

Henry Parker Willis and the Location of the Federal Reserve Districts
and the Headquarter Cities

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The Federal Reserve Act of 1913 called for dividing the USA into eight to twelve separate Reserve districts to help provide regional and national economic stability. The Committee responsible for designating the districts and headquarter cities made its decision public on April 2, 1914. Since that time, suspicion has been that political influences determined both the number and location of the reserve bank districts and cities. Based on the writings of Henry Parker Willis (1874 – 1937), this paper outlines the process used in 1914 to determine the number and locations of reserve districts and banks.

Introduction¹

The framers of the Federal Reserve System intended each of the Federal Reserve district banks to play a significant role in regional economic stability. Given changes in legislation (e.g. the Federal Reserve Act of 1935), and the greater mobility of capital, people, and information through time, monetary policy has been centralized in the Board of Governors and

Federal Open Market Committee. Public interest in the System has naturally followed the policy-power shift to the Board in Washington, DC. Interest today in the Reserve district banks is often limited to questions such as: ‘Why are there two Federal Reserve banks in the state of Missouri?’ and/or ‘Why are there so many reserve bank cities in the east versus the west?’ Following early commentary the answers are usually attributed to ‘politics’.

The charge that ‘politics’ played a role in locating some of the Federal Reserve district banks goes back to one of the architects of the original Federal Reserve Act of 1913, Henry Parker Willis. For example, Willis (1923, page 585) writes: “In none of the preliminary surveys of the situation was the establishment of a bank at Richmond, Virginia, ever seriously considered, although that city, like others, had early engaged special counsel of various kinds and Comptroller [of the Currency] Williams was well known to be doing his utmost to forward its claims. Willis (1923, pages 587 and 588) adds: “Assuming that twelve places were to be designated as the headquarters of reserve banks, only a casual survey was necessary to make it clear that there was a serious error in the attempt to insert a Richmond district. . . . Apart from this unnecessary insertion of the Richmond district, there was very considerable ground for question as to the wisdom shown in the selection of Cleveland, the home of Secretary of War Baker, . . . Atlanta might have been omitted, . . . but the influence of Senator Hoke Smith was generally regarded as having turned the scale in favor of inclusion of Atlanta among the twelve cities; indeed, there was a prevailing impression that the designation of Atlanta was part of a kind of political understanding covering a number of subjects.”²

Other than Willis’ commentary, very little exists on the people, processes, and procedures used in making the actual location decisions by those involved at the time.

The goal of this paper is to explain the processes leading to the location of the Federal Reserve district banks, including the very central and heretofore unknown role played by Henry Parker Willis. Gaps may remain in this explanation, but new light is shed on the reasons why the Reserve districts and banks are where they are.

The Federal Reserve Act of 1913

The Federal Reserve Act of 1913 created the Federal Reserve System. Distrust of private banking interests and the strength of American populism—embodied in the political power of William Jennings Bryan—was counterpoised against the fear, expressed by private financial interests, of an increasingly invasive Federal government in monetary and financial markets.³ The Federal Reserve Act was a compromise between these interests reflecting the attempt to balance private interests with Federal government assistance, protection, and oversight.⁴

As part of an attempt to provide monetary stability the Federal Reserve Act called for the creation of “not less than eight nor more than twelve” Federal Reserve district banks. This system was to provide an ‘elastic’ currency, regulate interest rates, supervise and regulate, and act as a clearinghouse for member commercial banks within their district (Richard H. Timberlake, 1993, chapter 15).

The district banks were to be spread throughout the country. Some populists proposed one reserve district bank for each state plus DC and perhaps Alaska (Timberlake, 1993, page 220). The House version of the Federal Reserve Act, passed on September 13, 1913,

reflected this populist leaning and provided for “not less than twelve” reserve cities with no upper limit specified (Willis, 1923, page 1615). The Senate’s version of the Act called for between eight and twelve District banks. The final range was arrived at in conference between the House and the Senate on Dec. 20-22, 1913, with the Senate’s language prevailing.

Coordination and management of the System was provided by a seven member Federal Reserve Board, consisting of the Secretary of the Treasury, the Comptroller of the Currency, members *ex officio*, and five members appointed by the President and confirmed by the Senate, sited in Washington, DC.⁵

The Reserve Bank Organization Committee

The Federal Reserve Act delegated the actual districting and designation of Federal Reserve cities to the Reserve Bank Organization Committee consisting of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. The Reserve Bank Organization Committee was charged by the Act to complete its task prior to the President’s naming of the Federal Reserve Board members (Willis, 1923, pg. 547).⁶

The members of the Reserve Bank Organization Committee, William McAdoo (Secretary of the Treasury), David F. Houston (Secretary of Agriculture), and John Skelton Williams (Comptroller of the Currency), first met on December 26, 1913, to plan their schedule.⁷ Their work in locating the reserve cities and the associated districts was already a highly contentious issue.⁸ They set an ambitious schedule of travel to take testimony from interested parties on the location of district cities and district boundaries. Their ‘tour’ started in

New York City on January 5, 1914, and ended in Cleveland, Ohio, on February 17, 1914, resulting in upwards of 5,000 pages of testimony taken in eighteen cities from over three hundred individuals.⁹

At the same time, the Treasury department sent out ‘ballots’ to the 7,471 nationally chartered commercial banks to assess their preferences as to which city they would want to have as their district headquarters city. The ballot allowed for the naming of first choice, second choice, and third choice cities.¹⁰

Given comments by committee members in the various cities, it appears that the Reserve Bank Organization Committee had access to the results of the balloting prior to the termination of their tour and certainly prior to their committee deliberations. These deliberations occurred between the date of their final visit on the tour, February 17, 1914, and the announcement of their decision on April 2, 1914.

Other than specifying the number of reserve districts, the Federal Reserve Act gave little instruction to the Reserve Bank Organization Committee on the districting issue. Specifically, the Act stated that: “...the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States.” (Federal Reserve Act, Sec. 2, reprinted in Willis, 1923, page 1667).¹¹

Henry Parker Willis and The Preliminary Committee on Organization

Early in January of 1914, Secretary McAdoo, on behalf of the Reserve Bank Organization Committee, appointed Henry Parker Willis as chairman of the Preliminary

Committee on Organization. Willis selected others to complete this committee.¹² Willis' role was more significant than just chairing the Preliminary Committee on Organization. As Willis (1923, page 548, footnote 1) writes: "Secretary McAdoo assigned to the author individually the duty of preparing a districting plan...which should afford the basis for the [Reserve Bank Organization] Committee's final work. At the various hearings stenographic reports were taken...and these with the various briefs and documents filed by witnesses were reviewed by him and...used as the basis for a report in which plans were laid down for drawing the district lines."¹³

Willis and the Preliminary Committee on Organization submitted a confidential report in early 1914 (PCO, 1914) including their thoughts on districting. However, the section on districting in this published report is general in scope and limited in content (PCO, 1914, footnote appearing on page 17; Willis 1923, page 585, footnote 2).

