An Argument for Dallas

100 Years of the Federal Reserve Bank of Dallas
1914–2014

An Exhibit
Commemorating the Centennial of the Federal Reserve Bank of Dallas

Presented by
The Federal Reserve Bank of Dallas and the Dallas Historical Society
May 2014

An Argument for Dallas: 100 Years of the Federal Reserve Bank of Dallas is a collaboration of the Federal Reserve Bank of Dallas and the Dallas Historical Society.

Learn about the arguments that civic leaders made on behalf of Dallas as they sought to win a reserve bank for the city. Examine the history of the Federal Reserve Bank of Dallas and learn about the Bank’s service to the Eleventh District and to the American people.

The exhibit opens at the Federal Reserve Bank of Dallas in May 2014 to mark the meeting of the regional bankers that incorporated the Dallas Fed on May 18, 1914.

In November 2014, the exhibit moves to the Hall of State at Fair Park to be displayed by the Dallas Historical Society.

Thank you for joining us as we commemorate the centennial of the Federal Reserve Bank of Dallas. We hope you find the exhibit and this booklet informative.

Federal Reserve Bank of Dallas
www.dallasfed.org

Dallas Historical Society
www.dallashistory.org
In response to a series of financial crises and banking panics, Congress passed the Federal Reserve Act, which was signed into law by President Woodrow Wilson in December 1913. Then the work of building the Federal Reserve System began.

The act created the Reserve Bank Organization Committee that would draw the districts of the Federal Reserve and designate the city in each district where the Reserve Bank would be located.

**Members of the Reserve Bank Organization Committee**

- **Secretary of the Treasury**
  - William G. McAdoo was born in rural Georgia and became a lawyer in Tennessee. As president and director of the Hudson & Manhattan Railroad Co., he developed the train tunnels under the Hudson River between New York City and New Jersey. Under the Federal Reserve Act, he served as ex-officio chairman of the Federal Reserve Board.

- **Secretary of Agriculture**
  - David F. Houston was born in North Carolina and received a master’s degree in political science from Harvard. During his career in higher education, he served as president of Texas A&M from 1902 to 1905 and as president of the University of Texas from 1905 to 1908. In the last year of Wilson’s term, he became secretary of the Treasury and the ex-officio chairman of the Federal Reserve Board.

- **Comptroller of the Currency**
  - John S. Williams was born in Virginia and worked in the railroad and banking industries. He was serving as first assistant secretary of the Treasury when Wilson named him comptroller of the currency in 1914. As comptroller, he served as an ex-officio member of the Federal Reserve Board.
Less than two weeks after the Federal Reserve Act became law, the Reserve Bank Organization Committee set out on a cross-country train journey. In just six weeks, the committee held hearings in 18 locations and heard presentations from 37 different cities that hoped to become the location of a Federal Reserve Bank.

In more than 5,000 pages of testimony, the citizen committees from the cities described the banking and commercial climate of their communities. They presented information about transportation and communication that linked their city to the surrounding region and the nation.

“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 … would mean its ruin.”

—David Houston
Reserve Bank Organization Committee member
Dallas, along with Fort Worth and Houston, made a presentation to the Reserve Bank Organization Committee in Austin on Feb. 9, 1914. All three cities wanted to see Texas as the center of a Federal Reserve District, so they pursued a strategy of “Texas first, city second.”

However, the citizens of Dallas made a strong case to secure a Reserve Bank for the city. J. Howard Ardrey, cashier of City National Bank and spokesman for the Dallas Clearing House Association, made the presentation in Austin. Three civic organizations—the Dallas Chamber of Commerce, Dallas Clearing House Association and Dallas Cotton Exchange—collaborated to produce a briefing book for the hearing. The book was called *Texas and the Southwest Book of Facts*.

Dallas’ campaign was spearheaded by George Dealey of the *Dallas Morning News*. As a leading citizen, Dealey championed many other civic causes, including the development of a city plan and the campaign for Southern Methodist University. He was the founder of the Dallas Historical Society.

