

BANK SUSPENSIONS, 1921-1936¹

In the past forty-five years there have been nearly 18,000 bank suspensions² in the United States. These years may be divided into four periods. In the period 1892-1920, 2,926 suspensions occurred, an annual average of 100; in 1921-1929 there were 5,712, an annual average of slightly less than 650; during the four years 1930-1933 there were 9,096 suspensions, of which 4,000 occurred in 1933;³ and in the 1934-1936 period there were 135 suspensions, or an average of 45 per year.

Table 1 shows the annual figures from which these totals were computed, together with the ratio of the number of suspensions in each year to the number of active banks in that year. It may be noted that during the 29 years prior to 1921 the annual rate of suspensions was less than one bank per 100 in operation in every year except 1893, 1896, and 1897. During the period from 1921 through 1929 the ratios were substantially higher, and in each of the years 1930-1933 the rate was considerably in excess of that reported for any year prior to 1930. The two peak years were 1931 and 1933, when the number of suspensions per 100 active banks was 10.6 and 28.3, respectively.

The large number of bank suspensions during 1921-1933 was preceded by a rapid expansion in the number and resources of banks during the two decades between 1900 and 1920. This period was in general characterized by rising commodity and land

TABLE 1.—NUMBER OF BANK SUSPENSIONS AND NUMBER OF SUSPENSIONS PER 100 ACTIVE BANKS, BY YEARS, 1892-1936¹

Year	Number of suspensions	Suspensions per 100 banks in operation on June 30 each year	Year	Number of suspensions	Suspensions per 100 banks in operation on June 30 each year
1892.....	80	.7	1914.....	149	.5
1893.....	491	4.1	1915.....	152	.5
1894.....	83	.7	1916.....	52	.2
1895.....	110	.9	1917.....	49	.2
1896.....	141	1.2	1918.....	47	.2
1897.....	139	1.2	1919.....	62	.2
1898.....	63	.5	1920.....	167	.6
1899.....	32	.3	1921.....	505	1.7
1900.....	35	.3	1922.....	366	1.2
1901.....	65	.4	1923.....	646	2.2
1902.....	54	.3	1924.....	775	2.7
1903.....	52	.3	1925.....	618	2.2
1904.....	125	.7	1926.....	976	3.5
1905.....	80	.4	1927.....	669	2.5
1906.....	53	.3	1928.....	498	1.9
1907.....	90	.4	1929.....	659	2.6
1908.....	153	.6	1930.....	1,350	5.7
1909.....	78	.3	1931.....	2,293	10.6
1910.....	58	.2	1932.....	1,453	7.8
1911.....	85	.3	1933 ²	4,000	28.3
1912.....	78	.3	1934.....	57	.4
1913.....	103	.4	1935.....	34	.2
			1936.....	44	.3

¹ Exclusive of mutual savings banks, figures for which have been omitted from all data presented in this analysis. For information concerning the twelve mutual savings banks which suspended during the period 1921-1936, see the September 1937 issue of the FEDERAL RESERVE BULLETIN, page 910.

² See explanatory statement relative to bank suspension statistics in 1933, page 1208.

prices, with a rapid acceleration during the war years. In such a period banking losses are easily avoided and the misjudgments of bankers are not challenged as they are in a period of falling prices. The conditions which existed encouraged the chartering of new banks, often where there was no real need for them. By the middle of 1920 the number of national, State, and private banks in operation was 30,235, or more than twice as many as were in operation in 1900.

1921-1929.—The decade of the 1920's may be regarded as a generally prosperous one. The depression which occurred at the beginning of the period, though severe, was of short duration, and from 1922 on the general tendency of business activity was upward with only minor setbacks in 1924 and 1927. Despite the expanding activity in industry

¹ This analysis is based largely on detailed statistics published in the Bulletin for September 1937, pages 866-910.

² Bank suspensions comprise all banks closed to the public, either temporarily or permanently, by supervisory authorities or by the banks' boards of directors on account of financial difficulties, whether on a so-called moratorium basis or otherwise, unless the closing was under a special bank holiday declared by civil authorities. If a bank closed under a special holiday declared by civil authorities and remained closed only during such holiday or part thereof, it has not been counted as a bank suspension. Banks which, without actually closing, obtained agreements from depositors to waive a portion of their deposits or to defer the withdrawal of a portion of their deposits have not been classed as suspensions. Banks which were reopened or taken over by other institutions after suspension have been included as suspensions. The figures for 1933 include all banks not granted licenses following the banking holiday in March 1933 which were subsequently placed in liquidation or receivership (including unlicensed banks absorbed or succeeded by other banks), and all other unlicensed banks which were not granted licenses to reopen by June 30, 1933.

³ See explanatory statement relative to bank suspension statistics in 1933, page 1208.

and commerce, the general level of commodity prices was stabilized for a number of years much below the peak reached in war years.

Agriculture, in particular, was passing through a period of readjustment incidental to the reduction of the prices of farm commodities and land after the war. The balance of payments of agricultural regions in the United States was unfavorable, and banks serving agricultural communities were under pressure. Suspensions among such banks were numerous throughout the 1921-1929 period. Near the end of 1923 and in 1924 suspensions increased in the West North Central States, particularly in North Dakota during the latter part of 1923 and in South Dakota and Iowa in 1924. The number of suspensions in that region declined moderately in the following year but increased again in 1926, when prices of agricultural products were lower. In the South Atlantic States there was also a marked rise in 1926 in the number of suspended banks, reflecting in part the collapse of the Florida real estate boom. The number of suspensions in the United States decreased in 1927 and again in 1928, but in 1929 there was an increase in the number of suspensions in nearly every section of the country.

1930-1932.—During the depression years following 1929 there was a rapid decline in the income of customers of banks and in the values underlying the loans and investments of banks. The general fall in prices caused widespread difficulties among banks serving all classes of activity—commercial, industrial, and agricultural. Bank suspensions became widespread and many banks were under pressure because of the withdrawal of funds by depositors for hoarding. As economic conditions grew steadily worse suspensions increased, and as suspensions increased depositors became alarmed and withdrew funds, causing additional suspensions and adding to the depth of the economic depression.

Suspensions during 1930 involved 1,350 banks, with deposits of \$837,000,000, compared with the highest previous figure of 976 banks, with deposits of \$260,000,000, in 1926. From January through October, 1930, the rate of suspensions reported for each month was not far above the monthly average for the previous 9-year period, but there were 256 suspensions in November and 352 in December of that year. In these months 9 large banks in different sections of the country suspended. The closing of these large banks resulted in the closing of many other banks, partly because of affiliate and correspondent relationships, and partly because of the spread of fear among depositors, particularly in territory near the location of the banks.

Following January 1931, when about 200 suspensions were reported, the number declined to less than 100 each month until June, when 167 banks suspended. While suspensions during the two succeeding months were less numerous than in June, a sharp increase occurred in September. During the last four months of 1931, 1,360 banks suspended—more than in any previous full year. The peak of this period was in October, after the suspension of the gold standard in England, when 522 banks closed. By the end of the year a total of 2,293 banks had suspended.

In 1931, as in 1930, the East North Central and West North Central groups of States accounted for the largest proportion of suspensions—610 and 717, respectively, or more than half of all the banks that closed during the year. Illinois and Iowa each reported more than 200 suspensions during the year. The New England States, which had previously been comparatively free from suspensions, reported 11 suspensions in 1930 and 33 in 1931, compared with a yearly average of 2 for the 9-year period 1921-1929. The Middle Atlantic States also were seriously affected in 1931; 230 banks suspended in that region during the year, compared with 30 in 1930 and a yearly average of 8 during 1921-1929.

While the number of suspensions in 1931 was nearly 4 times greater than the annual average for the 9-year period 1921-1929, the deposits of banks suspending during this year were proportionately even larger—about 9 times the yearly average for the 9-year period.

The placing of restrictions on deposit withdrawals, a practice that had been used in 1931 in the East North Central States, became more prevalent in 1932 as a measure to cope with the steady withdrawal of funds. These restrictions on deposit withdrawals were usually imposed through "depositors' agreements" deferring withdrawal of varying percentages of deposits over periods of time ranging up to five years, certain percentages of deposits to be released at the end of the first year and additional percentages at the end of the succeeding years. New business was conducted on an unrestricted basis. Unfortunately, comprehensive figures are not available to show the number of banks that obtained deposit deferment agreements, or the amount of deposits involved in such deferment agreements, but from what information is available it appears that the practice was followed in a number of States during 1931 and 1932.

Another type of bank moratoria that became common during this period, particularly in the East North Central States, was the reorganization of banks through the waiver or surrender of a portion of deposits by the depositors. This was accomplished in some cases through outright contributions by certain of the depositors, but usually there was a segregation of assets for the benefit of waiving depositors under a trust agreement, with a right in the bank to substitute assets during a period of time running generally from two to five years. Figures are not available at present to show the losses sustained by depositors through this type of reorganization of distressed banks.

The National Credit Corporation was formed in October 1931 by banks at the suggestion of the President to relieve the situa-

tion by making loans to banks on sound but not readily marketable assets, and the Reconstruction Finance Corporation was created by Congress in January 1932 to make loans to banks and other institutions. Member banks were granted additional assistance through the provisions of the Glass-Steagall Act adopted in February. The Act gave the Federal Reserve Board power to permit the use of United States Government securities as collateral against Federal Reserve notes. This made it possible for the Federal Reserve banks to increase their purchases of United States Government securities, thereby providing member banks with funds to meet additional demands for currency and gold and at the same time to reduce their indebtedness at the Reserve banks. The Glass-Steagall Act also contained provisions under which member banks that were without adequate amounts of eligible and acceptable assets could under certain conditions receive assistance on the basis of other security satisfactory to the Reserve banks.

