

I. THE DISTRIBUTION OF BANKS IN THE UNITED STATES WHICH HAVE CHICAGO CORRESPONDENTS

At the beginning of 1927, Chicago banks were listed as correspondents of banks throughout the country in approximately 9,400 instances.¹ This does not mean that 9,400 banks have a Chicago bank as a correspondent, because quite a number of banks have more than one Chicago representative. However, there are probably close to 9,000 individual banks which have at least one Chicago correspondent. This is about one-third of all the state and national banks in the country.

Not only do Chicago banks carry on operations for a relatively large portion of the country's banks directly, but they also function indirectly for many more. This is very significant. Outside of New York and Chicago, the two central reserve cities, there are 64 reserve cities,² the banks of which are correspondents of country banks to a considerable extent. It was found that in all but five of these 64 reserve cities there is at least one national bank reporting as having a Chicago correspondent (Map 1). In 43 of these reserve cities every national bank has a Chicago representative. Thus while many banks in the country as a whole have no direct Chicago connections they have correspondents which in turn, in most instances, have a Chicago bank correspondent.

This is shown strikingly in the State of Illinois. Of the 1,036 banking points³ in the state all but 172 have direct Chicago connections; that is, at least one bank of the town has a Chicago correspondent. All but two of these 172 banking points have indirect Chicago connections; that is, these towns have one bank or more with correspondents which have direct Chicago connections. For example, we find in Colorado 143 banking points with banks having no Chicago correspondents; however, in every instance the banks of these towns have a Denver bank as a correspondent which in every case lists at least one Chicago bank as a correspondent. Every national bank in

¹The source of the data covering the distribution of Chicago bank correspondents is Rand McNally's Bankers Directory for January, 1927. Since the Directory is compiled from the reports of each individual bank in the country, it is complete only in so far as the banks report among their principal correspondents their correspondents in Chicago and New York. It is altogether likely that quite a number of banks actually having Chicago and New York correspondents fail to report them. Particularly is this true among the banks furthest from Chicago whose balances with their Chicago correspondents are more or less inactive. It is believed, however, that the extent of failure to report these correspondents is so slight that the value of the conclusions relative to the distribution of banks throughout the country which have Chicago correspondents is not seriously impaired.

²See Appendix G.

³By a banking point is understood a town with at least one bank.