In their report, the Preliminary Committee on Organization give the general principles upon which they felt districting should take place (PCO, 1914, pps. 6-17). Many of these principles followed from the broad guidelines and responsibilities provided for in the Federal Reserve Act. According to Willis (PCO, 1914, pps. 12-13) the "fundamental principles" of districting should be: "(a) The act calls for not less than eight or more than twelve districts; it leaves the choice of the number within these limits entirely open and to be decided without prejudice. (b) The plain intent of the framers of the act was to establish a number of different and independent institutions, each sufficiently strong to care for itself without the necessity in normal times of depending upon any other. (c) The institutions to be created should, therefore, be reasonably similar to one another in size, without attempting to bring about any artificial

similarity, and should be located at such points as will most nearly convenience the business of the country. (d) The creation of any one large bank should be avoided, meaning by large bank, a bank so preponderating in importance as to make it ipso facto the most conspicuous and by far the strongest element in the system; while at the same time it should be sought to avoid the creation of two distinct classes of banks, one consisting of large, powerful institutions, the other consisting of smaller and weaker institutions likely to become dependent upon the neighboring and stronger banks. (e) While the law requires that a minimum capital of \$4,000,000 shall be present in each and every reserve district and while this requirement must be observed, there is no harm in approaching closely to it or even in going below this limit so far as the banks are concerned, making up the deficiency by private or Government subscription, if it be true that within a reasonably near future the district will probably advance in wealth and capital so as to make the establishment of such a bank desirable. (f) Special study should be given both in establishing the districts and in establishing the point in each district where the headquarters bank is to be situated, to the facilities and speed of transportation both between such point and those at which other headquarters banks are located, and between such headquarters point and the outlying portions of the district itself.”

A constraint identified by Willis (PCO, 1914, pg. 13) immediately after specifying these general principles, was “the fact that to a certain extent the sites of reserve banks must be regarded as practically predetermined, as in the case of New York, Chicago, and St. Louis, the present central reserve cities.” Willis also noted that assigning these cities also suggested regions around them and that this affected possible districting in the rest of the country.

Willis and the Preliminary Committee on Organization get no more specific on districting than this in their report. In the confidential report (PCO, page 17), Willis refers to a “detailed statistical and geographical analysis” detailing the “sites for the Reserve Banks and the limits of the districts pertaining thereto.” According to Willis, this analysis included versions of a Federal Reserve System with eight, nine, ten, eleven, and twelve Reserve Bank cities and districts, which Willis gave to McAdoo and the Reserve Bank Organization Committee. Further, according to Willis (1923, page 579) “It was an analysis designed to apportion the banks of the country upon commercial and financial lines from the point of view of convenience and financial efficiency.”

However, “The Committee having since that date established the districts and indicated the headquarters of the banks, the detailed analyses are here omitted.” (PCO, 1914, page 17). Willis’ extensive writing on the Federal Reserve (Willis, 1923) extends and develops the points made above, but fails to provide any specifics on the district banks and districting that he may have suggested to the Reserve Bank Organization Committee.

Upon public announcement of its decision on April 2, 1914, critics charged that politics influenced the Reserve Bank Organization Committee in the choice of the number of districts and the location of as many as four of the Reserve bank cities (James Neal Primm, 1989, pps. 47-48). The Committee’s plan, with the reserve bank cities underlined, is shown as Figure One.¹⁴ Especially upset with this plan were people and their representatives in the cities of Baltimore, Denver, Pittsburgh, and New Orleans who believed that, variously, St. Louis, Kansas City, Cleveland, Atlanta, and/or Richmond were indefensible choices as Reserve bank cities.

Private bankers in large cities (e.g. New York City and Chicago) thought that too many reserve districts were chosen; these critics felt that the Reserve Bank Organization Committee should have started with eight or even fewer districts and Reserve Banks.

As quoted above, Willis' account of the choice of number of districts and Federal Reserve bank cities agrees with the critics of the time that political activity explains many of the choices made by the Reserve Bank Organization Committee. Whether the charges were true or not, the Committee fully expected that their decision would arouse strong feelings. For example, Secretary of Agriculture, David Houston, wrote in his memoirs that the committee would be "in for a great deal of roasting no matter what we decided." (Primm, 1989, page 44).

Willis and the "Report on Districting"

If politics indeed played a significant role in the location decisions, Willis, with an academic background and with fewer constraints than the members of the Reserve Bank Organization Committee, might be expected to provide districting schemes suggesting cities other than those chosen by the Committee.¹⁵ Evidence of significant differences between Willis' recommendations and the final outcome could provide evidence for the "political influence" hypothesis. On the other hand, if Willis suggested virtually the same districting scheme that was announced by the Committee, this would either make the political influence hypothesis less tenable, or, it suggests that Willis gave the Committee what it desired. This would allow the Committee to 'hide' its political decisions behind a veil created by a supposedly neutral and

unbiased consultant. In this case, one expects that the Committee would justify its location decisions by referencing Willis' report.

In his undated "Report on Districting" to the Reserve Bank Organization Committee (Willis, 1914) Willis provided plans for a Federal Reserve System featuring eight, nine, ten, eleven, and twelve federal reserve districts along with suggestions for reserve bank cities for each district.¹⁶

Willis' "Report" starts with "Part I: A theoretical treatment of the general principles upon which the districting must be carried out." This section runs for the first 13 pages and is the source for the "fundamental principles" quoted above from the Report of the Preliminary Committee on Organization and also the source for the lengthy treatment on the same topics that is reproduced in Willis (1923, pps. 566 - 578).¹⁷ Parts II and III present his proposed eight, nine, ten, eleven, and twelve federal reserve district plans. Part IV is "A defence of the grouping suggested." Part V is "A discussion of the location of the headquarters banks and of their branches."

Willis' analyses leading to the various plans he suggested show that he sifted through the 5,000 pages of testimony with a careful eye in an attempt to satisfy the Federal Reserve Act and the fundamental, organizing, principles as expressed previously.¹⁸ Due to the heavy concentration of banking capital in New York and Chicago these cities had to serve either very small and capital-dense districts (New York) or very large and capital-sparse (outside of the reserve city itself) districts (e.g., Chicago).¹⁹ This is especially true when the plans for a smaller number of districts (e.g. eight or nine) are considered.