The number of suspensions had decreased from 522 in October 1931 to 175 in November, increasing to 358 in December. During the spring, summer, and autumn of 1932 the number of bank suspensions declined to less than 100 per month, with the exception of the months of June when 151 banks suspended and July when 132 banks suspended. Near the end of the year suspensions again increased in number, mainly in the Mid-Western and Far Western States. A total of 1,453 banks suspended in 1932, involving deposits aggregating \$706,000,000. Fewer large banks suspended, however, during the year than in either 1930 or 1931. During the first two months of 1933, 386 banks with deposits of nearly \$195,000,000 suspended.

Many banks in a number of places had closed temporarily in 1932 under special "banking holidays" declared by civil authorities. The first of a series of State-wide banking holidays was declared in Nevada at the beginning of November, 1932. Though origi-

nally for a 12-day period, it was subsequently extended. Early in 1933 more local bank holidays were declared by city authorities and many existing ones were extended, in order to permit banks to obtain deposit deferment or waiver agreements and to afford banks an opportunity to raise funds and make adjustments necessary to enable them to continue to meet their obligations.

The banking crisis of 1933.—On February 4 a one-day holiday was declared in Louisiana because of difficulties in New Orleans. On February 14 an 8-day banking holiday was declared in Michigan because of difficulties centering in Detroit. While the Michigan holiday arrested withdrawals of deposits from banks in that State, outside Michigan there was an increase in the movement of funds from weaker to stronger banks and in currency withdrawals. Funds were withdrawn from banks in other States to send to Michigan or to meet payments that otherwise would have been met from deposits in Michigan banks. Developments of this nature were partly responsible for the rapid spread of the banking holiday movement among other States.

In a number of States new laws were passed to provide for safeguarding of bank deposits and for readjusting the liabilities of banks without establishing receiverships. With a view to enabling the banking situation in any particular State to be better handled as a whole, a joint resolution was adopted on February 25 by the Congress of the United States authorizing the Comptroller of the Currency to exercise with respect to national banks such powers as State officials might have with respect to State banks.

The Governor of Maryland declared a banking holiday on February 25, chiefly on account of conditions in Baltimore, and at about the same time restrictions were authorized on withdrawals of bank deposits in Indiana, Arkansas, and Ohio. On March 1 bank holidays were declared in Alabama, Kentucky, Tennessee, and Nevada, and simi-

lar action was taken in six other States on March 2 and in seven others on March 3. On the morning of March 4, the Governor of the State of New York issued a proclamation declaring that day, which was a Saturday, and the following Monday to be bank holidays. Similar action was taken in Illinois, Massachusetts, New Jersey, Pennsylvania, and elsewhere. These declarations of State holidays in the various States had by March 4 closed or placed restrictions on practically all banks in the country. Federal Reserve banks also observed State holidays and closed on March 4. All leading exchanges ceased operations and business in general was practically at a standstill.

On March 6 the President issued a proclamation declaring a nation-wide bank holiday to continue through the four days ending Thursday, March 9. During the holiday the banks were not to pay out any coin, bullion, or currency or to transact any other banking business whatever, except as might be permitted by the Secretary of the Treasury.

On March 9 the Emergency Banking Act was passed by Congress and signed by the President. On this day also the President issued a proclamation extending the bank holiday indefinitely, and on March 10 by Executive Order he conferred power on the Secretary of the Treasury to license member banks of the Federal Reserve System, found to be in satisfactory condition, to conduct a usual banking business with exceptions as to paying out of gold and the furnishing of currency for hoarding purposes. Similar powers were granted authorities of the various States with respect to banks not members of the Federal Reserve System. On Saturday, March 11, the Reserve banks were authorized by the Secretary of the Treasury to reopen on the following Monday. It was announced the same day that on March 13 banks in the 12 Federal Reserve bank cities would be reopened; on March 14, banks in approximately 250 other cities having recognized

clearing houses; and on March 15, banks in other places.

By March 15, 4,507 national banks and 567 State bank members of the Federal Reserve System, with deposits (on December 31, 1932) of \$16,195,000,000 and \$9,358,000,000, respectively, had been licensed to reopen; 1,400 national banks and 225 State bank members, with deposits of \$1,943,000,000 and \$926,000,000, respectively, had not been granted licenses to reopen. Corresponding figures with respect to banks not members of the Federal Reserve System were not available prior to April 12, 1933 by which date 7,394 nonmember banks (exclusive of mutual savings banks) with deposits of \$4,946,000,000 had been authorized to reopen, and 2,938 such banks with deposits of \$1,318,000,000 had not been granted authority to reopen.

On December 30, 1933, there were still 512 member banks with deposits of \$528,000,000, and 1,257 nonmember banks with deposits of \$497,000,000, which had not been granted licenses to reopen and had not been placed in liquidation or receivership. By December 31, 1934, however, all but 11 of the member banks and 149 of the nonmember banks not licensed following the banking holiday either had been granted licenses to reopen or had been placed in liquidation or receivership. At the end of December 1936 there remained only 3 member banks and 7 nonmember banks which had not been granted licenses to reopen and had not been placed in liquidation or receivership.

Bank suspensions in 1933.—Because of restrictions imposed on deposit withdrawals, the reorganization of banks through deposit waivers during local and State bank holidays, changes in status of banks incident to the national banking holiday, and the amount of time required in many cases to determine whether banks should be licensed or should be placed in liquidation or receivership, statistics of bank suspensions for 1933 are not wholly comparable with those for previous years. The figures used in the present analy-

sis are, however, thought to be reasonably comparable with statistics of suspensions in former years. They comprise banks suspended before the banking holiday, licensed banks suspended or placed on a restricted basis following the banking holiday, unlicensed banks placed in liquidation or re-

TABLE 2.—SUMMARY CLASSIFICATION OF BANKS SUSPENDED IN 1933, BEFORE AND AFTER THE BANKING HOLIDAY ¹

	Total	National banks	State member banks	Non-member State banks	Private banks
Number of banks					
Banks suspended Jan. 1 to Mar. 4.....	468	64	22	302	20
Banks placed in receivership during the banking holiday (March 6 to March 15).....	39	2	1	34	2
Licensed banks suspended March 16 to December 31.....	179	9	2	158	10
Banks not licensed following the banking holiday and later placed in liquidation or receivership (March 16, 1933 to Dec. 31, 1936).....	2,122	865	74	1,113	70
Banks granted licenses (July 1, 1933 to Dec. 31, 1936).....	1,242	161	72	1,002	7
Banks neither granted licenses to reopen nor placed in liquidation or receivership by Dec. 31, 1936.....	10	-----	3	7	-----
Total.....	4,000	1,101	² 174	2,616	109
Deposits (in thousands of dollars)					
Banks suspended Jan. 1 to Mar. 4.....	198,417	71,802	21,633	102,115	2,867
Banks placed in receivership during the banking holiday (March 6 to March 15).....	15,080	1,381	109	12,732	858
Licensed banks suspended March 16 to December 31.....	145,072	17,322	1,927	124,920	903
Banks not licensed following the banking holiday and later placed in liquidation or receivership (Mar. 16, 1933 to Dec. 31, 1936).....	2,519,958	1,361,607	672,260	477,954	8,137
Banks granted licenses (July 1, 1933 to Dec. 31, 1936).....	716,423	158,437	86,988	470,482	516
Banks neither granted licenses to reopen nor placed in liquidation or receivership by Dec. 31, 1936.....	1,748	-----	482	1,266	-----
Total.....	3,596,698	1,610,549	² 783,399	1,189,469	13,281

¹ Exclusive of mutual savings banks.

² Includes 56 banks with deposits of \$118,479,000 which did not receive licenses (as member banks) following the banking holiday and later withdrew from the Federal Reserve System. Of these, 28 were subsequently granted licenses as nonmembers.

ceivership, and all other unlicensed banks which were not granted licenses to reopen by June 30, 1933. Supervisory authorities had by that date completed their examination of all or nearly all the banks not granted licenses immediately following the banking holiday and had authorized such of the banks to reopen as could then qualify for licenses. There remained, however, on June 30, 1933, 985 unlicensed national banks with deposits of \$1,028,347,000, 114 unlicensed State member banks with deposits of \$239,268,000, and 1,983 unlicensed nonmember banks with deposits of \$1,063,984,000, to be rehabilitated and reopened or to be placed in liquidation or receivership. All such banks are treated as suspensions. A summary classification of suspensions in 1933 is shown in table 2.

Bank suspensions in 1934-1936.—With the closing of the weak banks and strengthening of the banking structure generally, following the banking holiday in March 1933, and the stability brought about by deposit insurance and other Government measures designed to ease the burdens of banks, suspensions decreased in number to 57 in 1934, 34 in 1935, and 44 in 1936.

ANALYSIS OF BANK SUSPENSIONS, 1921-1936

In the following pages bank suspensions are analyzed by years and periods, by classes and sizes of banks, by geographic areas, and by sizes of communities. The analysis relates to the period beginning with 1921, that year having been selected as a starting point because sufficiently reliable data are not available to permit of a detailed analysis of suspensions in earlier years. It was in 1921 also that the number and rate of suspensions moved noticeably upward toward the high levels which were reached in subsequent years, particularly 1930-1933. Detailed figures on which the analysis is based, covering the years 1921-1936, may be found in the series of statistical tables which appeared on pages 866-910 of the September 1937 issue of the FEDERAL RESERVE BULLETIN.

NUMBER OF BANK SUSPENSIONS

By classes of banks.—Of the 14,943 banks that suspended in the 16-year period 1921-1936, 2,719 were national banks, 592 were State member banks, 11,033 were nonmember State banks, and 599 were private banks. The number of suspensions during this period, by years and by classes of banks, appear in table 3.