“Our argument is particularly developed for the City of Dallas; the largest city west of the Mississippi River and south of the Missouri, with unexcelled railroad facilities and mail service; the telegraph, telephone and express development ranking with the seven largest cities in the United States. We present for your distinguished consideration a city now the acknowledged market of the Southwest, the distributing and financial center of this most progressive and rapidly developing section of the United States.”

—From the introduction of *Texas and the Southwest Book of Facts*
The Book of Facts showed that Dallas was a center of trade for the nation in general and the Southwest in particular. Cotton was king in Texas, and Dallas was the largest cotton market in the U.S. But the economy was diversifying. Three commercial firms had established major operations in Dallas—Butler Brothers Wholesale, Ford Motor Car Co. and Sears, Roebuck and Co.

**Butler Brothers** was a venerable wholesale merchant from New York and Chicago that pioneered the idea of a five-cent counter. The company marketed goods that could be sold for 5¢, 10¢, 25¢, 50¢ and $1. In 1927, the company began franchising Ben Franklin variety stores. The company opened a large distribution center in Dallas in 1911. The warehouse served customers throughout the Southwest.

**Ford Motor Co.** opened its assembly plant in Dallas in 1914 at the corner of Main and Commerce to produce 150 Model T’s every day. Customers could go to the plant and buy a new car as it rolled off the assembly line. Through the years, the plant produced a variety of Ford models, including military jeeps during World War II. Near the end of the 1930s, the plant began putting oval stickers on the back window of the vehicles assembled at the plant that proclaimed “Built in Texas by Texans.”

**Sears, Roebuck and Co.** opened the Dallas Catalog Merchandise Distribution Center in 1906 in response to the large number of orders received from Texas. The Dallas center was Sears’ first facility outside of Chicago and started as a small office at 341 Commerce St. As business grew, a mail-order plant was opened in 1910 at Lamar and Arnold streets. The facility was expanded through the years, beginning with an adjoining nine-story building in 1913.
The city selected to serve as home to a Federal Reserve Bank had to be connected to the district it would serve. The Reserve Bank Organization Committee was looking for a city that allowed easy transportation and speedy communication between the Federal Reserve Bank and all portions of the district. The *Book of Facts* highlighted the superior communication and transportation infrastructure of Dallas.

Dallas was the *communication center* for the region. The Southwest headquarters of three major telegraph companies—Western Union, Postal and Mackay—were located in Dallas. Dallas ranked sixth in the entire nation in volume of telegraphs. Dallas also boasted regional offices of Bell Telephone for the Southwest. The city originated 554,000 long distance calls per year, and that number was growing annually by 50,000 calls.

Dallas was the *transportation center* of the region. Trains were a critical mode of transportation, and Dallas was at the heart of two rail networks. Nine different trunk line railroads operated steam trains that radiated out from the city in 27 directions. These rail lines allowed freight and people to move around the country. Dallas also had five electric interurban railroads that ran as far north as Sherman and Denison and as far south as Waco. These interurban railways allowed frequent passenger service between cities and carried more than 1 million passengers every year.
Dallas was experiencing extraordinary growth at the dawn of the 20th century. The *Book of Facts* highlighted three areas of growth—population, factory employment and the value of factory production.

As the authors argued for Dallas, they compared its growth with that of other major metropolitan areas, and Dallas came out on top in all three categories.

Dallas Leads in Population Growth
Percentage Growth, 1900 to 1910

Dallas Leads in Factory Employment Growth
Percentage Growth, 1899 to 1909

Dallas Leads in Growth of Value of Factory Production
Percentage Growth, 1899 to 1909

In the early 1900s, Dallas leaders were actively encouraging population growth as a means to achieve economic development. The 150,000 Club, led by J. Howard Ardrey, advocated for growth in Dallas.
The Reserve Bank Organization Committee had a critical decision to make before a single city was chosen. The Federal Reserve Act specified that there would be from eight to 12 districts. According to popular wisdom, if the committee decided to create fewer than 12 districts, Texas would be divided.

George B. Dealey learned that Postmaster General Albert S. Burleson, an influential Texan in the Wilson administration, would be traveling from Washington to St. Louis and on to Texas.

In an urgent telegram, Dealey arranged for Dallas banker J. Howard Ardrey to join Tom Finty Jr., a *Dallas Morning News* reporter, at Union Station in St. Louis. The two could ride back to Texas with Burleson and advance the case for Texas and for Dallas.