Willis' eight and nine district plans appear as Figures 2. The districting shown in Figures 2 and 3 are identical except for the division of the Chicago district into two districts with the new district headquartered at Minneapolis and spreading north and westward toward the Pacific Northwest.²⁰

In all of Willis' plans, determining boundaries for the northeast and Atlantic seaboard seemed to be the most vexing. Starting at New York City, "The argument in favor of locating a bank at New York is so strong as to need no further development." (Willis, 1914, page 15). Willis then moved to the northeast; in testimony taken in Boston it was clear that while bankers and businessmen considered Boston their financial hub, transportation did not dictate a district bank in Boston. Witnesses in Boston saying that they could deal with a district bank in New York. However, in order to keep the New York district bank from being disproportionately large in capitalization, Willis placed the New England states, the eastern third of New York state and all of Connecticut into a separate district.

Then Willis moved on to the "Philadelphia" district.²¹ Again, attempting to balance the local flows of business and commercial banking with transportation considerations and the requirements of capital size in districting, Willis created a district south and east of New York. Virginia was included in this district because "testimony...seems to show that the banks of Virginia are considerably closer in their connections with those at New York, Philadelphia and Baltimore than they are to the institutions south of them." (Willis, 1914, page 27). Willis also considered including North Carolina in this district, but concluded: "North Carolina might go to either section ["Philadelphia" or a more southern district], being a debatable territory, no harm

however resulting from associating it with a southern district. In the same way West Virginia is clearly thrown toward the Great Lakes..." (Willis, 1914, page 27b).

Willis' next step was to determine the eastern extension of the "Chicago district" and then determine his "Great Lakes District" which went east into New York and south to include parts of Kentucky. The principles followed are the same as those used previously, in this case Willis was very deliberate in not identifying the district with a city: "It will have been noted that nothing has been said in this discussion with reference to the headquarters of the district referred to. The cities in the district which might properly be designated as the headquarters of the reserve bank include Cincinnati, Pittsburgh, Cleveland, and possibly Detroit, Buffalo, and Louisville. From the standpoint of accessibility, convenience and general advantage it is believed that Cleveland is probably to be preferred, all things considered...The question of proper headquarters point is merely touched upon here and will be dealt with more fully in the section devoted to that subject." (Willis, 1914, page 35).

Willis (1914, page 38) then jumped to the "Problem of the West...In the central West there is a special problem. A large region without the excessive concentration of banking capital which has been developed in the Eastern States is to be subdivided. The problem is that of establishing a division corresponding broadly with the commercial habits of the people, placing together those cities which are most nearly allied to one another and joining in the same district, territories which are easily accessible one to another by available railway transportation. The disparity between various cities as possible places for the location of reserve banks is no longer what it was in the east, but many considerations can be urged in favor of one as against another."

Willis refers to this as the Chicago district and adds (1914, page 39): “One further point in this preliminary consideration of the central western or middle western problem needs to be considered. This is the relation of the Chicago district to the other districts. For somewhat the same reasons which were controlling in the case of the New York district it is desirable that the Chicago district should not be too large.”

At this point Willis outlines the St. Paul-Minneapolis district and a large Pacific Coast district with San Francisco as its headquarters. The St. Paul-Minneapolis district is suggested, but Willis says that if the Reserve Bank Organization Committee want an eight-bank plan, then that St. Paul-Minneapolis district should be included in the Chicago district.

The St. Louis district comes next. As Willis put it (1914, pps. 61-62): “The real problem is...the drawing of a line from the southwestern corner of the Great Lakes district...to include in the St. Louis district the territory naturally and properly belonging thereto as distinct from the southeastern district while making a proper subdivision of capitalization between the two districts still to be established and at the same time making the best possible provision for transportation requirements in the two districts.”

In this plan Texas is trisected, partially based on desires expressed in El Paso that banks in that region be assigned to a western district. As well, “Such a division of Texas is sustained by a study of the transportation situation...Analysis of the testimony taken at New Orleans, Austin, Tex., and elsewhere will moreover sustain this division...it being the present opinion that to whatever city Dallas and Ft. Worth may be assigned as headquarters, their business tends northward rather than to New Orleans. Thus in the absence of a headquarters bank in Texas

itself the middle and western region of Texas is thrown to the north of a line dividing it from the southeastern section of the country in somewhat the way indicated.” (Willis, 1914, pps. 62-63).

Finally, the Southern district, which Willis says (1914, page 65) is a “district...established entirely by a residual process...”. Willis also suggests on that page “a headquarters located either at New Orleans or some point further east.”

These are Willis’ eight and nine district plans. Summarizing, he writes (1914, page 67): “...the plan just mapped out provides...a reasonably practicable division of the territory. That this division is in certain sections of the country far more satisfactory than in others must be obvious, but this condition is unavoidable, in view of the irregular distribution of population and of banking capital, as well as the differing character of transportation facilities, if it be desired to adhere as closely as possible to the smaller number of institutions indicated.”^{22 23}

Addressing the weaknesses in the eight and nine-bank plans outlined, Willis creates ten, eleven, and twelve bank plans as shown in Figures 4 – 6.²⁴

In his ten-district plan (Figure 4), Willis creates a central west district from portions of the St. Louis and Chicago districts also requiring a re-drawing of the St. Louis district’s eastern boundary. In this section Willis addresses the issue of the location of the headquarters bank explicitly (1914, pps. 74-76). The candidates were Omaha, Lincoln, Denver, and Kansas City. Willis finds that Kansas City has the best claim based on flows of business and lack of bank capitalization in Colorado.²⁵

Following his previous method of balancing capitalization, flow of business, district size, and transportation, Willis proposes eleven and twelve district plans shown as Figures 5 and 6. The eleven district plan is a straightforward splitting of the Pacific Coast district into two

districts, North Pacific and South Pacific. The headquarters cities would be Portland in the North and San Francisco in the South. This division was done to address the issue of geographical size (Willis, 1914, page 92).

Capitalization would remain the same in all other districts as shown in Table Two, except the new North Pacific District would be capitalized at \$2,280,000 and the South Pacific District at \$6,294,000. The failure to reach the minimum capital requirement in the proposed North Pacific district was addressed in testimony (Willis, 1914, page 96) by the “promise” that enough state chartered commercial banks would join this district and that sufficient growth would occur such that the remaining capital would be raised.

Finally, Willis addressed the issue of the disproportionate capital in the Great Lakes district by recommending it be split into Eastern and Western districts as shown in Figure 6. That split is accomplished by drawing a line through Ohio and West Virginia as shown. These regions would be capitalized at Eastern Great Lakes: \$11,690,000 and Western Great Lakes: \$7,295,000 with capitalization in the other districts remaining unchanged (Willis, 1914, page 110).

