

"It is desirable that Congress should consider the revision of some portions of the banking law. *President's Message*

"The development of 'group' and 'chain' banking presents many new problems. The question naturally arises as to whether if allowed to expand without restraint these methods would dangerously concentrate control of credit, and whether they would not in any event seriously threaten one of the fundamentals of the American credit system—which is that credit which is based upon banking deposits should be controlled by persons within those areas which furnish these deposits and thus be subject to the restraints of local interest and public opinion in those areas. To some degree, however, this movement of chain or group banking is a groping for stronger support to the banks and a more secure basis for these institutions.

"The growth in size and stability of the metropolitan banks is in marked contrast to the trend in the country districts, with its many failures and the losses these failures have imposed upon the agricultural community.

"The relinquishment of charters of national banks in great commercial centers in favor of state charters indicates that some condition surround the national banks which render them unable to compete with state banks; and their withdrawal results in weakening our national banking system.

"It has been proposed that permission should be granted to national banks to engage in branch banking of a nature that would preserve within limited regions the local responsibility and the control of such credit institutions.

"All these subjects, however, require careful investigation, and it might be found advantageous to create a joint commission embracing Members of the Congress and other appropriate Federal officials for subsequent report."

During the post-war history of the federal reserve system there have been bank failures in such numbers, particularly of banks in smaller communities and agricultural districts, as to raise questions about the efficacy of the system in its relations to the smaller member banks. Reporting to Congress on December 21, 1929, the Comptroller of the Currency,—who is the federal official charged with the duty of supervision of national banks,—pointed out that in the nine years between July 1, 1920, and June 30, 1929, about 5,000 banks have failed, and their failure had tied up deposits of \$1,500,000,000. In the first ten months of 1929 there have been 521 bank failures, involving deposits of \$200,000,000. An analysis of the statistics discloses that in seven states over forty percent of the banks in existence in 1920 have since failed, and in twenty-six states the failures have amounted to more than ten percent. It may be true that the greater number of the banks that have failed in recent years existed under state charters and many of them were not members of the reserve system, consequently not being in a position to derive direct benefits, but it is equally true that member banks, national as well as state, were found within the number of failing banks. In the years of 1921-1928 inclusive, eight hundred fifty-three member banks failed, and they had aggregate deposit liabilities of \$436,000,000. In the year following the end of the period for which these figures were compiled there have been seventy-nine failures of national banks including two national banks which had assets of more than \$12,-

Bank Failures

(Continued on page 15)