage of the Act it became clear that a sizable number of cities, including some in the Old South, would be vying for a regional reserve bank. In that context, the idea that Richmond, as a long-time leader of the Old South, might prove a likely site for a regional bank appears altogether reasonable independently of the makeup of the Organization Committee. The key role played by Virginians in devising, legislating, and now implementing the new system no doubt provided encouragement. But that it was the critical factor in the decision of the city’s leaders to seek a reserve bank is questionable. That the Richmond leaders were not prepared to count on political favoritism is indicated by their retention at some early stage of two of the nation’s highly regarded professional banking consultants to evaluate the case for locating a reserve bank in Richmond. These consultants—Charles A. Conant of New York and O. P. Austin of Washington, D.C.—came to Richmond and after several days study pronounced Richmond an eminently appropriate site.

Whatever the case, the December 29 meetings at the Business Men’s Club were decisive, dispelling the doubts expressed earlier by the clearinghouse banks. The bankers’ meeting, under the chairman-

ship of Sands, quickly and unanimously passed the following resolution:

Resolved: That the banks of Richmond cooperate with the commercial bodies of this city to secure the nomination of Richmond as the location of one of the federal reserve banks, believing that its banking capital and surplus, its geographical location and its railroad facilities with all points in the territory named, as well as its proximity to the great trade center, renders it the most convenient for those cities for the transaction of their business.

As the natural point of trade for the South Atlantic states and portions of Tennessee and West Virginia it is entitled to such consideration. It is the most important city in finance, trade and population in the territory named. It is in the trend of trade and finance to the North and East and numbers now among its depositors a large number of banks in the sections named.

The Business Men’s Club, meeting the same day, endorsed the resolution and joined the bankers in calling on all local civic groups to appoint committees to constitute a grand Committee on Locating a Federal Reserve Bank in Richmond.

From that point until the selection of reserve bank sites on April 2, the local press joined the city’s several civic groups in a campaign remarkable for its unbridled American booster spirit and for its effectiveness in putting together a convincing case in a brief span of time. Civic groups responded promptly and on December 31 the Committee for Locating a Federal Reserve Bank in Richmond was formally established. An executive committee was appointed to plan and direct the campaign. Sands was named chairman of this committee. A slogan was adopted: “A Southern Bank for A Southern People.”

The Committee went to work immediately, with enthusiasm. Headquarters were set up in the Business Men’s Club and a clerical staff quickly assembled. Literature promoting Richmond’s advantages over other South Atlantic cities was hastily prepared for dissemination over a broad area deemed to comprise an appropriate Richmond reserve district. Local teams worked feverishly gathering data from the city’s banks, railroads, commercial establishments, and other organizations for preparation of briefs to be presented to the Organization Committee. Field committees were set up to visit key cities in the Southeast to solicit support for the Richmond site. Time was short since it was known early in January that the Organization Committee would hear Richmond’s claim on or about January 15.

In delineating an appropriate Richmond reserve district, the Richmond leaders obviously wanted to justify their slogan: “A Southern Bank for A Southern

People." But the slogan itself occasioned some confusion. Should there be just one Southern bank for Southern people or could there be two? At that early stage it was not clear just how many regional banks would be established and judgments regarding the geographical limits of a proposed Richmond district were necessarily tentative. There was some tendency to think in terms of the old Confederacy and field committees were set up to visit cities as distant as Birmingham, Alabama and Houston, Texas. But it was decided to place before the Organization Committee a proposed district that embraced Virginia, the Carolinas, Florida, the southern half of West Virginia, and large parts of eastern Kentucky, eastern Tennessee, and eastern Georgia.

The boundaries of the proposed district might well have been influenced by the Richmond leaders' perception of the competition they confronted. Washington, Baltimore, and Atlanta were viewed as principal competitors, although the first mentioned appears to have been taken progressively less seriously with the passage of time. Without powerful senators and congressmen to press its case, with little standing as a commercial or financial center, and with general suspicions that an institution located in the nation's capital would be subject to political influence, Washington was at a disadvantage. The inclusion of a sizable portion of the state of Georgia might well have been designed to denigrate Atlanta's claim and to focus attention on New Orleans as the likely site, next to Richmond, of an appropriate Southern reserve bank. The initial exclusion of Maryland was rationalized on grounds that Maryland was neither a truly Southern state nor properly a part of the same geographic region as the area south of the Potomac. But there was also a suggestion here that Baltimore might more appropriately be lumped with Philadelphia rather than with the South Atlantic states.