Of these plans, Willis (1914, pps. 110, 112 to 114) strongly recommended the twelve-district plan. Willis states that the twelve-district version is “more convenient and workable from the standpoint of transportation and hence of bank clearing, [and it is] also obvious that this division measurably satisfies the demands of the country for the establishment of reserve banks, and affords recognition in a substantial way to practically every distinct section of territory included within it.”²⁶

It is surprising, then, to read Willis (1923, p.584) claiming that “either nine or ten was the first recommendation made to the [Reserve Bank Organization] Committee”. This is inconsistent with the opinion in his confidential report.

Willis was also concerned with the legality of re-arranging districts that would be necessary if a smaller number of districts were to be created initially and then the number increased. He even held out hope that if twelve proved to be too few “...that, when the need arises for more, Congress will make due provision for...others...” (Willis, 1914, page 114).²⁷

Reserve Bank Cities

The choice of Reserve bank cities was the most hotly contested issue and the issue of most interest and importance before the Reserve Bank Organization Committee. Almost without fail, witnesses in every location visited made whatever case they could for their particular city receiving a Reserve bank. Given the newness of the Federal Reserve Act, the uncertainty of the power and scope of the institutions it was creating, and the speed with which it would be implemented, this type of testimony is expected.

All most witnesses knew was that eight to twelve Reserve district banks would be created. The nature and responsibilities of these banks was not a given. Some witnesses, especially non-bankers, confused the role of the Reserve bank with that of their commercial bank. They seemingly thought that failure to acquire a Reserve bank would affect their normal relationship with their commercial bank. When the subject of branch banks (of the Reserve banks) came up more confusion arose. At the time of the Committee’s tour it was not at all

clear what role the branch banks would play and what power they would have to discount bills. Consequently, witnesses were not at all assuaged or mollified to hear that their city might receive a branch bank if it did not get a Reserve bank.

With thirty-seven cities making representations for the eight to twelve reserve banks, it was a rarity for witnesses from one city to support any other city's application. El Paso and some of the cities on the West Coast (who supported San Francisco) spring to mind as exceptions.

With regard to choices of Reserve bank cities, Willis addresses this in Part V of the Report (1914, pages 122 – 133). General principles are laid out and then a discussion follows. Willis writes (1914, pps. 122 – 123): “Wherever possible, the preference should be given to a city which has acquired a distinct leadership in matters of business, and with which the banks within the district are in the habit of dealing. Where the choice between two cities would otherwise be difficult to make on account of practical equality in the extent and importance of their commercial relationships, the city to be chosen should be that which has the advantage in ease of communication. This is fundamentally desirable because of the necessities of the clearing process and the advantage to be gained from having all parts of the district within easy reach of headquarters.”²⁸

Cities recommended by Willis were: New York City; Boston, MA (with the possibility of a branch in Albany, NY); Philadelphia, PA (with branches in Baltimore, MD, and Richmond, VA).²⁹ Cleveland, OH (with branches possibly in Pittsburgh, PA, and Buffalo, NY).³⁰ Cincinnati, OH (with a branch distinctly recommended in Detroit, MI, and perhaps also in Louisville, KY).³¹ Chicago, IL.; Minneapolis, MN. (with a branch in Bismark, ND and possible

branch in Helena, Butte, “or at some other town in that general region”).³²; Portland, OR. (with branches possibly in Lander, WY and Boise, ID).³³; San Francisco, CA (with branches suggested in El Paso, TX and Salt Lake City, UT).; Kansas City, MO (branches in Fort Worth, TX, Denver, CO, and possibly either Lincoln or Omaha, NB).³⁴; St. Louis, MO (with branches in New Orleans, LA; Galveston or Houston, TX, and Memphis, TN).³⁵; Atlanta, GA (with branches in Charlotte, NC or Columbia, SC; or perhaps both; Jacksonville, FL, Savannah, GA, and Mobile, AL; possibly Nashville, TN).³⁶

Willis and the Reserve Bank Organization Committee

The Committee’s districting plan, Figure 1, at first glance looks very different than Willis’ twelve-district plan, Figure 6, especially in the eastern U.S. There is little explanation for the differences.³⁷ Willis submitted his Report prior to the Committee’s final deliberations, but the Committee does not refer specifically to Willis’ Report in either release of April 2, 1914, or April 10, 1914. I can find no meeting notes that cover the Committee’s deliberations on this matter, further, Willis’ letter to Hamlin (see footnote 26) suggests that there was no recorded vote.

Willis, as quoted above, in 1923 strongly suggests that politics played a major role in the placing of district banks in Richmond, Atlanta, and Cleveland (and the absence of one in New Orleans). Yet, his own confidential Report of 1914, presumably untainted by politics, recommends Cleveland and Atlanta, while not recommending New Orleans. Willis makes no mention of this similarity in his recounting of the tale in 1923. The Committee did put out

supplementary material on April 10, 1914, in an effort to stem the growing criticism of their districting plan. This gives the national commercial bank balloting as a rationale for the Committee's plan (U.S. Senate, 1914, pps. 367 – 372), yet does not cite Willis' Report.

If politics played as large a role as Willis claimed in 1923, his strongly suggested twelve-district plan and that of the Committee should be significantly different. At the very least, the choices of the Reserve bank cities should be different. However, on closer examination the two schemes are similar in many respects. They are both twelve-district plans; the districting in the western region of the country is quite similar, and while the Committee made a district out of Texas (and parts of Arizona, New Mexico, Oklahoma, and Louisiana), this is in the spirit of Willis' comments (see footnote 37). The introduction of the Texas district causes a truncation of the Kansas City and St. Louis districts on their southern boundaries.

The two biggest differences are: the Committee's expansion of the New York district to include the entire state of New York (whereas Willis split the state between greater New York City, Boston, and the Eastern Great Lakes districts), and the creation of a district including West Virginia, Virginia, North and South Carolina with Richmond, VA, as a reserve city.

Willis, though aware of the political pressure for Richmond, does not recommend a district with Richmond as the headquarters city.³⁸ However, Willis does give the following advice to the Committee (1914, 115): "To sum...up, the division should not be made by counties or groups of counties where a state has to be divided between two districts, but should be made by assigning each individual bank to a given district so far as possible in accordance with preference."

Now, it was just these preferences (of the individual banks) that Willis did not have or, at least, never refers to drawing upon. Meanwhile, the Committee does refer to these preferences when justifying its districting plan. The Committee also specifies that following state boundaries where possible was an objective.³⁹ This self-imposed constraint (the language not being in the Federal Reserve Act) may well explain the Committee's "squaring off" of several of Willis' suggested districts. For example, fewer states are bisected or trisected under the Committee's scheme. Further, appeal to the national bank ballots does support the Richmond decision (U.S. Senate, 1914, pps. 349, 370 to 372).

