

The CHAIRMAN. Do not misunderstand me, Senator. I took an extreme illustration merely to make my thought clear. I realize that what we are talking about is commercial security.

Senator GLASS. Yes. Then he continued.

It might be argued that no well-managed bank would take such a step, but the restrictions in the law are for the protection of the depositors in poorly managed banks, which have been found to be quite numerous. If banks would always conduct their business along sound and conservative lines the limitations of section 5200 would be entirely unnecessary, but experience has proven them to be very important and necessary, and the bars should not be let down too much, if at all.

Which is a statement of the case that I fully agree with.

The CHAIRMAN. Well, I think—Mr. Collins will correct me if I am wrong—I think that what the gentleman who wrote that was focusing his attention on was subsection 8, containing provisions for gradually increasing a loan as the security increased, where the basis of the loan was nonperishable staples, because everything else in the section as drafted in this bill is already a feature of the existing law, is it not, Mr. Collins?

Mr. COLLINS. I think so.

The CHAIRMAN. That subsection 8, as you will remember, Senator Glass, was the subsection that Senator Robinson of Arkansas and some of the men who were particularly interested in loans on cotton in storage were interested in.

Senator GLASS. It is upon the theory that we have not done enough for agriculture.

The CHAIRMAN. Now, is Mr. Whipple here? Had you finished, Senator?

Senator GLASS. Yes.

The CHAIRMAN. Thank you, very much, Mr. Harrison, for your very able statement. We will now hear Mr. Whipple.

#### STATEMENT OF HOWARD WHIPPLE, PRESIDENT OF THE FIRST NATIONAL BANK OF TURLOCK, CALIF.

Mr. WHIPPLE. Mr. Chairman and gentlemen, my remarks are practically entirely on the question of branch banking. In any discussion of the McFadden bill interest focuses on its branch banking features. They are its most controversial sections and therefore are more spectacular than the sections which modernize and clarify the law controlling national banks alone, important though they may be. That law, since its enactment in 1863 and amendment in 1865, has endured with but little change. The Federal reserve act of 1913 was imposed upon the national bank structure but did not modify its basic principle to any material degree. Its effect was evolutionary rather than revolutionary. It maintained the unit character of national banks by evolving their cooperation and avoided revolutionizing their fundamental structure by permitting that structure to be destroyed, as would be the case were national banks consolidated under branch banking. Branch banking, on the other hand, after a thorough investigation of all the principal banking systems of the world by the monetary commission, was deemed unfitted to American conditions.

Since 1865 and in spite of its immobile character, national banking, both in law and supervision, has been the backbone of American