The plan almost failed when Ardrey and Finty nearly missed Burleson. Finty saw Burleson boarding a different train and sent for Ardrey. Luckily, they made the train and joined Burleson.

Later, Ardrey credited the train ride as a turning point in the campaign for a Federal Reserve District for Texas and for a Reserve Bank in Dallas.
As part of the Reserve Bank Organization Committee’s process, 7,471 national banks were surveyed about their preference for the location of a Reserve Bank city. The ballots allowed each bank to list its first, second and third choice for a city for their Reserve Bank.

Following the announcement of the 12 Reserve Bank cities, the results of the balloting were released. The national banks in the territory that became the Eleventh District had voted overwhelmingly for a Federal Reserve Bank in Dallas.

Dallas dominated the first-choice votes among the national banks from the region.
Throughout March of 1914, George B. Dealey, J. Howard Ardrey and the rest of the leaders who were working to secure a Federal Reserve Bank in Dallas anxiously waited for a decision from the Reserve Bank Organization Committee.

The Washington postmaster and former *Dallas Morning News* staffer, Otto Praeger, and the Washington correspondent for the *Dallas Morning News*, Mark Goodwin, developed a series of codes that allowed them to send telegrams back to George Dealey in Dallas to request additional information and to inform him of developments in the Reserve Bank Organization Committee’s deliberations.

**Cracking the Code**

Woodrow Wilson  
President  
“Allah”

E.M. House  
Presidential adviser  
“Tacitus”

Albert Burleson  
Postmaster General  
“Mercury”

Houston  
“Handicap”

Dallas  
“Delightful”

Fort Worth  
“Floral”

Federal Reserve Bank  
“Riches”
On April 2, 1914, the Reserve Bank Organization Committee announced the creation of 12 Reserve Bank districts with a Reserve Bank city in each one. George Dealey and the rest of the leaders from Dallas were pleased to learn that the city had been selected as the location of the Federal Reserve Bank for the Eleventh District of the Federal Reserve System.

The strength of the argument for Dallas was acknowledged in this letter from presidential adviser E.M. House to J. Howard Ardrey.
DALLAS SELECTED FOR ONE OF THE TWELVE REGIONAL RESERVE BANK CITIES

ST. AUGUSTINE SWEEP BY $40,000,000 FIRE

PROBABLY FIFTY LOST

TWO SERIOUSLY HURT

AMERICAN OFFICIAL ARRESTED

ALBAN PORTER OF PHILADELPHIA

DARING ESCAPE PERMAHATS JUG IN NEW ORLEANS;

RESIDENT PROPOSED REPEAL OF TOLLS

REPUBLICAN PANIC FOR UNITED STATES;

TORREON IS TAKEN

JUDGE WALTER KEMP TAKEN PASTOR

INSTITUTION WILL HAVE CAPITAL IN EXCESS OF FIVE MILLIONS

District Is Considered Well Arranged to Care for Business Demands of Territory Included.

ORGANIZATION COMMITTEE FINISHES WORK

Few Complaints Are Voiced at Results of Last Three Months' Investigation of Nation's Financial Needs.

THE DALLAS DISTRICT

The Dallas district is as follows:

1. Dallas
2. Galveston
3. Houston
4. New Orleans
5. San Antonio
6. Shreveport
7. St. Louis
8. St. Paul
9. St. Louis
10. Kansas City
11. Denver
12. San Francisco

THE TWELVE RESERVE CITIES

The twelve reserve cities are numbered as follows:

1. Boston
2. Chicago
3. New York
4. St. Louis
5. Philadelphia
6. Cleveland
7. Richmond
8. Dallas
9. St. Louis
10. Kansas City
11. Denver
12. San Francisco

WASHINGTON, D.C., April 5, 1914.-The House committee on banking and currency today approved a resolution, which provides that the terms of the present system of reserve banks be extended to the larger cities of the country.

The resolution, which was introduced by Representatives C. M. Valentine of Ohio, is as follows:

Resolved, That it is the sense of the House of Representatives that the system of reserve banks now existing should be continued and extended to all cities of not less than 75,000 inhabitants, and that the Bureau of the Census shall make a complete and detailed study of the population of all cities of not less than 75,000 inhabitants, and shall report the same to the House as soon as possible.