Despite the great geographic extent of the proposed district, the Richmond campaign concentrated its promotional efforts heavily in the two Carolinas. A team under the leadership of W. T. Dabney, business manager of the Richmond Chamber of Commerce, toured the two states between January 6 and January 17 touting the advantages of Richmond and the benefits to the Carolinas that would result from the location of a reserve bank in that city. Both local newspapers followed the tour closely day by day, reporting with obvious satisfaction the support expressed in virtually all the cities visited. Meanwhile, the staff at headquarters at the Richmond Business

Men's Club worked long hours busily preparing promotional literature for circulation among business and banking groups in the key cities of the proposed district and receiving a mounting number of endorsements for Richmond, mainly from banks in the Carolinas.

A problem developed for the Richmond touring group when, while the tour was in progress, Charlotte and Columbia decided to seek regional banks. The campaigns of these two cities were mounted hastily, however, and lacked the comprehensive organization and drive of the Richmond campaign. They were seriously hampered, moreover, by the fact that many of the leading bankers of their states had already openly pledged support for Richmond. This was especially the case with respect to Charlotte. Bankers in Raleigh, Winston-Salem, Rocky Mount, Tarboro, Concord and in numerous smaller towns had enthusiastically endorsed the Richmond candidacy and the state's bankers' association was pledged to send a delegation to support the Richmond cause at the January 15 hearings in Washington. In South Carolina, Spartanburg, Greenville and Charleston had already strongly endorsed Richmond and by mid-January some South Carolina bankers were mounting an effort to coax Columbia bankers into a like endorsement. The Charlotte and Columbia campaigns can best be explained, perhaps, as efforts to position these cities as sites for branches of the regional head offices at some later date. In any case, the Richmonders handled this problem adroitly, refusing to be drawn into an open confrontation with major cities of the Carolinas. Rather their tactic was to seek endorsement of Richmond as the second choice of both Charlotte and Columbia.

By mid-January the basic strategy underlying the Richmond effort had crystallized firmly. It was, first, to forge a solid alliance of Virginia with the Carolinas, the three states to constitute the core of a reserve district to be expanded as necessary to meet the statutory capital requirements for a reserve bank. An important element in this alliance was general agreement that the Carolinas should express unalterable opposition to being linked to any city to their south or their west. The oft-repeated argument was that the normal commercial and financial flows from the South Atlantic states ran from the south to the north and northeast and could be accommodated adequately only by a city to their north and preferably by one fairly close to the great commercial and financial centers of the East. Against that background,

strong emphasis was placed on the substantial advantages of Richmond as a transportation and communication center relatively easily accessible to even remote parts of the Southeast and within quick reach of all the large Eastern centers.

The strategy also contemplated dealing with rivals. There was general understanding of the probability that location of a bank at Philadelphia would seriously undercut the chances of Baltimore and Washington. Hence Richmonders at a fairly early stage tended to favor Philadelphia. Southward, a systematic effort was launched to put banks in the Carolinas on record as opposing any connection with Atlanta. Charlotteans, in particular, actively opposed Atlanta, tending to favor New Orleans over that city, believing perhaps that a regional bank in Atlanta would prejudice Charlotte's chances for even a branch bank.

The Washington Hearings

The Richmond campaign was managed with notable skill, commanding the plaudits even of its rivals. Floods of promotional literature were disseminated over the South Atlantic region, reaching small towns as well as the principal cities. The tours of the traveling teams—referred to variously as “missionaries” or “boosters”—proved eminently successful in creating a crucial solidarity between Virginia and the Carolinas. The state of Virginia was mobilized fully and enthusiastically behind the city's effort, with newspapers in every section offering day-by-day accounts of the progress of the campaign. In the best spirit of American boosterism, the city's mayor, the state's governor and governor-elect, and the general assembly were all pressed into the service of the campaign. Similarly, the state's congressional delegation was committed to using its influence and best efforts on behalf of Richmond.