TABLE 3.—NUMBER OF BANK SUSPENSIONS, BY CLASSES OF BANKS AND BY YEARS, 1921-1936¹

Year	Total	Member banks		Nonmember banks	
		National	State	State	Private
1921.....	505	52	19	390	44
1922.....	366	49	13	281	23
1923.....	646	90	32	501	23
1924.....	775	122	38	578	37
1925.....	618	118	28	433	39
1926.....	976	123	35	766	52
1927.....	669	91	31	514	33
1928.....	498	57	16	406	19
1929.....	659	64	17	547	31
1930.....	1,350	161	27	1,104	58
1931.....	2,293	409	107	1,697	80
1932.....	1,453	276	55	1,085	37
1933.....	4,000	1,101	174	2,616	109
1934.....	57	1	-----	43	13
1935.....	34	4	-----	30	-----
1936.....	44	1	-----	42	1
Total.....	14,943	2,719	592	11,033	599

¹ Exclusive of mutual savings banks.

In the discussions which follow, the number of banks suspended during the 16-year period is compared with the number in operation on June 30, 1920, with certain exceptions.¹ This date was chosen as the basis of comparison because it marked approximately the beginning of the banking difficulties experienced during the years 1921-1933 and also because the number of active banks in the United States was near its peak at that time.

¹ In order to test the reliability of using active banks as of June 30, 1920 as a general base for comparison with suspended banks, an average of the number of banks in operation, by classes, on June 30 in each of the years 1920-1935 was computed, and averages of the mid-year figures for 1920, 1925, and 1930 were also obtained, by size of loans and investments, capital stock, and population of towns and cities. While the distribution of banks using the averages thus computed differed somewhat from the 1920 figures, the conclusions drawn from the use of 1920 figures as a base were for the most part supported by the average figures. In only a few cases, where the number of banks in a given classification changed substantially during the period, were any important differences in the distribution shown.

As is indicated in table 4, the 2,719 national banks suspended during 1921-1936 represented a total of 34 suspensions for every 100 national banks in operation on June 30, 1920. The 592 State member bank suspensions represented a suspension rate¹ of 43 per 100 State member banks active on the same date, and the corresponding rate for nonmember State banks was 57. In relation to the average number of banks in operation during the period (based on June 30 figures, 1920-1935) the rates of suspension per 100 active banks were 38 for national banks, 48 for State member banks, and 72 for nonmember State banks.

TABLE 4.—NUMBER OF BANKS IN OPERATION, NUMBER OF BANK SUSPENSIONS, AND SUSPENSION RATE, 1921-1936, BY CLASSES OF BANKS¹

Class of bank	Number of banks in operation		Number of bank suspensions, 1921-1936	Suspension rate, 1921-1936	
	On June 30, 1920	Average during 1920-1935 ²		Per 100 banks in operation on June 30, 1920	Per 100 banks in operation (average) during 1920-1935 ²
National banks	8,024	7,232	2,719	33.9	37.6
State member banks	1,374	1,247	592	43.1	47.5
Nonmember State banks	19,487	15,303	11,033	56.6	72.1
Total	28,885	23,782	14,344	49.7	60.3

¹ Exclusive of mutual savings and private banks.

² Based on the number as of June 30 each year.

By geographic divisions.²—While all parts of the country suffered from the numerous bank suspensions which occurred during the 16 years ended in 1936, the agricultural sections were particularly affected. Of the total of 14,344 suspensions (exclusive of mutual savings and private banks) 5,255—or 37 per-

¹ Except where otherwise stated, the term "suspension rate" as used here and in subsequent pages means the number of suspensions per 100 banks in operation on June 30, 1920.

² *New England:* Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Middle Atlantic: New York, New Jersey, Pennsylvania.

East North Central: Ohio, Indiana, Illinois, Michigan, Wisconsin.

West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas.

South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida.

East South Central: Kentucky, Tennessee, Alabama, Mississippi.

West South Central: Arkansas, Louisiana, Oklahoma, Texas.

Mountain: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada.

Pacific: Washington, Oregon, California.

cent—were reported in the West North Central States, comprising Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas. For this group of States the number of suspensions during the period per 100 active banks on June 30, 1920 amounted to 58, the second highest suspension rate shown for any geographic division. The areas for which the first and third highest rates were recorded—the South Atlantic States with a rate of 59 suspensions per 100 active banks and the East North Central States with a rate of 55—together accounted for 4,809 suspensions, or 34 percent of the total. Both these areas are largely agricultural.

The three groups of States having the lowest suspension rates were the New England, Middle Atlantic, and Pacific States. In these States there were 1,323 suspensions, or 9 percent of the total, and the number of banks suspended per 100 in operation in each group on June 30, 1920 was 20, 29, and 31, respectively.

In table 5 are presented both a numerical and a percentage distribution, by geographic divisions, of the 14,344 banks (exclusive of mutual savings and private banks) which suspended during the period 1921-1936, together with the number of suspensions per 100 banks in operation on June 30, 1920.

TABLE 5.—NUMBER AND PERCENTAGE DISTRIBUTION OF BANK SUSPENSIONS BY GEOGRAPHIC DIVISIONS, 1921-1936, AND RATE OF SUSPENSION PER 100 BANKS IN OPERATION ON JUNE 30, 1920¹

Geographic division	Number of suspensions, 1921-1936	Percent of total	Suspension rate 1921-1936, per 100 banks in operation on June 30, 1920
New England	142	1.0	19.5
Middle Atlantic	748	5.2	28.8
East North Central	2,938	20.5	54.7
West North Central	5,255	36.6	58.4
South Atlantic	1,871	13.1	59.0
East South Central	759	5.3	41.8
West South Central	1,367	9.5	42.0
Mountain	831	5.8	52.8
Pacific	433	3.0	31.3
Total	14,344	100.0	49.7

¹ Exclusive of mutual savings and private banks.

Table 6 shows the geographic distribution, by areas, of banks (other than mutual savings and private banks) which suspended during the 1921-1929 and 1930-1933 periods, respectively, and the percentage ratios of suspensions during each period to the number of active banks at or near the beginning of the period. These figures indicate that the New England and Middle Atlantic States were comparatively free from bank suspensions until the depression years of 1930-1933. During the 1930-1933 period 131 suspensions occurred in the New England States, compared with but 10 in the 1921-1929 period; in the Middle Atlantic States 692 suspensions were reported during the four depression years, compared with only 41 in the previous 9 years. Nevertheless, even for the 4-year period these two groups of States together were responsible for less than 10 percent of the country's total.

The largest increase in the volume of suspensions during the later period as compared with the earlier one occurred in the East North Central States. There were 2,533 suspensions in this area during the years 1930-1933, or 29 percent of the United States total, as against only 375, or 7 percent of the coun-

try's total, in the 1921-1929 period. The West North Central States had a larger number of suspended banks in both periods than any other group of States, but the increase in the later period was small compared with that in some of the other geographic divisions. While more than 47 percent of the country's total suspensions during the years 1921-1929 occurred in this group of States, only 30 percent of the total for the 1930-1933 period was accounted for by these States.

It will also be observed from table 6 that while only the South Atlantic, West North Central, and Mountain States had an annual rate of suspension during the period 1921-1929 of 3 or more banks per 100 active banks on June 30, 1920, all geographic divisions had a suspension rate in the 1930-1933 period of more than 4 banks per annum, based on the number of banks in operation on January 1, 1930. The highest annual rates shown in the period 1930-1933 were in the East North Central, West North Central, and South Atlantic States, respectively.

By States.—The number of suspensions in the 10 States with the largest number of suspended banks is shown in table 7 for each of the periods 1921-1936, 1921-1929, and 1930-

TABLE 6.—NUMBER AND PERCENTAGE DISTRIBUTION, BY GEOGRAPHIC DIVISIONS, OF BANK SUSPENSIONS DURING THE PERIODS 1921-1929 AND 1930-1933, AND RATES OF SUSPENSION PER 100 ACTIVE BANKS AT OR NEAR THE BEGINNING OF EACH PERIOD¹

Geographic divisions	1921-1929				1930-1933			
	Number of suspensions	Percent of total	Suspension rate per 100 banks in operation on June 30, 1920	Annual rate of suspension per 100 banks in operation on June 30, 1920	Number of suspensions	Percent of total	Suspension rate per 100 banks in operation on Jan. 1, 1930	Annual rate of suspension per 100 banks in operation on Jan. 1, 1930
New England.....	10	.2	1.4	.2	131	1.5	19.0	4.8
Middle Atlantic.....	41	.8	1.6	.2	692	7.9	23.3	5.8
East North Central.....	375	6.9	7.0	.8	2,533	28.8	48.1	12.0
West North Central.....	2,567	47.4	28.5	3.2	2,647	30.0	42.5	10.6
South Atlantic.....	944	17.4	29.8	3.3	917	10.4	39.8	10.0
East South Central.....	200	3.7	11.0	1.2	549	6.2	32.2	8.1
West South Central.....	614	11.4	18.9	2.1	741	8.4	29.0	7.3
Mountain.....	530	9.8	33.7	3.7	300	3.4	32.2	8.1
Pacific.....	130	2.4	9.4	1.0	302	3.4	30.7	7.7
Total.....	5,411	100.0	18.7	2.1	8,812	100.0	37.3	9.3

¹ Exclusive of mutual savings and private banks.