Willis and the Committee agree on ten of the twelve headquarters Reserve bank cities, differing only on Richmond, VA, and Dallas, TX (Committee), versus Cincinnati, OH, and Portland, OR (Willis).

Conclusion

The Willis 12-district plan as laid out in the 1914 Report presents the Reserve Bank Organization Committee with basically the same districts and cities as they announced on April 2, 1914, excepting the Dallas and Richmond districts. It cannot be denied that politics may have played a role in the decision to designate Richmond as a Reserve bank city as charged by various critics. However, its selection is also supported by the votes of the nationally chartered banks in that district. The Dallas district was mentioned as a possibility, albeit briefly, in Willis' report and is also supported by the ballots.

Given this, the Willis Report (echoed by the Committee) suggests business flow, transportation, district capital, and factors other than political opportunism for the number and

location of reserve districts and district cities.⁴⁰ Further, given the nature and results of Willis' confidential Report, it is somewhat surprising that the Reserve Bank Organization Committee does not refer to it in its defense against the charges of 'politics' (U.S Senate, 1914, pps. 367 to 372).

A tentative reason might be that the Committee was also receiving strong criticism from the private commercial banking communities in New York City and Chicago that they had chosen too many districts. Perhaps the Committee did not wish to provide those critics with viable, worked-out plans for eight or nine districts produced by its own hand-picked expert that critics could have then used against the Committee.⁴¹

What is also surprising is Willis' failure to publish his Report of 1914. The material in his book of 1923 is at odds in important respects from the confidential Report that he provided to the Committee in early 1914. The recommendations in his Report are much closer in most respects to the Committee's final decision than one would guess from his 1923 reportage. Why this is remains a mystery requiring further study.⁴²

At this point we know that from 1914 to 1918 Willis was the first Secretary to the Federal Reserve Board, two members of which were also on the Reserve Bank Organization Committee (McAdoo and Williams). Following that he was Director of Analysis and Research for the Federal Reserve Board in New York City (1918-1922), and had an academic position at Columbia University (from 1916 until his death in 1937). A cynical, but at this point unsubstantiated, suggestion is that Willis saved his charges of "politics" until 1923 when, presumably, they would be harder to refute and also when his charge would have fewer repercussions on his career.

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Footnotes

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¹ Membership of the FOMC includes the seven members of the Board of Governors plus presidents of five of the twelve Federal Reserve district banks (see Mishkin, 2000, chapter 14).

² Willis' account is repeated in Bothwell (1941) and that account is recounted in Primm (1989).

The charge of 'political influence' was and is hard to discount. James Beauchamp Clark, a Democrat and the Speaker of the U.S. House of Representatives during this period was from Missouri. The Missouri Congressional delegation featured two Democratic Senators and fifteen (of a possible sixteen) Democratic House members. Kansas, meanwhile, had one Democratic Senator and five (of eight) Democratic House members. This political power is offered as the reason why there are two Federal Reserve District banks in the state of Missouri (St. Louis and Kansas City, MO.)

It is undoubtedly this type of information that prompts questions like: “What political realities might explain why the Federal Reserve Act of 1913 placed two Federal Reserve banks in Missouri?” (see Mishkin, 2000, page 389, emphasis added).

Prominent Virginians, including the President, were involved both in the drafting and passage of the Federal Reserve Act, this is presented as evidence for the location of the Federal Reserve district bank in Richmond, VA. Other influential members of the cabinet were thought to be inveigling for the naming of a city or cities in their home state.

Odell and Weiman (1998) investigate the economic characteristics of major southern cities in the early 1900s and suggest that their combination of economic factors made Atlanta and Dallas likely candidates for a Federal Reserve district bank. Once chosen, they suggest that the location of a Federal Reserve District bank reinforced regional economic development.

Odell and Weiman report (1998, pages 104, 119) Willis’ (1923) contention that politics played a decisive role in the choices of Atlanta and Dallas as Federal Reserve District headquarters. They also note, however, that both Willis (1923) and the Reserve Bank Organization Committee (1914) cite economic analyses and justifications for the choices of these cities.

Given this, it appears as if a simple charge of “politics” as the answer to the “location” questions would be harder to sustain, and Odell and Weiman (1998) make that clear in the cases of Atlanta and Dallas. This supports the claims by the RBOC (1914).

³ Bryan was Wilson’s Secretary of State during the period of the drafting and passage of the Federal Reserve Act.

⁴ The Federal Reserve Act was signed into law on December 23, 1913. There are echoes in the Act of many of the longstanding political issues that have confounded the nation since the founders debated the same issues. Receiving attention were the issues of states rights vs. Federal rights, the interests of the urban areas vs. those of the agrarian countryside, and the distrust of private power vs. the distrust of centralized—usually Federal--government power. The interested reader should see West (1977), White (1983) and Timberlake (1993, especially chapter 15).

⁵ Prior to the Federal Reserve Act, the Aldrich Plan, calling for a single, central bank, and the Aldrich-Vreeland Act proposed to reform the monetary system of the U.S. in an attempt to minimize the number and effects of financial panics that occurred almost regularly in the U.S. in the post Civil War 1800s and into the 1900s. The Aldrich-Vreeland Act was a “temporary palliative” (Johnson, 1995, p. 17) and the Aldrich Plan—which was seen by some as turning over control of the monetary system to ‘big banking’--had no hope of passing in a Democratically controlled Congress hostile to a Republican president (Johnson, 1995, p. 19). It was the election of the Democratic president, Woodrow Wilson, and Democratic majorities in both the House and Senate that allowed such large-scale monetary reform as proposed in the Federal Reserve Act to take place (West, 1977, pps. 90-91; Timberlake, 1993, Chapter 15).

⁶ The Reserve Bank Organization Committee was also charged with setting in place an operational plan for the Federal Reserve System. That aspect of its work is not addressed in this paper.

⁷ McAdoo was raised in Georgia, becoming prominent as an attorney in New York before being named to the cabinet. Houston was a New England native who was president of Texas A&M university and chancellor of Washington University in St. Louis prior to being named to the cabinet. Williams, a native of Richmond, Virginia, awaited confirmation by the Senate to the office of Comptroller of the Currency, as the Reserve Bank Organization Committee began its work. Consequently, he was not present on the tour of the country and joined the committee for its final deliberations and decision-making. See Primm (1989, p. 38) and Johnson (1995, pps. 35 and 36).

⁸ See U.S. Senate (1914), Willis (1923, chapters 24 and 34), Nelson (1964), Minneapolis Federal Reserve Bank (1988), Primm (1989), and Johnson (1995).

⁹ One copy of this testimony is in the library of the Federal Reserve Board, in Washington, DC. Another copy is in the Willis Collected Papers at the Rare Book and Manuscript Library, Columbia University.

