

Mr. RATHJE. Because we are afraid that if the national banks should have the privilege of establishing branches, that the attempt would be made to pass legislation in the State for branch banking.

Senator GLASS. But it is not proposed to give the national banks the right to have branches in the States which do not permit branch banking.

Mr. RATHJE. No—

Senator GLASS. Why not control that matter in the State? If it is the desire of Illinois to prohibit branch banking, Illinois now has the right to exercise it. If it is the desire of the State of Ohio to have branch banking, why should it not have the privilege of doing it?

Mr. RATHJE. I will admit that that phrase in there is in there purposely so as to get the assistance of the national banks to prevent any State legislation in favor of branch banking.

Senator GLASS. In plain English, to coerce the States against granting the privileges of branch banking?

Mr. RATHJE. I would not say it is coercion.

Senator GLASS. Why is it not coercion when a penalty attaches?

Mr. RATHJE. I do not regard it as a penalty, because if a national bank can not benefit by the enactment of a State law, they would not be for it.

Senator GLASS. But the penalty is against the State banks. You preclude them from membership in the Federal reserve system. In other words, if Illinois should pass a law hereafter granting its State banks the right to establish branches, under proper restriction, they would be precluded from membership in the federal reserve system.

Mr. RATHJE. If they established branches; yes.

Senator GLASS. Well, is not that coercion by a Federal statute?

Mr. RATHJE. I would not regard it so.

Senator GLASS. Well, I would not know how to define it if it is not. You may proceed with your statement, if you have anything further to say, without interruption.

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

STATEMENT OF ISAAC N. POWELL, WASHINGTON PARK NATIONAL BANK AND SOUTH SIDE NATIONAL BANK AND GREATER SOUTH SIDE CHAMBER OF COMMERCE, CHICAGO, ILL.

Mr. POWELL. Mr. Chairman and gentlemen, I think this bill is a matter of compromise. It represents, I think, the composite agreement of men who have been active in the matter of trying to bring about some kind of adjustment or arrangement as to branch banks.

I do not believe it is possible to do that with absolute justice to both sides of banking. I really think the gentlemen who have been very active from communities all over the United States have attempted to put into this bill what they believe is a workable arrangement. For instance, I think the provision which you possibly complain of most is this: I happen to be in a State bank, and I happen to be in a national bank. I am the only connection. The banks are not of similar ownership. In fact, they are very dissimilar, but I think that the larger banks of the country, especially possibly