Meanwhile the local committee was preparing to make its case before the Organization Committee on January 15. Much of the burden of preparing the brief to be presented fell on George J. Seay who had also been a leading performer in the presentations made by the traveling groups in the Carolinas. Seay was selected to make the oral presentation before the Organization Committee. There were only 18 days between the time Seay was retained by the local committee and the date of the hearings and many of these days were spent promoting Richmond's case in the Carolinas. Despite the brief period of time available to him Seay produced a well-reasoned brief, offering much statistical data in support of Richmond's candidacy. The argument was predicated on

the establishment of a reserve district made up mainly of South Atlantic states with parts of West Virginia, Kentucky, and Tennessee. The brief emphasized:

(1) The city's geographical location, providing a natural point of linkage between the South Atlantic and the great centers of the Northeast in the predominantly south-to-north flow of commerce and finance.

(2) The city's superior transportation and communications facilities, with north-south and east-west rail lines, supplemented by river and coastal waterways allowing quick and economical contact with virtually every point in the proposed district, thus providing a natural point for clearing checks and distributing currency.

(3) Virginia's preeminence among Southern states in banking and Richmond's extensive banking connections, both as a holder of bankers' balances and a lender, with all parts of the proposed district, showing Richmond to be a natural reserve center despite its exclusion from the list of official reserve cities.

(4) Richmond's importance as a commercial as well as financial center, with long-standing friendly business connections with all parts of the proposed district.

The brief offered banking, financial, and business statistics to compare Virginia, favorably, with other Southern states and to show Richmond to be better situated than any other city in the proposed district to become the site of a reserve bank. Finally, much was made of the heavy support for the Richmond candidacy throughout the proposed district but especially in the Carolinas.

The local committee worked feverishly at organizing an impressive appearance before the Organization Committee. Delegations from the Carolinas, including high officers from each of the two states' banking associations, were enlisted to accompany the Richmond delegation to Washington and to express their support before the Organization Committee. Governor Mann, Governor-elect Stuart and representatives from the General Assembly accompanied the Richmond delegation, which far outnumbered that of any other city making presentations at the Washington hearings.

The hearings were held in the office of John Skelton Williams, then an Assistant Secretary of the Treasury, and presided over by Secretary McAdoo. The chief protagonist was Seay. In his presentation

he demonstrated an impressive knowledge of the details and intentions of the Federal Reserve Act as well as of the economic characteristics of the proposed district. Despite a grandiloquent style that was more appreciated in 1914 than today, and a generous use of hyperbole in pressing Richmond's claims, he was generally given high grades by his contemporaries as an advocate of the city's cause.

Supplementing Seay's presentation were shorter statements by William T. Reed, T. M. Carrington, S. C. Mitchell, and Sands. The statements of the first three were concerned with Richmond's importance as a commercial and manufacturing center, its commercial and industrial development in recent years, and its potential for growth in the future. Sands' statement was directed at demonstrating why a branch, rather than a regional head office, could not adequately serve the area that looked to Richmond for commercial and financial leadership. Following these statements, John R. Saunders, a member of the Virginia Senate, offered the rhetorical support of the Virginia General Assembly.

There was some anomaly in the position of the Carolinians who had come to support Richmond's claims. At the time of the hearings Charlotte, N.C., and Columbia, S.C., were vigorously pressing their own campaigns. A strong show of support for Richmond would accordingly undercut these campaigns. This might prove especially embarrassing for Charlotte, whose delegation was scheduled to be heard on the 15th, following Richmond's presentation. Nevertheless both Carolinas' delegations came out with strong and unambiguous support for Richmond. Both also argued vigorously against being placed in an "east-west" as opposed to a "north-south" district. They opposed, with equal vigor, being connected with any city to their south or west.

The Revised Brief

The Richmonders left the hearings confident that they had made a convincing case, yet acknowledging that there was still work to be done. McAdoo and Houston had raised a number of questions at the hearings, suggesting a need for a more complete brief than the hastily prepared first one. Accordingly, Seay undertook to provide a more systematic and complete essay, documenting his case more thoroughly with banking and economic data on the proposed district. This brief was submitted to the Organization Committee on February 17. While some sentiment had developed for making adjustments in the proposed district, Seay held fast to the initial boun-

daries. The covering letter, however, suggested that the proposed district could be extended to include the District of Columbia, Maryland, and northern West Virginia without prejudice to the argument for a Richmond location. The added area, it was noted, could be served by a branch at Baltimore.