¹⁰ The result of this balloting is reported in U.S. Senate (1914). The ballots were gathered prior to designation of any district boundaries so banks were unconstrained in their choice of a district city. It was felt that some state banks would choose to join the System, but they were not canvassed; conversely, some national banks—who might choose to surrender their national charter and obtain a state charter to avoid compulsory membership in the system—were canvassed. In the end, only a very few, approximately 15 or

so, national banks surrendered their national charters. Of course, this does not address the issue of how many banks chartered subsequent to the passage of the Federal Reserve Act chose a state charter rather than a national charter.

¹¹ The Act also specified that the member commercial banks (state and nationally chartered) in each Reserve district should be able to supply at least \$4,000,000 total in paid in capital into the district's Reserve bank. This amount would be generated by each member commercial bank buying stock in the Reserve bank equal to 6% of their paid in capital. This made the Reserve banks privately owned by their member commercial banks. It also provided a constraint on districting as the district would have to have at least \$66.67 million in nationally chartered bank capital in order to satisfy this requirement.

¹² Other members chosen by Willis were Edmund D. Fisher, Andrew A. Benton, O. Howard Wolfe, Joseph A. Broderick, Ralph Dawson, and Stephen H. Farnham. These members worked on other matters surrounding the organization of the Federal Reserve System, especially the matters dealing with operations of the system, Federal Reserve banks operations, regulation, clearing, investment and commercial paper, accounting, statistics, record-keeping, and the like. But, as far as is known, and from Willis' comments quoted in the text of this article, none of these members of the Preliminary Committee on Organization assisted Willis in his drafting of the report on districting for the Reserve Bank Organization Committee.

¹³ The exact date of this assignment is unknown. Willis testified before the Reserve Bank Organization Committee in New York City on January 5, 1914, there was no mention by either McAdoo or Willis, at that time, of Willis being engaged upon work for the Reserve Bank Organization Committee. At the time of his testimony, Willis was editor of the New York Journal of Commerce and so identified himself. Previously he had been a professor of economics at Washington and Lee University, professor and Dean at George Washington University, 1907-1912, the Executive Director of the National Monetary Commission, and through 1913, had served as the expert advisor to the House Committee on Banking and Finance, chaired by Carter Glass of Virginia (see Gunn, 1995). In fact, Glass and Willis worked very closely together on drafting and re-drafting the Federal Reserve Act.

The stenographic reports Willis refers to are the same as those mentioned in footnote 9.

¹⁴ The final districting plan, as determined by the Reserve Bank Organization Committee, appeared first as a pamphlet issued on April 2, 1914, reprinted in both U.S. Senate (1914, pps. 361-364) and Willis (1923, pps. 589-597). This configuration is reasonably close to the modern-day System. Some minor adjustments and revisions were made on appeal (see Willis, 1923, pps. 736 - 750; Nelson, 1964, pps. 18 – 29.).

¹⁵ For example, Secretary of the Treasury McAdoo was widely known to be politically ambitious and did in fact seek the Democratic party's nomination for president in 1924.

¹⁶ This report is housed in the National Archives, College Park, MD. The volume is a typescript report in the form of a letter from Willis to the Reserve Bank Organization Committee. It is 135 pages in length, signed in ink by the author on the last page, and covered throughout with pencil markings and notations making it appear as if it were being readied for typesetting and printing. On the first page Willis has written in pencil across the top: "Appendix II. Report on Districting. The following is the report submitted by the author to the Reserve Bank Organization Committee on the question of dividing the country into federal reserve districts." It is possible that Willis intended this to either appear with the Report of the Preliminary Committee on Organization and/or his volume published in 1923. For unknown reasons, Willis did not publish this report, nor did the Reserve Bank Organization Committee. Two copies, unmarked and without maps, are in Willis' Collected Papers at Columbia University.

¹⁷ The Willis report is sharper in focus, detail and attitude than either the report of the Preliminary Committee on Organization or his volume of 1923. For example, whereas in the Report of the Preliminary Committee on Organization, Willis writes that the choice of New York, Chicago and St. Louis is "practically predetermined" in his Report Willis writes (1914, p. 13) "the choice of these cities may be regarded as axiomatic."

¹⁸ It does not appear that Willis had access to the ballots submitted by the national banks when he was preparing his Report.

Most individuals testifying before the Reserve Bank Organization Committee, unsurprisingly, provided arguments as to why their particular city should be the reserve city for a region that they conveniently had surrounding their city. Sometime this region had to be quite large in order to meet the capital requirement. In fact, most individuals testifying had barely thought about what region their city

should serve, they knew only that they wanted the reserve bank for their city. As Secretary Houston put it in Kansas City on January 23 (Stenographic Transcripts, 1914, Vol. 6, p. 1886): “Each place we go is the center.” This boosterism became known as arguments of “local prestige or pride” and the Reserve Bank Organization Committee started almost every session warning against this. These warnings fell on deaf ears.

¹⁹ There was even the suggestion by one witness in New York that New York City be split into two different reserve districts. This was not the view expressed by any other witness, especially in New York City.

²⁰ Given that discounting of bills was going to be done by banks actually presenting the bills to be discounted to their reserve bank (at this stage it was unknown what role branch banks would play), care and consideration was given to travel times and railway schedules. Senator John Schafroth of Colorado argued in the Senate, when debating the Federal Reserve Act, that there should be a “one night’s train ride” constraint on distance from the farthest flung bank and its district reserve bank (Timberlake, 1993, p. 220).

The Reserve Bank Organization Committee sought information on these transportation and timing matters in the testimony presented and Willis also considers this constraint important in his work.

²¹ With New York City and Boston being self-evident locations for reserve bank cities, Willis referred to the districts surrounding them by their city names. However, as his work progressed, he followed a schema of districting first and then determining and recommending reserve bank cities later. This did not stop him from referring to some districts by a city name, for example, the “Philadelphia District”, but justification for this designation came later in his report.

²² It is also clear from reading the summary that Willis (1914, p. 67) finds the enlarged Chicago district in the eight-district plan awkward: “This district would be clumsy and unwieldy with long stretches of transportation for checks passing to the headquarters at Chicago from the “far-flung” western and northern borders of the territory, but it must be admitted that the general drift of transportation and trade would permit such a consolidation, aided by the establishment of a suitable branch or branches, were it desired to keep the number of banks down to the minimum of eight established by law.”

²³ The capitalization of the district reserve banks is shown in Table One:

Table One

	Eight Districts	Nine Districts
New York	\$18,996,000	\$18,996,000
Boston or New England	\$11,238,000	\$11,238,000
Philadelphia or Allegheny	\$14,100,000	\$14,100,000
Great Lakes	\$18,735,000	\$18,735,000
Chicago or Central	\$14,786,000	\$10,086,000
St. Paul-Minneapolis or Northwestern		\$ 4,700,000
Pacific Coast	\$ 8,574,000	\$ 8,574,000
St. Louis or Western	\$ 9,319,000	\$ 9,319,000
Southern	\$ 9,132,000	\$ 9,132,000

Source: Willis, 1914, page 108.