TABLE 7.—NUMBER OF BANK SUSPENSIONS IN THE TEN STATES WITH THE LARGEST NUMBER OF SUSPENSIONS DURING THE PERIODS 1921-1936, 1921-1929, AND 1930-1933¹

State	Number of suspensions 1921-1936	State	Number of suspensions 1921-1929	State	Number of suspensions 1930-1933
Iowa.....	1,238	Iowa.....	452	Illinois.....	817
Illinois.....	952	North Dakota.....	427	Iowa.....	785
Missouri.....	879	Minnesota.....	419	Missouri.....	560
Nebraska.....	779	South Dakota.....	392	Wisconsin.....	505
Minnesota.....	726	Nebraska.....	366	Michigan.....	470
North Dakota.....	611	Georgia.....	322	Nebraska.....	409
Wisconsin.....	593	Missouri.....	293	Indiana.....	407
South Dakota.....	572	Oklahoma.....	264	Pennsylvania.....	401
Indiana.....	520	South Carolina.....	225	Ohio.....	331
Michigan.....	486	Texas.....	219	Minnesota.....	306
Total, 10 States.....	7,356	Total, 10 States.....	3,379	Total, 10 States.....	4,994
Total, 38 other States and Dist. of Columbia.....	6,988	Total, 38 other States and Dist. of Columbia.....	2,032	Total, 38 other States and Dist. of Columbia.....	3,818
United States, total.....	14,344	United States, total.....	5,411	United States, total.....	8,812

¹ Exclusive of mutual savings and private banks.

1933. The 10 States having the largest number of suspensions during 1921-1936 were located in the East North Central and West North Central regions, and included all the States comprising the East North Central group except Ohio, and all those comprising the West North Central group except Kansas. A total of 7,356 banks suspended in these 10 States, compared with a total of 6,988 in the other 38 States and the District of Columbia.

When the two periods 1921-1929 and 1930-1933 are compared, it appears that only 4 States—Iowa, Minnesota, Missouri, and Nebraska—were included in both periods among the 10 States having the largest number of suspensions. North Dakota, which had the second largest number of suspensions in the 1921-1929 period, was not among the 10 States in the 1930-1933 period. While Illinois had more suspensions during the later period than any other State, it was not one of the 10 in which the largest number of banks suspended during the earlier period.

Table 8 shows the 21 States in which there were more than 50 suspensions during the period 1921-1936 per 100 active banks on June 30, 1920. The suspension rate was highest in Florida, South Dakota, Arkansas, Michigan, South Carolina, Iowa, Nevada, North Dakota, Nebraska, and North Carolina,

TABLE 8.—NUMBER OF BANK SUSPENSIONS, 1921-1936, AND SUSPENSIONS PER 100 BANKS IN OPERATION ON JUNE 30, 1920, IN THE 21 STATES HAVING A SUSPENSION RATE OF MORE THAN 50¹

State	Number of suspensions, 1921-1936	Suspension rate, 1921-1936, per 100 banks in operation on June 30, 1920
Florida.....	291	112.8
South Dakota.....	572	83.1
Arkansas.....	368	76.3
Michigan.....	486	74.4
South Carolina.....	337	74.4
Iowa.....	1,238	72.3
Nevada.....	23	69.7
North Dakota.....	611	68.0
Nebraska.....	779	65.1
North Carolina.....	374	64.7
Mississippi.....	212	63.1
Wisconsin.....	593	61.3
Georgia.....	436	60.4
Indiana.....	520	59.2
Montana.....	250	59.1
New Mexico.....	70	57.4
Arizona.....	49	56.3
Idaho.....	122	55.0
Missouri.....	879	53.4
Louisiana.....	137	51.3
Illinois.....	952	50.6
Total, 21 States.....	9,299	64.1
Total, 27 other States and District of Columbia.....	5,045	35.1
United States, total.....	14,344	49.7

¹ Exclusive of mutual savings and private banks.

² In Florida, and to a lesser extent in some other States, the use of June 1920 figures of active banks as a base for comparison of suspension figures gives a somewhat distorted picture because the number of banks in the State reached its peak some years later, in contrast with most States where the peak was reached in 1920-1921.

ranging from 113 suspensions during the 16-year period per 100 active banks in the case of Florida to 65 in the case of Nebraska and North Carolina. Although the absolute num-

ber of suspensions during the period was not large in such States as Nevada, New Mexico, Arizona, Idaho, and Louisiana, the number of suspensions expressed as a ratio to the number of banks in operation on June 30, 1920 was high because of the relatively small number of banks in operation in those States.

DEPOSITS OF SUSPENDED BANKS

The deposits of the 14,943 banks which suspended in the 16 years from 1921 through 1936 aggregated over \$8,500,000,000. During the 9-year period ended with 1929 the deposits of suspended banks averaged less than \$200,000,000 per year, but in 1930 the amount of deposits involved in suspensions rose to \$837,000,000, or more than 4 times the average for the previous 9 years. In 1931 the total deposits of suspended banks amounted to \$1,690,000,000, exceeding the aggregate amount involved in the period 1921-1929. A decline was shown in 1932, when the total amounted to \$706,000,000, but in 1933 the amount of deposits involved in bank suspensions reached its peak, approximately \$3,600,000,000.

By classes of banks.—The deposits of suspended banks, by classes of banks and by years, during the period 1921-1936 are shown in table 9. Total deposits of national banks which suspended during the period amounted to \$2,803,500,000, and those of State member banks to \$1,463,585,000. In both of these classes of banks more than half of the total for the entire period was accounted for by suspensions which occurred in 1933. Nonmember State banks which suspended during the 16-year period involved deposits aggregating \$4,133,541,000. Complete figures for private banks are not available, but the deposits of 484 of the 599 private banks which suspended in 1921-1936 aggregated \$111,259,000.

Table 10 shows, by classes of banks (excluding mutual savings and private banks), the deposits of active banks and the deposits of banks suspended during the period 1921-

TABLE 9.—DEPOSITS OF SUSPENDED BANKS, 1921-1936, BY CLASSES OF BANKS AND BY YEARS ¹

(In thousands of dollars)

Year	Total	Member banks		Nonmember banks	
		National	State	State	Private ²
1921.....	172, 188	20, 777	17, 363	125, 150	8, 889
1922.....	91, 182	20, 197	7, 113	61, 964	1, 908
1923.....	149, 601	34, 244	12, 559	101, 025	1, 773
1924.....	210, 151	64, 890	13, 645	123, 888	7, 728
1925.....	167, 555	55, 574	9, 883	94, 547	7, 551
1926.....	260, 378	43, 998	23, 466	183, 517	9, 397
1927.....	199, 329	45, 547	17, 942	131, 503	4, 337
1928.....	142, 386	36, 483	10, 247	92, 710	2, 946
1929.....	230, 643	41, 614	16, 459	164, 858	7, 712
1930.....	837, 096	170, 446	202, 399	448, 989	15, 262
1931.....	1, 690, 232	439, 171	293, 957	935, 947	21, 157
1932.....	706, 188	214, 150	55, 153	429, 079	7, 806
1933.....	3, 596, 698	1, 610, 549	783, 309	1, 189, 469	13, 281
1934.....	36, 937	40	40	35, 456	1, 441
1935.....	10, 015	5, 313	-----	4, 702	-----
1936.....	11, 306	507	-----	10, 728	71
Total.....	8, 511, 885	2, 803, 500	1, 463, 585	4, 133, 541	111, 259

¹ Exclusive of the deposits of the 12 mutual savings banks which suspended during the period, aggregating \$30,474,000.

² Deposit figures for 115 of the 599 private banks which suspended during 1921-1936 are not available.

1936. It also shows the percentage ratios of deposits involved in suspensions to those of active banks, based both on deposits of banks in operation on June 30, 1920 and on average deposits of banks in operation during 1920-1935. It will be observed that on the basis of June 1920 figures this ratio was 23 percent and on the average basis it was 20 percent.

Total deposits of national banks which suspended during the 16-year period represented 16 percent of the deposits of national banks in operation in June 1920. The corresponding ratio for State member banks was 18 percent and for nonmember banks 39 percent. The ratio of deposits of national banks which suspended during 1921-1936 to average deposits of national banks in operation during 1920-1935 was 14 percent, and the corresponding ratio for State member banks was 13 percent and for nonmember banks 41 percent. A comparison of the latter percentages with the suspension rates presented in table 4 (which were based on the number of banks in operation) shows that, while national banks had the lowest rate of suspensions per 100 active banks, State member

TABLE 10.—DEPOSITS OF ACTIVE BANKS, DEPOSITS OF BANKS SUSPENDED DURING 1921-1936, AND PERCENTAGE RATIOS OF DEPOSITS OF SUSPENDED BANKS TO THOSE OF ACTIVE BANKS, BY CLASSES OF BANKS¹

[Amounts in thousands of dollars]

Class of bank	Deposits of banks in operation		Deposits of suspended banks, 1921-1936	Percentage ratio of deposits of suspended banks, 1921-1936	
	On June 30, 1920	Average during 1920-1935 ²		To deposits of banks in operation on June 30, 1920	To deposits of banks in operation (average) during 1920-1935 ²
National banks.....	17, 159, 371	19, 540, 488	2, 803, 500	16. 3	14. 3
State member banks.....	8, 241, 861	11, 666, 723	1, 463, 585	17. 8	12. 5
Nonmember State banks.....	10, 703, 018	10, 048, 802	4, 133, 541	38. 6	41. 1
Total.....	36, 104, 250	41, 256, 013	8, 400, 626	23. 3	20. 4

¹ Exclusive of mutual savings and private banks.² Based on the deposits as of June 30 each year.

banks had a slightly lower ratio of deposits involved in suspensions to average deposits of banks in operation. This is attributable in part to the fact that average deposits of State member banks during 1920-1935 were 42 percent above their deposits in 1920, while average deposits of national banks during 1920-1935 were only 14 percent above deposits of national banks at the beginning of the period. The number of banks, on the other hand, showed about the same proportionate decline—9 percent in the case of State member banks and 10 percent in the case of national banks. The increase in deposits of State member banks was partly a result of the fact that a number of large national banks were converted into or absorbed by State member banks in the 1920's.