The resolution was adopted unanimously.

The resolution is a step in the direction of making the system of reserve banks more uniform and more effective.

The present system of reserve banks is based upon the principle that the banks shall be organized and operated in such a way as to promote the safety and soundness of the banking system. The resolution now adopted provides for the establishment of reserve banks in all cities of not less than 75,000 inhabitants, and for the regulation and control of those banks by a board of directors, consisting of nine members, seven of whom shall be appointed by the President, and two of whom shall be appointed by the Treasury Department.

The resolution also provides for the payment of dividends to the depositors in the reserve banks, and for the payment of interest on the surplus funds of the banks, and for the investment of the surplus funds of the banks in bonds of the United States and other securities approved by the Board of Governors of the Federal Reserve System.
Buy a few chairs and pine-top tables. Hire some clerks and stenographers, paint ‘Federal Reserve Bank’ on your door, and open up. The way to begin is to begin. When you make a start, everything will be smoothed out by practice.”

—William G. McAdoo
Secretary of the Treasury
The Federal Reserve Act governs the issuance of currency. Since the 1914 Series of Federal Reserve notes, all 12 Federal Reserve Banks have issued U.S. currency, which is printed by the Treasury Department’s Bureau of Engraving and Printing.

This 1914 $5 bill issued by the Federal Reserve Bank of Dallas features two seals, along with the statement that it was authorized by the Federal Reserve Act. The Dallas Fed’s seal is marked 11-K, signifying the Eleventh District of the Federal Reserve System. The U.S. Treasury’s seal is blue, indicating that this note is part of the second group of notes issued that year. Earlier notes featured a red seal. The back of the note features an image of Columbus’ expedition.

Albert Chaleff immigrated to the United States from Russia at age 17. He and his cousin arrived in New York with only $17 but wanted to move as far away from the city as possible. The ticket agent sold them one-way tickets to Laredo. After Chaleff served in World War I, he moved to McAllen, where he owned Azteca Furniture Store.

After his death in 1966, his widow, Fannie Chaleff, found a 1914 $5 Federal Reserve note in his World War I uniform pocket. Because the note (pictured here) was issued by the Federal Reserve Bank of Dallas, his granddaughter, Leslie Goodman, donated the note to the Dallas Fed’s Historical Library in memory of her grandparents.
The cornerstone of a new headquarters building was laid at 400 S. Akard St. on April 2, 1920, only six years after Dallas was selected as a Reserve Bank city. The design borrowed symbols of beauty and strength from classic Italian architecture, with some Southwestern influences, such as the steer heads that surrounded the top of the building. Figures bearing the names Integrity and Protection were carved in place above the doors by the New York sculptor Henry Herring. The move to the new home was completed in March 1921.

“The Board of Directors and the Executive Committee, after much deliberation and careful thought as to various offers of buildings and lots, on November 16, 1918, purchased a site 162 by 183 feet on South Akard Street, one block removed from Commerce Street, the latter being one of the principal downtown thoroughfares.”

—J.L. Lumpkin, credit manager of the Dallas Fed, 1920
Throughout the 100 years of the Dallas Fed's history, employees have been crucial to its success. Employees fill many roles—from cash processors to researchers to bank examiners to administrative staff. This workplace is marked by dedication and camaraderie, along with some lasting traditions, including sports and recipes. The Bank's employees are committed to the mission of serving the American people.

Gingersnap pudding has been a favorite of Dallas Fed employees for more than 60 years. The recipe first appeared in *Items*, the employee newsletter, in March 1953. The dessert has been served at the annual 25-Year Club dinner for at least 30 years.

Baseball was a favorite pastime of employees in the early years of the Bank. The employee team from 1922 won 13 of 14 games in the regular season of the Commercial League and was crowned Commercial League champion without entering a playoff series. They defeated three other teams to win the city championship and also beat the city champions from Fort Worth to become the amateur champions of North Texas. They challenged the Houston team to a series to determine the state champion, but the Houston team did not accept the challenge.

