

Deposits create credit, and credit creates business. It is undoubtedly a bad thing for the country, for the deposits of an entire State to be very largely controlled from two central cities of that State. It is possible, however, that the people of California will not fully realize that fact until they have gone through the fire.

J. A. GRAVES.

LOS ANGELES, February 8, 1926.

STATEMENT OF EDGAR L. MATTSON, VICE PRESIDENT MIDLAND NATIONAL BANK & TRUST CO., MINNEAPOLIS, MINN.

Mr. MATTSON. Mr. Chairman, I am vice president of the Midland National Bank & Trust Co. of Minneapolis, Minn., and a member of the American Bankers' Association, and to a greater or less extent I have been quite active in the American Bankers' Association affairs and in the national bank division of the American Bankers' Association.

I was not present at the convention referred to at New Orleans; neither was I present at the convention at Boston. I do not, however, because of that reason, feel that I need to in any apologetic sense refer to my connection with the American Bankers' Association, which has adopted resolutions upon this particular bill, which have been introduced in the record here. I am appearing as a National banker, and while I have no official connection at the present with the national banking division, in a sense I am speaking as a representative of that division.

In connection with it I wish to read into the record an extract of an address that I delivered at the Atlantic City convention last October, at which time I was president of the State national bank division. It is with reference to a question that has been under discussion relative to the growth or lack of growth of the national-bank system and its effect in competition with State banks and trust companies. It reads as follows:

In 1870 there were 325 State banks and 1,731 national banks—

The CHAIRMAN. In what area was this?

Mr. MATTSON. The entire United States. [Continuing reading:]

In 1884 there were 317 State banks (exclusive of savings banks) and 35 trust companies, with aggregate resources of \$700,000,000, and 2,664 national banks with total resources of \$2,300,000,000. Twenty years later, in 1904, there were 6,923 State banks (exclusive of savings banks) and 585 trust companies. Their combined resources were \$5,240,000,000, while there were 5,331 national banks, with resources of \$6,965,000,000. In the next 20-year period, bringing us down to 1924, the State banks and trust companies increased to 19,600 with resources of approximately \$23,700,000,000, while national banks advanced in number to 8,240, and their resources climbed to \$21,700,000,000. It was in that period that the national banks lost most heavily in their comparative position. In the last seven years, 515 national banks, with an aggregate capital of approximately \$140,000,000, voluntarily liquidated and merged with State banks or reorganized as separate institutions under State charters. The capital thus withdrawn from the national system equals 10 per cent of its total, and likewise, it equals 6.7 per cent of all the capital represented in the entire Federal reserve system at this time.

Senator GLASS. How many national banks were organized in the meantime?

Mr. MATTSON. I have not that information. It shows the number that increased. They increased in that last 20-year period up