By geographic divisions.—The distribution, by geographic divisions, of deposits involved in bank suspensions (other than mutual savings and private banks) during the 16-year period 1921-1936 is shown in table 11. The East North Central States accounted for 33 percent of the deposits of all suspended banks, although only 21 percent of the number of bank suspensions occurred in these States. The New England and Middle Atlantic States combined, while accounting for 22 percent of the total deposits involved in suspensions in the United States, were responsible for only 6 percent

of the total number of suspensions. This is attributable to the fact that the average size of banks in these regions was larger than that of banks in other areas. In contrast, the West North Central States, where the average size of banks was relatively small, accounted for only 16 percent of the total deposits of suspended banks, although 37 percent of the country's suspensions occurred in those States.

TABLE 11.—DEPOSITS OF SUSPENDED BANKS, 1921-1936, AND PERCENTAGE DISTRIBUTION OF THE DEPOSITS AND NUMBER OF SUSPENDED BANKS, BY GEOGRAPHIC DIVISIONS¹

Geographic division	Deposits of suspended banks, 1921-1936 (in thousands of dollars)	Percent of total deposits of suspended banks	Percent of total number of suspensions
New England.....	418, 646	5. 0	1. 0
Middle Atlantic.....	1, 464, 285	17. 4	5. 2
East North Central.....	2, 792, 559	33. 2	20. 5
West North Central.....	1, 324, 431	15. 8	36. 6
South Atlantic.....	995, 044	11. 9	13. 1
East South Central.....	328, 682	3. 9	5. 3
West South Central.....	537, 703	6. 4	9. 5
Mountain.....	254, 275	3. 0	5. 8
Pacific.....	285, 001	3. 4	3. 0
Total.....	8, 400, 626	100. 0	100. 0

¹ Exclusive of mutual savings and private banks.

Differences in the geographic distribution of the number of bank suspensions and of the amount of deposits involved, during the periods 1921-1929 and 1930-1933, respectively, are shown in table 12. In the period 1921-

1929 suspensions in the West North Central States accounted for 47 percent of the total number and 39 percent of the total deposits of suspended banks, while the corresponding figures for the East North Central States were 7 percent as to number and 9 percent as to deposits. In the 1930-1933 period, due to the failure of large banks in the eastern section of the country, the East North Central States with 29 percent of the total number of suspensions accounted for 39 percent of the aggregate deposits of suspended banks, while the West North Central States with 30 percent of the total number of bank suspensions accounted for only 10 percent of the total deposits involved.

TABLE 12.—PERCENTAGE DISTRIBUTION OF THE NUMBER AND DEPOSITS OF SUSPENDED BANKS, 1921-1929 AND 1930-1933, BY GEOGRAPHIC DIVISIONS ¹

Geographic division	1921-1929		1930-1933	
	Percent of total suspensions	Percent of total deposits of suspended banks	Percent of total suspensions	Percent of total deposits of suspended banks
New England.....	.2	1.4	1.5	5.8
Middle Atlantic.....	.8	4.1	7.9	20.1
East North Central.....	6.9	8.7	28.8	39.1
West North Central.....	47.4	39.2	30.0	10.4
South Atlantic.....	17.4	19.6	10.4	10.1
East South Central.....	3.7	3.3	6.2	4.1
West South Central.....	11.4	9.9	8.4	5.6
Mountain.....	9.8	9.1	3.4	1.7
Pacific.....	2.4	4.7	3.4	3.1
Total.....	100.0	100.0	100.0	100.0

¹ Exclusive of mutual savings and private banks.

By States.—In table 13 the 10 States with the largest amount of deposits involved in suspensions during the period 1921-1936 are listed, and the number and deposits of suspended banks for these States are shown. There appears to have been little correlation between the number of suspensions and the amount of deposits involved in the various States. Michigan, for example, which had the largest amount of deposits involved in suspensions, was tenth on the list of States having the largest number of suspensions (shown in table 7). Ohio and Pennsylvania, which were second and third, respectively,

among the States with the largest amount of deposits involved in suspended banks, were not included among the 10 States having the most suspensions. These differences are attributable, of course, to the existence of substantial variations from one State to another in the average size of suspended banks.

TABLE 13.—NUMBER AND DEPOSITS OF BANKS WHICH SUSPENDED DURING THE PERIOD 1921-1936 IN THE TEN STATES HAVING THE LARGEST AMOUNT OF DEPOSITS INVOLVED IN SUSPENSIONS ¹

State	Number of suspensions, 1921-1936	Deposits of suspended banks, 1921-1936 (in thousands of dollars)
Michigan.....	486	929, 245
Ohio.....	387	813, 562
Pennsylvania.....	434	746, 531
Illinois.....	952	577, 840
New York.....	181	479, 157
Iowa.....	1, 238	460, 525
Indiana.....	520	279, 534
New Jersey.....	133	238, 597
Missouri.....	879	232, 056
Florida.....	291	202, 353
Total, 10 States.....	5, 501	4, 959, 400
Total, 38 other States and District of Columbia.....	8, 843	3, 441, 226
United States, total.....	14, 344	8, 400, 626

¹ Exclusive of mutual savings and private banks.

SIZE OF SUSPENDED BANKS, MEASURED BY LOANS AND INVESTMENTS ¹

Of the 14,344 banks (exclusive of mutual savings and private banks) which suspended during the 16-year period 1921-1936, 5,287 had loans and investments of less than \$150,000 each, aggregating \$451,742,000, as shown in tables 14 and 15; 2,666 had loans and investments of \$150,000-\$249,999, totaling \$517,159,000; and 2,966 were in the \$250,000-\$499,999 class, their total loans and investments amounting to \$1,043,182,000. These three size groups comprise 10,919 suspended banks, each with loans and investments of less than \$500,000, or 76 percent of all the national and State banks that suspended during the 16-year period. The aggregate loans and investments of these banks

¹ Loans and investments, rather than deposits, were used as a measure for this purpose since there was readily available a classification of active banks by size on June 30, 1920, on the basis of loans and investments. A similar classification on the basis of deposits has not been made.

amounted to \$2,012,083,000, or 20 percent of the total loans and investments of all banks suspended during 1921-1936.

Corresponding figures for large banks, also shown in tables 14 and 15, indicate that those with loans and investments of \$10,000,000

TABLE 14.—NUMBER AND PERCENTAGE DISTRIBUTION, BY SIZE OF LOANS AND INVESTMENTS, OF BANKS IN OPERATION ON JUNE 30, 1920 AND OF BANKS SUSPENDED DURING THE PERIOD 1921-1936, TOGETHER WITH THE SUSPENSION RATE PER 100 BANKS IN EACH GROUP¹

Size group— loans and investments (in thousands of dollars)	Banks in operation on June 30, 1920		Bank suspensions, 1921-1936 ²		Suspension rate, 1921- 1936, per 100 banks in operation on June 30, 1920
	Num- ber	Per- cent of total	Num- ber	Per- cent of total	
Under 150.....	6,548	22.7	5,287	36.9	80.7
150-249.....	5,114	17.7	2,666	18.6	52.1
250-499.....	6,977	24.2	2,966	20.7	42.5
500-999.....	4,991	17.3	1,787	12.4	35.8
1,000-1,999.....	2,733	9.5	870	6.1	31.8
2,000-4,999.....	1,573	5.4	505	3.5	32.1
5,000-9,999.....	508	1.8	151	1.0	29.7
10,000-49,999.....	369	1.2	92	.6	24.9
50,000 and over.....	72	.2	9	.1	12.5
Total.....	28,885	100.0	24,344	100.0	49.7

¹ Exclusive of mutual savings and private banks.

² Eleven banks, the classification of which is unknown, are omitted from the individual group figures but included in the total.

TABLE 15.—TOTAL LOANS AND INVESTMENTS OF BANKS IN OPERATION ON JUNE 30, 1920 AND OF BANKS SUSPENDED DURING THE PERIOD 1921-1936, CLASSIFIED ACCORDING TO SIZE OF LOANS AND INVESTMENTS, TOGETHER WITH PERCENTAGE RATIOS OF THE LOANS AND INVESTMENTS OF SUSPENDED BANKS TO THOSE OF ACTIVE BANKS¹

Size group— loans and investments (in thousands of dollars)	Loans and invest- ments of banks in operation on June 30, 1920		Loans and invest- ments of sus- pended banks, 1921-1936 ²		Percentage ratio, loans and invest- ments of sus- pended banks to those of banks in operation on June 30, 1920
	Amount (in thousands of dollars)	Per- cent of total	Amount (in thousands of dollars)	Per- cent of total	
Under 150.....	601,524	1.7	451,742	4.5	75.1
150-249.....	1,010,745	2.8	517,159	5.2	51.2
250-499.....	2,493,982	6.9	1,043,182	10.4	41.8
500-999.....	3,501,210	9.6	1,245,212	12.5	35.6
1,000-1,999.....	3,778,474	10.5	1,213,082	12.2	32.1
2,000-4,999.....	4,771,143	13.2	1,521,145	15.3	31.9
5,000-9,999.....	3,471,381	9.6	1,010,072	10.1	29.1
10,000-49,999.....	7,365,583	20.4	1,712,239	17.2	23.2
50,000 and over.....	9,155,889	25.3	1,251,421	12.6	13.7
Total.....	36,149,931	100.0	29,965,254	100.0	27.6

¹ Exclusive of mutual savings and private banks.