Madeline Elliott Vaughan was the longest-serving employee in the history of the Federal Reserve System when she retired in 2004. She started work on June 1, 1944, expecting the job to end after that summer. She stayed more than 60 years.
The Evolving Work of the Federal Reserve

Today, the Federal Reserve System continues the work that began 100 years ago. As the American economy has grown and changed, the Federal Reserve Bank of Dallas has transformed its work as it serves the people of the Eleventh District. The Dallas Fed informs and influences our nation’s monetary policy. Banking supervisors examine financial institutions throughout the region to foster financial stability. The Bank delivers financial services to the United States government and the financial institutions in our district.

In 1916, the Dallas Fed began publishing the Monthly Review, a survey of business and industrial conditions in the Eleventh District. Fed economists continue to gather and analyze a variety of regional as well as national and international economic data. This research informs the Bank’s president in monetary policy deliberations. Today, economic reports, surveys and other research are available in publications and online.

The Cash Department examines Federal Reserve notes deposited from banks to determine if they are genuine and fit to return to circulation. In the early days, bills were sorted by hand. Automated bill counters were introduced in 1946. Today, high-speed cash processing machines can examine more than 100,000 notes per hour.
The Federal Reserve is the fiscal agent for the U.S. government. As Uncle Sam's bank, the Federal Reserve accepts deposits from the U.S. Treasury and makes payments on behalf of the government. Early in its history, the Federal Reserve facilitated the sale of bonds during both world wars. Today, the Dallas Fed is supporting the effort to convert federal benefit payments from paper checks to electronic deposits.

In June 1918, the Federal Reserve established a private wire service that linked all 12 Federal Reserve Banks and the Board of Governors. Although it was initially designed to speed internal communication around the System, it grew to include cross-country transfers of funds between commercial banks. Today, the Federal Reserve provides many electronic financial services, including FedWire.
Branch banks are an important part of the regional structure of the Federal Reserve System, especially given the tremendous size and economic diversity of the Eleventh District. The Dallas Fed’s first branch opened in El Paso in June 1918. The Houston Branch followed in August 1919, and the San Antonio Branch opened in July 1927.

**El Paso**

After opening in rented space in the First National Bank building, the El Paso Branch constructed a new building on Myrtle Avenue and moved into the facility in 1920. By the mid-1950s, growth required more space and ground was broken for a new building at 301 E. Main St., in the heart of the central business district. On a memorable day in 1979, the branch was the site of an impromptu cattle drive, when cattle on the set of a TV commercial filming nearby wandered into the Bank’s shrubbery and had to be rounded up. The branch continues to serve from this building.

**Houston**

The Houston Branch opened on the first floor of the old Cotton Exchange building, and the vault of a neighboring commercial bank was used to store cash and securities. The first permanent home for the branch was at the corner of Texas Avenue and Caroline Street. When the building was completed in 1922, the Houston police, branch guards and employees escorted $25 million through the streets of Houston to the new building. The branch moved to a new facility on San Jacinto Street in 1956. Then in 2002, ground was broken on a building west of downtown on Allen Parkway. The branch was designed by Michael Graves and opened in 2005.

**San Antonio**

When the San Antonio Branch opened in 1927, the employees worked in temporary quarters in the Frost National Bank. The following year, a new headquarters opened on Navarro Street. The growing responsibilities of the branch required a move to a new building on Nueva Street in 1956. A plaque on the corner of the property commemorates the location as the site of the Vance House, believed to have been the headquarters of Robert E. Lee, who spent two of his six years in Texas as an officer in San Antonio. The branch moved to a new office on Dwyer Avenue in 2014.
In 1989, the Federal Reserve Bank of Dallas announced plans to build a new headquarters building. More than 17 locations were considered before the site at the northeast corner of Pearl Street and Woodall Rodgers Expressway was chosen. Completed in 1992, the building sits on eight acres of land, adjacent to the Dallas Arts District. The exterior is Indiana limestone from the same quarry and with the same rectangular cut as the neighboring Morton H. Meyerson Symphony Center. A central architectural feature is the bold form of a ship’s prow that marks the high-rise section of the building.

The last group of employees moved into the completed building in July 1992.
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