²⁴ Most of these weaknesses revolve around transportation difficulties. Willis (1914, p. 69): The southern district “is very large and the transportation between its eastern and western borders is decidedly unsatisfactory. In the Pacific Coast district the area is extremely large...time of transportation...is very great. The districts in the area between the Great Lakes...and the Rocky Mountains...are likewise large and...somewhat unsatisfactory in transportation...the Great lakes region...is widely extended...while its transportation is good it...includes an amount of bank capitalization which could to advantage be subdivided.”

²⁵ The capitalization of these ten districts would be:

Table Two

New York	\$18,996,000
Boston or New England	\$11,238,000
Philadelphia or Allegheny	\$14,100,000
Great Lakes	\$18,735,000

Chicago or Central	\$10,086,000
St. Paul-Minneapolis or Northwestern	\$ 4,700,000
Pacific Coast	\$ 8,574,000
Kansas City or Southwestern	\$ 7,138,000
St. Louis, or Mississippi Valley	\$ 8,229,000
Southeastern	\$ 5,000,000

Source: Willis, 1914, page 109.

²⁶ The recommendation of the twelve-district plan is underlined in Willis' original report on page 110. It is the only such underlined and emphasized segment in the entire Report. Odd then, that on December 22, 1915, when there was a roiling internal debate (see footnote 27 following) about whether or not the Federal Reserve Board could alter, re-arrange, and/or reduce the number of, the reserve districts, Willis—who by this time had been hired as the Secretary to the Federal Reserve Board--should write to the Governor of the Federal Reserve Board, Charles S. Hamlin on the issue thusly:

“My dear Governor Hamlin: I have your letter of December 22 as to redistricting.

I am not sure what is meant by the expression “ballot of the hearings,” but if this refers to a tabulation that was prepared of the testimony before the Organization Committee, I may say that there was no “vote” there, but that I said that the Banking and Currency Committee of the House had favored twelve banks, and I told them where they would have been located under the House plan...With reference to the quotation you make as to my supposed views, I may say that my views are the same that I expressed at a meeting of the Board some two weeks ago when this subject was discussed, viz.: (1) I hold substantially the same views today that I held in my original report submitted to the Organization Committee. (2) That report contained a plan for eight, one for nine, one for ten, one for eleven, and one for twelve reserve banks. I also added that in conversation with the Secretary of the Treasury at the time I expressed a feeling that the establishment of probably nine or ten banks at the start would be wisest, leaving two or possibly three for subsequent establishment by the Federal Reserve Board. This, of course, assumed that the Board would

establish them when the time came. (3) Throughout this discussion I have always taken the view that it would be an act of doubtful legality to reduce the number of districts, but that even if it were held to be legal, I should regard it as a most inexpedient and unwise step to take at the present time.

Trusting that this covers the ground, I am Sincerely, H. Parker Willis, Secretary.” Emphases in the original.

This letter is also in the National Archives, College, Park, MD.

It appears as if the Willis who strongly recommended twelve districts in his early-1914 Report, forgot this when he was corresponding about the issue with Governor Hamlin less than two years later where he claims to have supported a nine or ten district scheme. It may be this contradiction which caused Willis to refrain from publishing his Report. Given the suspicions that surrounded the Reserve Bank Organization Committee’s choice of Richmond, VA, and a district surrounding this city, it is unlikely that the Committee would push to publish Willis’ report. In fact, the Reserve Bank Organization Committee does not name Willis’ Report in their listing of material that they sent to the U.S. Senate in order to satisfy the requirement the Senate placed upon them (see U.S. Senate, 1914, pps. 374-384) for a listing of the materials they used to aid them in the selection of reserve bank cities and districts.

It is hard to underestimate the vehemence and passions surrounding the issue of whether or not the Federal Reserve Board had the legal authority to change the decisions of the Reserve Bank Organization Committee. In two rulings, November 22, 1915, and April 16, 1922, the Attorney General of the United States ruled that the Federal Reserve Board could not substantially alter the Reserve Bank Organization Committee’s choices and location decisions. Regarding the first decision, The Federal Reserve Board, via letters from Hamlin to both the Attorney General and the President, attempted to keep the decision of the Attorney General from the public. President Wilson acceded to this request. However, someone leaked the decision to the press and Hamlin withdrew his requests of both the Attorney General and the President (this correspondence is at the National Archives, College, Park, MD).

²⁷ These fears and concerns were not unfounded. In the year following the announcement of the Reserve Bank Organization Committee decision, several challenges—some from within the Federal Reserve Board itself—were made. Some dealt with trying to reduce the number of districts, some dealt with challenging the

choices of reserve bank cities. See Willis (1923, chapter 34), Warburg (1930), Nelson (1964, pps. 18 – 27), Primm (1989, pps. 46 – 52), Minneapolis FED (1988, p. 8).

²⁸ Here Willis is trying to solve a multi-objective programming problem. He was, in effect, the Reserve Bank Organization Committee’s “computer” (I am indebted to Professor Richard Timberlake for this piquant characterization). At this point Willis digresses into a discussion on “Location of Branches” advising the Reserve Bank Organization Committee (p. 124): “Care and judgment should be exercised even in establishing branches on the first-named basis, and they should not be created unless they are actually needed for immediate purposes. Even in the latter event, there should be no undue haste in creating them, but the headquarters banks should be allowed to get a satisfactory start before the complicating elements involved in branch organization are allowed to enter the problem...permitting the question of branch organization to remain in the background until such time as the actual establishment of the branches is resolved upon, when the type of such organization to be adopted may be indicated.”

²⁹ Willis (1914, pps. 125 – 126) chose Philadelphia over the other cities (Washington, DC, also being mentioned) because of the flow of banking business to the north and east, because Philadelphia was “far superior” to the others in business importance and because it already had important banking connections that should not be disturbed.

³⁰ Willis (1914, p. 126) explains his selection thusly: “From the standpoint of geographical location and present predominance in business, Pittsburg undoubtedly has the advantage of the other places. Under ordinary conditions it would seem to be indicated as the proper site for the reserve bank of the district. In this instance it is, however, believed that the ordinary considerations should not govern, and that Pittsburgh should not be selected in this connection. Pittsburg has not in the past shown itself to be a very satisfactory banking headquarters. The fact that a bank has presumably been located in Philadelphia, Pa., is also a consideration against the designation of Pittsburg, although not a very important one. Of the two remaining cities, it is believed that Cleveland is decidedly preferable, while inasmuch as Cleveland is the

distributing point for the principal commerce of the Great Lakes it may well be considered in competition with Pittsburg even if there were no other considerations to be taken into account.”