² Excluding the figures of eleven banks, whose loans and investments are unavailable.

and over numbered 101, accounting for 0.7 percent of the total number of suspensions, and that their loans and investments aggregated \$2,963,660,000, or nearly 30 percent of total loans and investments of all suspended banks. Banks reporting loans and investments of \$2,000,000 or more accounted for only 5 percent of the number of suspensions during the period, but the ratio of their aggregate loans and investments to the total for suspended banks of all sizes was 55 percent.

The rate of suspension, as measured by the ratio of the number and loans and investments of banks suspended in 1921-1936 to the number and loans and investments of banks in operation on June 30, 1920, was considerably greater for the groups of small banks than for the groups of large banks. Almost without exception the proportion was smaller in each successively larger size group.¹ Tables 14 and 15 show that the ratio of suspensions to banks in operation on the base date, in the case of banks with loans and investments of less than \$150,000, was 81 percent as to number and 75 percent as to loans and investments. In the case of the largest size group, comprised of banks having loans and investments of \$50,000,000 and over, the corresponding ratios were 13 percent as to number and 14 percent as to loans and investments.

By periods.—In the 4-year period 1930-1933, the distribution of suspended banks by size of loans and investments was considerably different from that shown for banks which suspended in the period 1921-1929. The suspension of a proportionately greater number of large and medium-sized banks during the years 1930-1933 than during the 1921-1929 period accounted for the difference. Table 16 shows that the proportion of suspended banks in the size groups with loans and investments under \$500,000 de-

¹ This variation in the suspension rates existed to about an equal degree when average figures for active banks on June 30 in the years 1920, 1925, and 1930 were used as a basis of comparison rather than the June 1920 figures. On this average base the ratios in the last column of table 14 are 87.2, 60.0, 49.8, 40.4, 32.6, 28.7, 26.5, 22.0, 10.2, and 54.4 percent, respectively.

creased from the 9-year period to the 4-year period, a corresponding increase being reflected in the case of banks in size groups of \$500,000 and over. During the 1921-1929 period 85 percent of the banks which suspended had loans and investments under

TABLE 16.—NUMBER AND PERCENTAGE DISTRIBUTION OF BANK SUSPENSIONS, GROUPED BY SIZE OF LOANS AND INVESTMENTS, 1921-1929 AND 1930-1933¹

Size group— loans and investments (in thousands of dollars)	1921-1929		1930-1933	
	Number of sus- pensions	Percent of total	Number of sus- pensions ²	Percent of total
Under 150.....	2,313	42.7	2,909	33.0
150-249.....	1,123	20.8	1,526	17.3
250-499.....	1,151	21.3	1,797	20.4
500-999.....	532	9.8	1,245	14.1
1,000-1,999.....	201	3.7	665	7.6
2,000-4,999.....	74	1.4	427	4.9
5,000-9,999.....	13	.2	136	1.5
10,000-49,999.....	4	.1	88	1.0
50,000 and over.....			9	.1
Total.....	5,411	100.0	8,812	100.0

¹ Exclusive of mutual savings and private banks.

² Ten banks, the classification of which is unknown, are omitted from the individual group figures but included in the total.

\$500,000, while only 71 percent of those suspending in the 1930-1933 period were included in this class. Conversely, banks with loans and investments of \$1,000,000 and over accounted for only 5 percent of the suspensions in 1921-1929 and for 15 percent of those in 1930-1933.

By classes of banks.—The analysis of suspensions by size and classes of banks, given in table 17, indicates that in the case of both national and State banks the rate of suspen-

TABLE 17.—NUMBER OF BANK SUSPENSIONS, 1921-1936, BY CLASSES OF BANKS (NATIONAL AND STATE), AND SUSPENSION RATE PER 100 BANKS IN OPERATION ON JUNE 30, 1920, CLASSIFIED ACCORDING TO SIZE OF LOANS AND INVESTMENTS¹

Size group—loans and investments (in thousands of dollars)	Number of suspensions, 1921-1936			Suspension rate, 1921- 1936, per 100 banks in operation on June 30, 1920		
	Total ²	National	State ²	Total	National ³	State ³
Under 150.....	5,287	278	5,009	80.7	80.6	80.8
150-249.....	2,666	424	2,242	52.1	55.9	51.5
250-499.....	2,966	742	2,224	42.5	36.6	44.9
500-999.....	1,787	606	1,181	35.8	27.8	42.0
1,000-1,999.....	870	367	503	31.8	25.8	38.4
2,000-4,999.....	505	205	300	32.1	25.3	39.4
5,000-9,999.....	151	65	86	29.7	25.0	34.7
10,000-49,999.....	92	29	63	24.9	15.8	34.1
50,000 and over.....	9	3	6	12.5	8.1	17.1
Total.....	14,344	2,719	11,625	49.7	33.9	55.7

¹ Exclusive of mutual savings and private banks.

² Eleven banks, the classification of which is unknown, are omitted from the individual group figures but included in the totals.

³ The ratios of bank suspensions during 1921-1936 to the average of the number of banks in operation in June 1920, 1925, and 1930, distributed according to the size groups shown in table 17, are as follows: national banks—70.0, 53.3, 40.6, 31.2, 26.8, 22.2, 22.3, 14.9, 7.9, and 35.0, respectively; State banks—88.4, 61.5, 53.9, 47.5, 38.7, 36.0, 30.8, 28.1, 12.0, and 62.5, respectively.

sion was much higher at small banks than at large banks. The rates for national banks and for State banks did not differ materially in the case of banks with loans and investments under \$250,000. In the medium and larger size groups, however, the number of suspensions during 1921-1936 per 100 banks in operation on June 30, 1920, was materially higher for State banks than for national banks.

By geographic divisions.—Corresponding information by geographic divisions shown in table 18 indicates that with the exception

TABLE 18.—NUMBER OF SUSPENSIONS, 1921-1936, PER 100 BANKS IN OPERATION ON JUNE 30, 1920, BY GEOGRAPHIC DIVISIONS AND BY SIZE OF LOANS AND INVESTMENTS¹

Size group—loans and investments (in thousands of dollars)	Total	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Moun- tain	Pacific
Under 150.....	80.7		27.4	88.9	91.5	91.0	56.3	64.6	74.3	63.4
150-249.....	52.1	6.7	32.8	61.1	58.2	56.3	34.2	34.1	52.9	42.7
250-499.....	42.5	5.7	30.8	48.2	44.2	52.5	40.1	30.9	44.7	35.4
500-999.....	35.8	19.0	30.9	46.5	33.6	41.9	32.3	28.8	46.6	17.9
1,000-1,999.....	31.8	19.9	26.9	42.0	27.3	43.5	31.9	29.7	31.9	18.9
2,000-4,999.....	32.1	26.8	28.4	48.3	26.2	46.0	31.0	23.1	18.5	14.4
5,000-9,999.....	29.7	28.3	31.3	39.6	20.9	29.3	23.5	25.0	29.4	14.3
10,000 and over.....	22.9	25.6	19.2	30.0	10.8	36.8	46.2	20.8		13.3
Total.....	49.7	19.5	28.8	54.7	58.4	59.0	41.8	42.0	52.8	31.3

¹ Exclusive of mutual savings and private banks.

of the New England and Middle Atlantic regions the highest rate of suspension was among the banks with loans and investments under \$150,000, and that in general the rate declined as the size of banks increased. In the New England States the suspension rate was highest among banks with loans and investments of \$500,000 and over; in the Middle Atlantic States the suspension rate differed relatively little among the size groups, ranging from 27 to 33 suspensions during the 1921-1936 period per 100 active banks in June 1920 in the size groups with loans and investments under \$10,000,000.

The contrast in the rate of bank suspensions by size of banks, as between Northeastern States (New England and Middle Atlantic) and the other geographic regions suggests that the size of suspended banks depends, in part at least, on the type of community in which the bank is located and by economic factors within the region. In the New England and Middle Atlantic sections agricultural activities differ from those in most other sections. There is a different type of agriculture, with big markets nearby for the products, and outlying agricultural communities in the East were not forced to undergo the same readjustment as agriculture in other sections of the country. The resulting higher degree of stability has aided the small banks in outlying agricultural communities. On the other hand, in the large industrial and financial centers in the East which suffered from severe business depression beginning in 1929 and 1930, the larger banks were called upon to meet a constant and prolonged strain which proved too great for many of them, resulting in the later years in a high suspension rate among the larger banks.

Suspension of large banks.—Of the banks which suspended in the period 1921-1936 the 30 largest had loans and investments aggregating \$1,912,000,000. All 30 of these banks suspended in the years 1930-1933, and their combined loans and investments repre-

sented 23 percent of the total loans and investments of all banks suspended during this period. The individual bank figures ranged from \$22,000,000 to \$380,000,000, five of the banks having held loans and investments in excess of \$100,000,000. The suspension of these large banks had a direct effect on other banks whose correspondent accounts were deposited with them and a profound psychological effect on bank depositors generally, and doubtless contributed in an important degree to the closing of many banks in various parts of the country.

SIZE OF SUSPENDED BANKS, MEASURED BY CAPITAL STOCK

Capital stock is not as good a measure of size of banks as loans and investments, or deposits, because it is determined in part by requirements of law and because of the practice of some banks of building up large surpluses rather than increasing capital stock. However, there appears to be some relation between the size of banks, measured in this way, and the rate at which suspensions occurred. Table 19 gives a distribution of suspended banks (exclusive of mutual savings and private banks) during the period 1921-1936, classified by size of capital stock, and the suspension rate per 100 active banks in June 1920 for banks in each size group. While there was a smaller degree of variation in the suspension rates of banks measured by amounts of capital stock than in the corresponding distribution by size of loans and investments, the figures in table 19 support in a general way the conclusions which were reached in the analysis of suspended banks by size of loans and investments.