The revised document, while more carefully drawn than the first, repeated essentially the same arguments as the initial ones elaborated at the January 15 hearings. It did, however, include additional evidence buttressing the contention that Richmond was overwhelmingly the popular choice in the proposed district. It reported a poll of some 1,350 banks in the region which showed Richmond to be the first choice of 952, second choice of 305, and third choice of 78. Thus an overwhelming majority expressed moderate-to-strong preference for Richmond. Of twelve other cities for which preference was expressed, none received more than 112 first preference votes nor more than 163 moderate-to-strong preference votes.

Even more than the first brief, the second laid heavy emphasis on the solidarity of Virginia and the Carolinas, insisting that the three states constituted a nucleus for a south-to-north district that could best be served by a regional bank at Richmond. Seay wrote:

... there is a very strong feeling in Virginia, North Carolina, and South Carolina that they must be included together in any zone which may be formed, and that whatever territory may be incorporated in their zone, a Federal Reserve Bank located in Richmond would serve their interests better than if located in any other city.

The interests of these three states are too closely interwoven to be separated.

As in the first brief, Richmond's advantages were touted in grandiloquent, often florid, prose. Seay closed it with a turgid and unashamedly hyperbolic emotional appeal:

Richmond has a place in the affections of the South which no other city possesses.

She has a place in the annals of the nation and the world which is imperishable.

The debt of the nation to Virginia is inextinguishable.

It is difficult to see how this Republic could have been formed without Virginia.

Richmond has that dignity of standing, that atmosphere of sentiment and history, that position in science and learning, which render her worthy of any honor or distinction that can be bestowed upon her, and the intelligent judgment of the whole country, having a knowledge of these considerations, would approve the location of a Federal Reserve Bank in Richmond.

The names of Virginians will be associated for all time in the financial history of this country with the Federal Reserve Act.

All of these considerations preeminently distinguish Richmond as the location of a Federal Reserve Bank.

Thus did Seay dun the Organization Committee for the historic services of Virginia and Richmond.

But the Richmond leaders were not content to rest their case strictly on Seay's brief. Two additional briefs were prepared. The first of these was prepared by a consultant, O. P. Austin, who sought to demonstrate, first, that the proposed district constituted a distinct and differentiable economic region, with a diverse agricultural and industrial base sufficiently large to require its own regional reserve bank. Second, he undertook to show that Richmond was the ideal site for the reserve bank for this district. He argued that the "great mass of distinctively southern products can be more intelligently understood and financed from a distinctively southern city. . . ." The interests of the region's producers, he added, could be "better served from Richmond than Washington, which has no active business relation with the producing, manufacturing, or commercial interests, or from Baltimore, which is still farther removed from the area of the chief production of these peculiar and distinctively 'local' products."

The second supplement to Seay's brief was a memorandum prepared by William T. Reed of the Richmond Chamber of Commerce and titled "Statement Showing Freight Rates from Richmond to southern West Virginia, eastern Kentucky, eastern Tennessee, North and South Carolina and Georgia; also tonnage from Virginia cities into North and South Carolina and Georgia." According to this memorandum the railroads serving the proposed district "years ago recognized Richmond as the proper distributing point, and [the proposed district] as the natural territory to Richmond, owing to the fact that they were enabled to give quick service, and from one to four days quicker delivery than Baltimore, or any city north of us." Rates into the proposed district from Richmond, it noted, were accordingly fixed at 13 percent below those from Baltimore. The memorandum also gave statistics on tonnage shipped from Richmond and other major Virginia cities to the Carolinas, Georgia, and Florida, noting that data for shipments to eastern Tennessee, eastern Kentucky, and southern West Virginia were not readily available. It openly questioned the claim made by Baltimore's representatives at the Washington hearings that

Baltimore's tonnage to the Carolinas, Georgia and Florida exceeded Richmond's and challenged Baltimore to produce the statistics.

Seay's extended brief supplemented by these two addenda, constituted the Richmond case as finally presented to the Organization Committee. These three elements, along with supporting statistical charts and maps, were bound together in hardcover, under title of *A Natural and Economic Territory for a Federal Reserve District with Richmond As the Location of the Bank*, and distributed generously throughout the proposed district. Thus Seay's grandiloquent appeal was addressed not only to the Organization Committee but also to much of the Old South by way of mobilizing support for the claims of the capital of the fallen Confederacy.

