

acreage increased in proportion. Not only farm lands but local towns were developed very rapidly.

In 1921 and 1922 branch banks began to enter the valley field, offered attractive prices to local banks and purchased many of them; until the branch banks were in strategic control of the valley. About this time the deflation period began and values dropped very rapidly. It is interesting to contrast the conduct of branch banking during a period of deflation with its operations in boom time.

Up to this time the branch banks poured money into the valley. The reason for this action was the fact that the valley offered an attractive loaning field but when deflation arrived branch bank policies changed at once. Local branch offices were instructed that all loans over a modest amount must be referred to the head office. This, at once, eliminated personal contact of the loaner and borrower, and therefore worked to the farmers' disadvantage, especially as many of them owed more than they should, from a liquidity standpoint, due to the sudden deflation in value of lands and crops. The executive officer of one of the branch banks stated that no new loans were to be made and that this branch had been instructed to collect every loan possible, even to the point of pressing collection. The county records will show the results. I think our county records will show the results.

The situation at this time, as stated above, left the branch bankers in practical control, through the purchase of local banks, of the entire central district of the San Joaquin Valley.

Two years ago California branch bankers appearing before the House Committee on Banking and Currency painted a beautiful picture of what branch banking could and would do in times of stress. Allow me to give an illustration. One branch bank was financing a large green fruit shipper and through a sudden change of marketing conditions he became gravely extended. The branch bank called on all creditors, including a number of unit banks which had been financing him also, requesting them to put up a certain sum of money to provide the shipper with additional finances to enable him to continue to operate. This branch bank agreed to act for the creditors and to work the shipper out of his difficulties, since it was the largest creditor by several hundred thousand dollars. The unit banks contributed as requested.

Shortly after this bank forced the shipper into bankruptcy by offsetting all the money so deposited against the shipper's debts to them. This happened about a year and a half ago. Just lately the receiver for the shipper has obtained a court order compelling the branch bank to surrender the money so obtained, with the result that the unit banks and other creditors, after a year and a half, stand a chance of getting back the money advanced in good faith. Let me give you another illustration of branch bank assistance. About a month ago a unit bank in the valley found itself in a delicate position, owing to a sudden slump in the green grape market. The branch banks were appealed to to take it over, particularly as one of them had been trying to buy this unit bank for several years. At this time they refused to be of assistance, stating that they did not care to touch it. One large unit bank in San Francisco came to its support and the situation was successfully saved.