It will be seen that 4,341 banks, representing 30 percent of the 14,344 suspensions during 1921-1936, had capital stock of less than \$25,000; and that 4,755 suspended banks, or 33 percent of the total, had capital stock of \$25,000-\$49,999. About 83 percent of the banks which suspended during 1921-1936 had a capital of less than \$100,000.

TABLE 19.—NUMBER AND PERCENTAGE DISTRIBUTION OF BANK SUSPENSIONS, 1921-1936, AND SUSPENSION RATE PER 100 BANKS IN OPERATION ON JUNE 30, 1920, BY SIZE OF CAPITAL STOCK¹

Size group—capital stock	Number of suspensions, 1921-1936 ²	Percent of total	Suspension rate, 1921-1936, per 100 banks in operation on June 30, 1920
Under \$25,000.....	4,341	30.3	52.7
\$25,000-\$49,999.....	4,755	33.2	54.1
\$50,000-\$99,999.....	2,767	19.3	48.3
\$100,000-\$499,999.....	2,185	15.2	41.3
\$500,000-\$999,999.....	174	1.2	42.9
\$1,000,000 and over.....	120	.8	27.6
Total.....	214,344	100.0	49.7

¹ Exclusive of mutual savings and private banks.

² Two banks, the classification of which is unknown, are omitted from the individual group figures but included in the total.

The number of suspensions during the period for every 100 banks in operation on June 30, 1920, was 53 in the case of banks with capital stock of less than \$25,000, and 54 in the case of those with capital stock of \$25,000-\$49,999. For banks with a capital stock of \$100,000-\$499,999 the suspension rate per 100 active banks was 41, and in the case of those whose capital amounted to \$1,000,000 or more it was only 28, indicating that suspensions were less numerous among large banks than among small banks.

BANK SUSPENSIONS DISTRIBUTED BY POPULATION OF CITIES

Of the 14,344 bank suspensions during 1921-1936 (excluding mutual savings and private banks), 4,652 or 32 percent occurred in towns of less than 500 population, and 10,277 or 72 percent in towns of less than 2,500 population. Only 710 banks, or 5 percent of those suspended, were located in cities with a population of 100,000 and over.

Corresponding figures by classes of banks show a much smaller percentage of national banks than of State banks suspended in places of small population. Only 10 percent of the national bank suspensions were in places of less than 500 population, compared with 38 percent in the case of State banks. This dif-

ference between the percentage of national bank suspensions in small places and that of State banks follows from the fact that relatively fewer national than State banks are located in small towns and villages, due to the higher minimum capital requirements for national banks than for State banks in many States.

In table 20 are shown the number of bank suspensions that occurred during 1921-1936, grouped according to class of bank and also according to the population of the town or city in which the banks were situated. The rates of suspension per 100 banks in each class in operation on June 30, 1920 are also indicated. Although there were many more bank suspensions in small than in large places, the differences in the rates of suspension were not nearly so marked because such a large number of banks (particularly State banks) operate in small cities, towns, and villages.

In the case of national and State banks combined, 56 suspensions per 100 active banks occurred during the 16-year period in communities of less than 500; in places with a population of 500-999 the rate was 54 per 100 active banks; and in those with a population of 1,000-2,499 it was 50. An appre-

TABLE 20.—NUMBER OF BANK SUSPENSIONS, 1921-1936, AND SUSPENSION RATE PER 100 BANKS IN OPERATION ON JUNE 30, 1920, GROUPED ACCORDING TO POPULATION OF TOWNS AND CITIES, AND BY CLASSES OF BANKS¹

Population of town or city	Number of suspensions, 1921-1936			Suspension rate per 100 banks in operation on June 30, 1920		
	Total	National	State	Total	National	State
Under 500.....	4,652	279	4,373	56.3	41.7	57.6
500-999.....	2,801	485	2,316	54.4	41.7	58.1
1,000-2,499.....	2,824	750	2,074	49.7	35.2	58.4
2,500-4,999.....	1,303	425	878	43.0	31.8	52.0
5,000-9,999.....	798	301	497	39.7	32.5	45.8
10,000-24,999.....	709	240	469	40.9	29.9	50.4
25,000-49,999.....	282	81	201	38.2	26.3	46.6
50,000-99,999.....	265	49	216	41.1	21.3	52.2
100,000 and over.....	710	109	601	43.4	24.0	50.8
Total.....	14,344	2,719	11,625	49.7	33.9	55.7

¹ Exclusive of mutual savings and private banks.

ciably smaller ratio was shown for banks situated in towns and cities with a population of 2,500 and over. There was not so much contrast, however, between the rates of bank suspensions in small places and large places, respectively, as there was between small banks and large banks. This is accounted for in part by the fact that quite a number of small banks located in the larger towns and cities suspended during the period.

There was a considerable difference between national banks and State banks in the rate of suspension according to the size of community in which the suspensions occurred. While the suspension rates were higher for State banks than for national banks in all sizes of communities, the differences were particularly noticeable in the larger cities, where the rate of suspension of national banks per 100 active banks was much below the suspension rate of State banks. The rate of suspension of State banks was nearly as high in large cities as in small cities.

In the 1930-1933 period there was a pronounced spread of suspensions into the larger centers. This may be seen from table 21, which compares the number of suspensions by size of community for the two periods 1921-1929 and 1930-1933. During 1930-1933, 28 percent of the suspensions occurred in places with a population of less than 500 and

67 percent in places of less than 2,500 population, compared with 39 percent and 79 percent, respectively, during the period 1921-1929. Cities with a population of 100,000 and over, on the other hand, contributed 6 percent of the total suspensions in 1930-1933, compared with only 3 percent in 1921-1929.

BANK SUSPENSIONS IN RELATION TO NUMBER OF BANKS PER CAPITA

With some exceptions, suspensions during 1921-1936 were most numerous in States where the number of banks increased rapidly prior to 1920 and in those which had a low population per bank in 1920. In the majority of States with a high population per bank, suspension rates were substantially below the average for the country as a whole. Table 22 gives (1) the percentage change in the number of banks from 1900 to 1920, (2) the population per bank in 1920, and (3) the suspension rate, for the ten States with the highest

TABLE 22.—PERCENTAGE CHANGE IN THE NUMBER OF BANKS FROM 1900 TO 1920, POPULATION PER BANK IN 1920, AND SUSPENSION RATE 1921-1936 PER 100 BANKS IN OPERATION ON JUNE 30, 1920, FOR THE TEN STATES WITH THE HIGHEST AND THE TEN STATES WITH THE LOWEST SUSPENSION RATE

States	Percentage change in number of banks ¹ between 1900 and 1920	Population per bank ¹ in 1920	Suspension rate, 1921-1936, per 100 banks in operation on June 30, 1920 ²
10 States with highest suspension rate:			
Florida.....	+403.8	3,725	112.8
South Dakota.....	+266.5	917	83.1
Arkansas.....	+667.2	3,605	76.3
South Carolina.....	+477.5	3,709	74.4
Michigan.....	+ 64.0	4,236	74.4
Iowa.....	+ 67.4	1,242	72.3
Nevada.....	+371.4	2,346	69.7
North Dakota.....	+464.8	720	68.0
Nebraska.....	+103.4	1,084	65.1
North Carolina.....	+404.0	4,412	64.7
10 States with lowest suspension rate:			
Pennsylvania.....	+ 59.5	5,722	30.8
Texas.....	+332.1	2,705	27.9
Vermont.....	+ 79.6	4,005	22.7
New York.....	- 42.7	10,795	22.2
California.....	+148.5	4,760	19.3
Connecticut.....	+ 37.0	8,522	18.7
Massachusetts.....	- 54.1	14,215	17.0
Delaware.....	+ 66.7	5,718	15.4
Rhode Island.....	- 50.7	18,315	12.1
New Hampshire.....	+ 21.2	5,539	11.3
United States, total.....	+118.3	3,496	49.7

TABLE 21.—NUMBER AND PERCENTAGE DISTRIBUTION OF BANK SUSPENSIONS BY POPULATION OF TOWNS AND CITIES, 1921-1929 AND 1930-1933¹

Population of town or city	1921-1929		1930-1933	
	Number of suspensions	Percent of total	Number of suspensions	Percent of total
Under 500.....	2,108	39.0	2,496	28.3
500-999.....	1,089	20.1	1,690	19.2
1,000-2,499.....	1,080	20.0	1,725	19.6
2,500-4,999.....	437	8.1	858	9.7
5,000-9,999.....	224	4.1	567	6.4
10,000-24,999.....	200	3.7	504	5.7
25,000-49,999.....	57	1.0	225	2.6
50,000-99,999.....	65	1.2	195	2.2
100,000 and over.....	151	2.8	552	6.3
Total.....	5,411	100.0	8,812	100.0

¹ Exclusive of mutual savings and private banks.

¹ Exclusive of mutual savings banks.

² Exclusive of mutual savings and private banks.

and the ten States with the lowest suspension rate.

THE AGE OF SUSPENDED BANKS

Data regarding the charter age of banks at time of suspension are available at present for national banks and for State banks during a period of 10 years only, 1921-1930. From table 23 it will be seen that 25 percent of the banks which suspended in this period were less than 10 years old at time of closing and

TABLE 23.—DISTRIBUTION OF SUSPENSIONS ACCORDING TO THE CHARTER AGE OF THE BANKS, 1921-1930¹

Years in operation prior to suspension	Number of bank suspensions, 1921-1930	Percent of total
Less than 5.....	735	11.1
5-9.....	925	14.0
10-14.....	1,266	19.1
15-19.....	1,283	19.4
20-24.....	1,213	18.3
25-29.....	561	8.5
30-34.....	272	4.1
35-39.....	180	2.7
40-44.....	100	1.5
45-49.....	43	.7
50 and over.....	40	.6
Total.....	6,618	100.0

¹ Covers national and State bank suspensions only and excludes 85 such banks for which data are not available.