The Choice

Richmond's two daily newspapers followed closely the progress of the Organization Committee's grand tour, reporting every rumor and speculation regarding Richmond's chances of securing a regional bank. Press comment reflected increasing confidence on the part of the campaign's leaders who appeared convinced that they had made a strong case. There was general satisfaction with the quality of the revised brief. With the help of the press, leaders were able to maintain a high pitch of enthusiastic support from virtually every organized group in the state, while its congressional delegation pressed the Richmond case in Washington. Despite rival campaigns by Charlotte and Columbia, support for Richmond in both Carolinas was strong and growing. These rival campaigns lost momentum after mid-February, with both cities coming out in favor of Richmond as a strong second choice. Great hope was placed in presenting a united front with the two Carolinas, insisting that the three states be placed in the same district with the reserve center located to accommodate north-south flows of commerce and finance. This, it was thought, would establish an important Richmond advantage over Atlanta.

As for the northern end of the proposed district, an important consideration was the question of the size of the reserve bank that would almost surely be established in New York. Given the heavy concentration of banking capital and resources in a relatively small geographic area of the Northeast, the problem of keeping the several reserve banks of reasonably uniform capitalization, as required by law, could be addressed only if the reserve districts there could be kept geographically small. As this problem received

increasing attention, there emerged a high probability that the area north of the Potomac and east of the Great Lakes would have to be divided into three reserve districts, a probability which was well appreciated by the Richmond leadership. New York and Boston seemed certain choices. The contest for the third was between Philadelphia and Baltimore and the outcome was of crucial interest to Richmond. The choice of Baltimore would almost certainly doom Richmond's chances, while the choice of Philadelphia would undercut the cases of Baltimore and Washington. Of this, the Richmond leaders were quite aware.

As the work of the Organization Committee progressed and was commented on and analyzed in the press, Richmond's leaders appeared to have increasing reasons for optimism. In their view, the city's superior transportation and communications links between the South Atlantic and the great centers of the Northeast had been demonstrated. Hence Richmond could be shown to be a natural clearing point for checks originating in the South Atlantic states as well as a natural reserve center. On top of this they could add the city's historic claim to cultural leadership of the Old South, which was no small matter, and a claim on the chief architects of the new Reserve Act. Now that, in their own perception, the claims of their chief rivals were crumbling, there was every reason to expect a favorable outcome to their intense efforts.

Rumors that Richmond would in fact be chosen for one of the reserve banks began to appear in the press in March. On March 25, the Washington correspondent of the *News Leader* noted "persistent reports . . . in circulation in Washington that Richmond will be selected by the Organization Committee as one of the twelve regional bank cities. . . ." He added:

Three weeks ago your correspondent told of the intimation in semi-official circles that the Virginia capital city was in the lead for the reserve city of South Atlantic states banking region.

He then quoted a story in the *New York Sun* of March 25 naming, "Upon reliable authority," the following "tentative list" of reserve cities: "Boston, New York, Washington or Richmond, Chicago, St. Louis, San Francisco, Kansas City, Cincinnati, Atlanta or New Orleans, Dallas or Houston, and Minneapolis."

On the following day the same journal carried a front-page story entitled "Richmond to Get Regional Bank." The story, attributed to unofficial but "high and trustworthy sources," noted that Richmond had won her fight for a regional bank. But it added that the Organization Committee had not yet voted on the issue. Rather it reported that the Committee had ruled out Baltimore and Washington on grounds that a bank at Philadelphia was necessary to contain the size of the bank at New York.

The Organization Committee's announcement came on April 2. By prearrangement, John Skelton Williams, the Comptroller of the Currency, had agreed to telephone the Richmond campaign to convey the decision immediately following the Committee's final meeting, scheduled for the late afternoon of that day. The Richmond leaders expected a call at around 6 p.m. To receive it they gathered, in high hopes, in the banking offices of John L. Williams, father of the Comptroller of the Currency. The city's campaign leaders, along with Governor Stuart and other political leaders, some one hundred according to press reports, were present. The expected call came and the Comptroller of the Currency talked directly to E. L. Bemiss, his brother-in-law and a prominent local banker. Bemiss undertook to repeat for the benefit of the group each sentence of the communication.