³¹ Willis (1914, p. 127): “...the geographical and transportation situation does not point to the selection of a given city with the same degree of clearness and certainty as in some others. The points that have presented claims are Detroit, Michigan, Cincinnati, O., Columbus, O., and Louisville, Ky. It is believed that both in point of commercial importance and relative ease of access, Cincinnati is to be preferred to the other three cities as the location of the headquarters bank.”

³² A tough call between Minneapolis and St. Paul, Willis concludes (1914, p. 128): “A careful reading and analysis of the testimony relating to this subject appears to indicate that of the two cities Minneapolis is perhaps the better situated and more convenient. From the general broad standpoint there is no general choice between the two, either answering the purpose satisfactorily.”

³³ Portland’s location midway between the northern and southern boundaries of the district was convincing. Interestingly, Willis (1914, p. 129) adds: “The creation of a branch at Seattle will not be necessary from any standpoint except that of local pride but may be permitted as in the case of some of the branches suggested in the eastern states.” Willis had written “local pride and prejudice” (emphasis added) but crossed out “and prejudice” in pen.

³⁴ Another tough call for Willis (1914, p. 130): “Conditions in the district, both from the standpoint of transportation and business, are such as to render a selection of this kind [Fort Worth, TX or Denver, CO as headquarter city] entirely feasible, but the adoption of such a plan would imply a reversal of the normal course of business which, as well known, is toward the north and east, and would compel various cities which have been in the habit of acting as reserve holders for others to invert this relationship. It is not believed, therefore, that so drastic a change should be made, but that the headquarters chosen should be in the northern and eastern portion of the district, insasmuch as a centrally located and important city accessible from all parts of the region is lacking. In the northern and eastern part of the district, it is believed that Kansas City is superior to Lincoln, Neb., or Omaha, from the standpoint of both the transportation and volume of business. “

Yet, why Kansas City, Missouri, in preference to Kansas City, Kansas? In footnote 2, the preponderance and prominence of Democratic politicians from Missouri seems to provide all the explanation needed. However, there are institutional explanations as well. Flooding of an older terminal building and increasing passenger business, led to the building of a grand, new passenger terminal in Kansas City, Missouri, which was nearing completion in 1913. This terminal was to be used by “all of the lines entering Kansas City, Kansas, and Rosedale.” (Morgan, 1911). In short, all passenger trains going to the Kansas City area (whether Kansas or Missouri) were going to use this new Union Depot.

Reflecting this (institutional/technical) reality, Governor Hodges, of Kansas, testified on January 23, 1914, in Kansas City, Missouri, before the Reserve Bank Organization Committee (Vol.6, page 1981, of stenographer’s notes): “We hope this bank will be established on the Kansas side of the line. I would not be a Kansan if I did not hope for that, but if it is not, then we want to join these good friends over in Missouri, because three-fourths of them are Kansans, and establish it on this [Missouri] side of the line.”

³⁵ “St. Louis, by reason of the position it has already attained as a banking headquarters, is the natural site for the reserve bank, to say nothing of the other considerations relating to general trends of business that have already been mentioned.” Willis (1914, p. 131).

³⁶ “A considerable number of cities are available as possible points at which to place the headquarters of the reserve bank of the district. Included among them are Charlotte, N.C., Columbia, S.C., Birmingham, Ala., and Atlanta, Ga...while there is no great or commanding reason for the selection of any one of them in preference to any other, the geographical situation of Atlanta and the facts as to present banking practice entitle it to a decided preference over the other cities, which, unless counterbalanced by other considerations not now known should lead to its selection in preference to any of the others.” Willis (1914, pps. 131-132). It appears as if Willis was trying to follow a rubric similar to that of Odell and Weiman (1998), not only for the South, but for other regions as well.

³⁷ Willis does mention, almost in passing (p. 118), that “the state of Texas has sufficient capital of its own and is organized upon a sufficiently independent economic basis to warrant the creation of a district running east and west, instead of dividing Texas between two longitudinal districts running north and south. This question was sufficiently considered, it would seem, in connection with the discussion of the southwestern

and Mississippi Valley districts. The point to which attention is called just here is that probably no-where else in the districting, could this plan be employed to advantage.”

³⁸ The potential for political pressure was seen to come from the facts that Carter Glass, the U.S. House of Representatives member who wrote—with Willis—the Federal Reserve Act and saw it through the intense political trip through the U.S. Congress, represented Virginia; the Comptroller of the Currency, John Skelton Williams, and the President, were both from Virginia. Willis himself had taught in Virginia at Washington and Lee university for nine years prior to joining the National Monetary Commission, George Washington University, and then the House Banking and Currency Committee as an expert in 1912.

Even given these ‘leanings’, Willis did not recommend Richmond as a reserve bank city. However, in comments upon the outcry against the Reserve Bank Organization Committee’s decision and the small likelihood of relocating the reserve banks away from the largest cities once the decision had been announced, Willis (1923, p. 731) writes: “With these [New York City, Chicago, and St. Louis] was usually ranked the Richmond bank, not because of any fondness for that institution, but because of the belief that it had special protection which would enable it to resist all attack.” This certainly hints at political influence in the decision-making process at levels higher than Willis.

³⁹ This is stated in their decision of April 2, 1914. See U.S. Senate (1914,p. 361).

⁴⁰ The political wrangling may have been played out in 1913 in both the House and Senate during the debates over the form and passage of the Federal Reserve Act. It is also possible that those individuals disagreeing with the Reserve Bank Organization Committee’s decision thought that the soon-to-be appointed Federal Reserve Board would significantly alter the Reserve Bank Organization Committee’s districting scheme in both number and shape.

Of course, this is exactly what happened, but the attempts at large-scale change were cut short by the decisions of the Attorney General and the failure of the dissident group within the Federal Reserve Board to carry their challenge to the Supreme Court (Warburg, 1930; West, 1977, Chapter 10).

The advent of WWI may have played a role in the failure of the proponents of a more centralized Federal Reserve System to take this dispute to a higher court. The Federal Reserve Act created an entirely new, national, and quasi-governmental, financial organization in the United States at almost the same time as

the start of the war. Not wishing to add additional uncertainty to an international financial scene that was about to become very muddled, proponents of a smaller, more centralized Federal Reserve System may have withdrawn their criticisms in support of presenting a united financial “front” to the rest of the world.

⁴¹ Subject to the concerns Willis expressed earlier, for example in footnotes 22 and 24.

⁴² Presently underway on this and other Willis-related topics with Professor Doug Wills of Sweet Briar College, Virginia.