

or laxity in the case of the State legislation; in other words, that while section 5200 applies only to the national banks, yet that there was a similar provision of liberality or laxity in the several States and he attributed the failures of the State banks to the extent of that State legislation.

Mr. MATTSON. Yes; so I understood him, and I think that is true in my section of the country which unfortunately has had more than its share of casualties among the banks—the ninth Federal reserve district. As a matter of fact, the difficulty there largely has been because of the conditions of agriculture. We have often spoken of, we have spoken of it several times—frozen assets—and in our section of the country we have had (what was a virgin country gradually developed in quite recent years) quite an increment in the value of land. Recently I had occasion to look up some figures in connection with the State of Iowa, which is not in our district but adjoins Minnesota, and I found that in the 30-year period from 1890 to 1920 the land had increased from \$25 and \$30 an acre to \$250 and \$300 an acre. When one comes to analyze that, it is equivalent to an increase in the value of land of 100 per cent every three years without taking into consideration any of the profits farming during the period, in other words, an addition of $33\frac{1}{3}$ per cent every year for 30 years, and then, in response to the increased price of all good commodities, which we know occurred very rapidly during the war period, there followed an increased value of the land. Almost in an incredibly short time the land went from \$100 to \$200 an acre on top of that, and when the prices of production fell the land had to fall with it, and banking had unfortunately been predicated on the theory that those land values were somewhat fixed and permanent, and the bank had loaned on them, not on first mortgages, because usually the country banks negotiate the first mortgage and sell them to insurance companies or private investors, and who take chattel mortgages upon the machinery and animals, etc., and it is very largely the disappearance of part or all of the equity in the land value that cause a great deal of difficulty.

The CHAIRMAN. I should think that any study of the causes of bank failures would be hopelessly incomplete unless it took account of the economic environment. I speak subject to correction, but my recollection is that in the third Federal reserve district—the district in which Philadelphia is situated—we had only one failure of a member of the Federal reserve system in 10 years.

Mr. MATTSON. The land values have been very fixed there. Our country was very sparsely settled and the increase of value was largely on account of the increase in population and the settlement of the community.

That is all I care to say, Mr. Chairman.

The CHAIRMAN. The committee is very much obliged to you for your statement. The committee will now take a recess until 8 o'clock p. m.

(Accordingly, at 6.30 p. m., the committee took a recess until 8 o'clock.)