The Comptroller provided a touch of drama to the occasion as he toyed with the expectations of the crowd. He began by announcing District 1, with the reserve bank at Boston, and outlining the boundaries of the district. He did the same for District 2, New York; then District 3, Philadelphia; and District 4, Cleveland. Meantime, Seay, George C. Gregory, and Sands, sat before large maps of the United States tracing out the boundaries described by Williams. Then without explanation, Williams skipped District 5 and shifted to District 12, San Francisco, then moved on to 11, Dallas; 10, Kansas City; 9, Minneapolis; 8, St. Louis; and 7, Chicago. He then announced, in what the local press called "a spirit of grim humor" that that was all. The crowd knew better, however, since it could be seen from the maps that the great southeastern section of the country was left without a reserve bank. Pressed, Williams mockingly admitted that there was another district, centered on Atlanta. When he laid out the boundaries of that district, it was clear that there remained yet another made up of Maryland, the District of Columbia, West Virginia excluding four panhandle counties, Virginia

and the Carolinas. After a pause to allow the crowd to mull the question of whether the center of that final district would be at Baltimore, Washington, or Richmond, Williams ended the suspense. On the announcement that Richmond was the choice, the local leaders joined hands and gave a loud cheer.

The Reaction

The announcement touched off a fever of excitement locally, putting the city in a mood for high celebration. Local newspapers in the days following were filled with self-congratulatory accounts of how the city earned the distinction, heaping praise upon the campaign leaders. On April 3, the morning after the announcement, the *Times-Dispatch* published a special 16-page Federal Reserve Section, chronicling the details of the long campaign and including pages of advertisements by local banks and businesses congratulating the city on the successful issue of the campaign.

Much credit for the campaign's success was attributed to the brief presented to the Organization Committee. "The brief was convincing," one story noted. "Richmond's claim was based upon Richmond's financial strength and its ability to serve the section included in its region." Seay's role in the campaign was emphasized and his brief was reprinted in full. The Richmond team, the editor added, "presented a case unexcelled by any laid before the Organization Committee."

The Richmond press was especially profuse in its expression of gratitude to support from neighboring states. Recognizing the crucial help of these supporters, the editor of the *Times-Dispatch* wrote on April 3, ". . . Richmond would not this morning be a Federal reserve city had not our friends in Virginia, in North Carolina, in South Carolina, in East Tennessee and in West Virginia made it so." Like expressions appeared in an editorial of the same day in the *News Leader*. Both newspapers featured pages of pictures of leading supporters from other state as well as local leaders.

The significance of the reserve bank for the future of Richmond was discussed at length—and not without exaggeration—in both papers. Each carried special articles by some of the leading individuals involved in the Richmond campaign. For the *Times-Dispatch* of April 3, for example, in an article under the headline "What Reserve Bank Means to Richmond," Sands wrote:

The establishment and operation of an institution of such momentous power and wide influence as the Federal Reserve Bank of Richmond will give to the city of Richmond great prominence and will centre [sic] here the whole financial operations of this large and wonderfully prosperous territory.

He added that on the night of the announcement "far sighted businessmen" predicted "great growth" in Richmond, commercially, industrially, and financially. A leading local banker was quoted as expressing a belief that Richmond would become one of the great cities of the country, noting that there was "practically no limit to what may be the ultimate outcome to this city of the action that has been taken today."

Every story—even every advertisement—in the April 3rd editions exuded euphoric evaluations of the city's future. Richmond was referred to as a "financial Gibraltar," the center of a "new financial empire," the "seventh greatest financial center of the country." Expectations ran high.

In the exhilaration of victory, the city's Chamber of Commerce hastily planned a celebration to honor the campaign's leaders and workers. A banquet at the Jefferson Hotel honored the campaign's executive committee. Special honors were reserved for George C. Gregory, executive secretary of the committee, and invited guest George A. Holderness, president of the North Carolina Bankers Association and a strong supporter of Richmond's candidacy from the beginning. Some 800 attended the mass meeting and buffet supper. McAdoo, Houston, and Williams were invited to share in the occasion but all pleaded the pressure of additional work toward organizing the new system.

The entire state rejoiced with Richmond at the news of the successful issue of the city's campaign. Editorials and news stories in the press of the state's other leading cities reflected the same exhilaration—and the same exaggerated expectations of future benefits—noted in the Richmond newspapers. The banking communities of the Carolinas also expressed general satisfaction. The Charlotte, N.C., *Daily Observer* of April 4 noted that the choice met with general approval in Charlotte and throughout the state. Similar expressions appeared in the leading newspapers of both Carolinas, with some manifesting an enthusiasm approaching that of the Richmond press.

The Baltimore Challenge

The selection of Richmond as the site of a reserve bank was not universally endorsed. The banking communities of Washington and Baltimore reacted with disbelief, their spokesmen suggesting that politics and favoritism had been determining factors in the Organization Committee's decision. These two great cities, *The Washington Post* reported, "must now do all reserve business through [a] comparatively small institution in the former capital of the Confederacy." In both cities, civic pride and self-esteem had suffered a blow.

The reaction in Washington and Baltimore was part of a much broader criticism of the Organization Committee. Of the 37 cities seeking a reserve bank, 25 were perforce disappointed. McAdoo, Houston, and Williams all came under personal attack for allegedly using influence to locate reserve banks in their home states. The choice of cities was subject to acrimonious debate in both chambers of Congress. In the Senate a resolution was passed calling on the Committee to submit the briefs of all cities applying for a reserve bank along with the reasons for its choices.

The Committee responded in a report dated April 10, 1914. The report noted that in the poll of banks made for the Committee by the office of the Comptroller of the Currency, Richmond received more votes than any other city in the district—168 as against 128 for Baltimore and only 25 for Washington. It pointed out, moreover, that leaving out the states of Maryland and Virginia, Richmond received from the rest of the district triple the votes for Baltimore. It cited the latest reports to the Comptroller as indicating that the business of the national banks of Virginia, including Richmond, exceeded that of their counterparts in Maryland, including Baltimore, or in any other state in the Fifth District. The same reports, it added, showed Richmond's national banks were lending in the 13 Southern states more than the national banks of any city except New York. Outside of Virginia and Maryland, the loans of Richmond's national banks to the remaining parts of the Fifth District were twice as great as those of the national banks of Baltimore and Washington combined.

Despite the Committee's prompt defense of its decision, the choice of Richmond over Baltimore and of Atlanta over New Orleans continued to

arouse opposition. The choice of Richmond found little favor in New York, where many bankers were critical of the delineation of reserve districts along the Atlantic seaboard. Especially in Washington and Baltimore, the hand of John Skelton Williams was seen as the determining factor in the Richmond location.

Baltimore's leaders proceeded to mount a multifaceted campaign to reverse the Organization Committee's choice of Richmond and to have the reserve bank moved to Baltimore. They quickly formed a committee made up of the local board of trade, the clearinghouse association, the chamber of commerce, and a large miscellany of local trade associations. The city's leaders expressed a determination to carry their appeal beyond the Organization Committee, if necessary, to the Federal Reserve Board when it was organized and even to Congress.

The local press was an enthusiastic participant in these efforts, carrying stories and editorials detailing the "injustice" to the city. The press played a key role, especially in efforts to arouse enthusiastic popular support for the campaign. To that end the city's leaders organized a massive demonstration in downtown Baltimore on the evening of April 15.

On April 29 Baltimore's committee addressed a letter to the Organization Committee requesting that the choice of Richmond be reviewed and noting that in the absence of action by the latter committee, an appeal would be made to the Federal Reserve Board when that body was constituted. The Baltimore group also requested that the Committee delay the organization of the Richmond reserve bank pending Federal Reserve Board action on the appeal. The Committee refused to grant either request.

Nothing daunted, the Baltimore committee's professional staff proceeded to put together a carefully structured brief to support the appeal to the Federal Reserve Board. The Baltimore appeal, along with this brief, was filed with the Federal Reserve Board on September 11, 1914.

The Richmond leadership, backed strongly by the local press, responded sharply to the Baltimore campaign. Something of an editorial war developed between the newspapers of the two cities.

In spite of the efforts of the Baltimore media and city leaders to redirect the location of the reserve

bank, the Organization Committee forged ahead with the selection of Richmond. By mid-October, the Richmond reserve bank had been incorporated and its board of directors had been chosen. These included two top leaders of the Baltimore campaign, William Ingle, who was named chairman and Federal Reserve Agent, and Waldo Newcomer, chosen a Class A director.

Such a prime position in the management of the new institution tended to assuage Baltimore's

loss and the city's banking community apparently accommodated itself to the Richmond choice, hoping to become a branch site. The appeal, however, remained before the Federal Reserve Board, which never acted on it. The issue was settled by a ruling by the Attorney General of the United States holding that the Board did not possess the authority to change the location of a reserve bank within a district. Thus ended the Baltimore challenge.