64 percent were less than 20 years old; 36 percent, on the other hand, had been in operation for 20 years or more. This clearly indicates that, although many of the suspensions occurred among recently organized banks, long established institutions were by no means immune to the difficulties which prevailed. Due, however, to such factors as conversions, mergers, absorptions, and reorganizations, the "charter age" of some banks is not a good measure of their span of existence; technically, some banks that resulted from mergers or conversions have been in existence only a few years, while as a practical matter they or their predecessors have been operating without interruption for a long time.

Considerable variation among the various sections of the country obtained with respect to the age of suspended banks, as indicated in

table 24. It appears, however, that there was little, if any, relationship between the average age of suspended banks and the rate of suspensions per 100 active banks in the respective geographic divisions. Banks which suspended in the West North Central States during the 10-year period 1921-1930 were in existence prior to suspension for an average period of 18 years and 9 months, the longest for any region, whereas in the Mountain States the average time of existence prior to suspension was only 11 years and 7 months, the shortest for any region. In both these geographic divisions the suspension rate during the period was very high.

TABLE 24.—AVERAGE CHARTER AGE OF SUSPENDED BANKS, BY GEOGRAPHIC DIVISIONS, 1921-1930¹

Geographic division	Number of bank suspensions, 1921-1930	Average age	
		Years	Months
New England.....	18	17	10
Middle Atlantic.....	64	17	2
East North Central.....	631	16	5
West North Central.....	2,965	18	9
South Atlantic.....	1,165	15	4
East South Central.....	352	17	5
West South Central.....	811	14	1
Mountain.....	470	11	7
Pacific.....	142	14	11
Total.....	6,618	16	8

¹ Covers national and State banks only and excludes 85 such banks in Montana for which data are not available.

A somewhat greater variation in the age of suspended banks was shown in the case of individual States. As was indicated in the analysis by geographic divisions, the sections of the country which had experienced the longest period of development were in general those in which the average age of suspended banks was high, and the States most recently settled and developed were included among those with a low average age of suspended banks. For example, in Connecticut, Iowa, Kentucky, Michigan, Nebraska, and West Virginia, the average age of banks which suspended in the period 1921-1930 was appreciably above the average for the United States as a whole, while in Arizona, California, Colo-

rado, Florida, Texas, and Wyoming, it was materially below the average for the country.

AID TO BANKS FROM EXTERNAL SOURCES

Prior to 1932.—During the early 1920's many banks facing financial difficulties were aided through the extension of loans for agricultural and livestock purposes by the War Finance Corporation. These advances were made for the most part upon assets which though non-liquid were believed fundamentally sound. They aggregated \$172,114,000, and were extended to 4,317 banks located in 37 States. Of these, 674 were national banks and 3,643 were State banks. By November 30, 1929, the loans made to 4,136 banks, totaling \$164,051,000, had been completely repaid, and partial repayments amounting to \$6,782,000 had been made on other advances. Only 0.7 percent of the total originally advanced had not been repaid.

In the autumn of 1931 the National Credit Corporation, a private organization, was formed at the suggestion of the President to bolster the financial structure of the weaker banks through the aid of the stronger institutions.¹ This Corporation made more than 1,200 loans to banks in 31 States. At the peak reached in February 1932, these loans and commitments totaled \$188,000,000. Despite this assistance, however, an increasing number of banks were meeting with difficulties, and near the end of 1931 there was a noticeable rise in the rate of bank suspensions.

Loans by the Reconstruction Finance Corporation to open banks.—The Reconstruction Finance Corporation was organized in January 1932 and within a short time this organization began to make loans to banks. By the middle of 1932 loans to 3,284 open banks, aggregating \$615,391,000, had been authorized. At the end of June 1933, loans to 5,584 open banks had been authorized, totaling \$1,234,058,000. Table 25 shows, by quarters,

¹ For statements of purpose of the Corporation and for general plan of organization and operation, see FEDERAL RESERVE BULLETIN for October 1931, pages 551-557.

cumulative figures of the amount of authorized loans to open banks and the amount disbursed by the Reconstruction Finance Corporation, together with the amount of such loans outstanding at the close of each quarter from 1932 through 1936.

TABLE 25.—LOANS BY THE RECONSTRUCTION FINANCE CORPORATION TO OPEN BANKS, BY QUARTERS, IN THE YEARS 1932-1936

(Cumulative figures at end of quarter, in thousands of dollars)

Quarter	Amount authorized	Amount disbursed	Amount outstanding
1932			
First quarter.....	156,009	124,107	117,886
Second quarter.....	615,391	487,062	419,965
Third quarter.....	809,318	675,254	525,537
Fourth quarter.....	893,745	810,110	576,178
1933			
First quarter.....	1,172,520	987,445	677,611
Second quarter.....	1,234,058	1,038,930	614,467
Third quarter.....	1,268,023	1,077,094	532,953
Fourth quarter.....	1,290,700	1,091,785	462,900
1934			
First quarter.....	1,309,442	1,103,080	353,066
Second quarter.....	1,322,062	1,122,110	290,110
Third quarter.....	1,326,733	1,130,377	259,949
Fourth quarter.....	1,329,239	1,133,063	229,184
1935			
First quarter.....	1,334,436	1,135,083	204,785
Second quarter.....	1,337,310	1,141,923	194,741
Third quarter.....	1,339,386	1,142,290	180,611
Fourth quarter.....	1,339,835	1,142,590	167,003
1936			
First quarter.....	1,339,811	1,142,993	153,984
Second quarter.....	1,339,556	1,143,167	143,132
Third quarter.....	1,339,556	1,143,206	132,305
Fourth quarter.....	1,339,628	1,143,206	121,505

Loans by the Reconstruction Finance Corporation to closed banks.—Partly in response to a developing sentiment that recovery was being retarded by the fact that a huge volume of deposits, a large part of which would ultimately become available, remained tied up in unliquidated banks which had suspended in 1931, 1932, and particularly 1933, the Reconstruction Finance Corporation established a Deposit Liquidation Division for the purpose of stimulating and encouraging the extension of additional loans to closed banks. The Division was established following a statement issued by the President on October 15, 1933. Some loans to closed banks, for the purpose of aiding in the reorganization or liquidation of such banks, had been made by the Reconstruction Finance Corporation from

the time it was organized, but at the beginning they were in limited amounts.

Banks that closed after January 1, 1933, were given first attention by the Deposit Liquidation Division; loans were made later to banks that closed prior to January 1933. By June 30, 1934, loans amounting to \$802,713,000 had been authorized to closed banks, of which amount \$544,060,000 had been disbursed. On June 30, 1935, the amount of such loans that had been authorized was \$1,117,928,000, of which \$822,557,000 had been disbursed. Table 26 gives cumulative figures of the amount of loans to closed banks authorized and disbursed by the Reconstruction Finance Corporation, and the amount outstanding, by quarters, from 1932 through 1936.

TABLE 26.—LOANS BY THE RECONSTRUCTION FINANCE CORPORATION TO CLOSED BANKS, BY QUARTERS, IN THE YEARS 1932-1936¹

(Cumulative figures at end of quarter, in thousands of dollars)

Quarter	Amount authorized	Amount disbursed	Amount outstanding
1932			
First quarter.....	2,173	1,310	1,281
Second quarter.....	28,848	11,776	10,499
Third quarter.....	45,628	32,788	19,788
Fourth quarter.....	57,913	42,572	20,220
1933			
First quarter.....	97,535	78,251	48,292
Second quarter.....	193,112	150,663	99,918
Third quarter.....	321,260	249,958	181,397
Fourth quarter.....	572,230	383,377	291,604
1934			
First quarter.....	713,037	477,836	349,059
Second quarter.....	802,713	544,060	361,296
Third quarter.....	961,429	622,138	367,114
Fourth quarter.....	1,035,733	761,704	443,343
1935			
First quarter.....	1,069,976	795,632	372,055
Second quarter.....	1,117,928	822,557	320,135
Third quarter.....	1,140,972	850,551	287,399
Fourth quarter.....	1,170,157	876,125	245,725
1936			
First quarter.....	1,206,027	890,479	162,698
Second quarter.....	1,224,886	901,630	141,631
Third quarter.....	1,232,462	914,331	120,721
Fourth quarter.....	1,248,077	930,223	108,574

¹ Includes loans to receivers, conservators, and liquidating agents, loans through mortgage loan companies to aid closed banks, and loans on assets of closed banks under Section 5e of the Reconstruction Finance Corporation Act.

Loans to closed banks by the Reconstruction Finance Corporation provided immediate cash which, in the ordinary liquidation process, would not have been available for distribution to depositors for a considerable

length of time. Loans on the assets of many closed banks provided the means for the prompt opening of successor banks, at which time a substantial part of the funds of the closed banks became immediately available. Such loans also obviated the necessity of the dumping of large blocks of securities and mortgages by the receivers of closed banks on an abnormally low market in an effort to make depositors' claims available.

In a few instances loans on the assets of closed banks have since been transferred by the Reconstruction Finance Corporation to operating banks, the outstanding example of this being the transfer of \$35,000,000 in such manner at Detroit in the spring of 1935. In other cases new advances to receivers of closed banks, secured by the unpledged assets of these banks, have been made directly by operating banks.

Strengthening of the capital structure of banks following the banking holiday.—Many of the banks that did not reopen immediately following the banking holiday needed additional capital. Existing stockholders and the public in general were not in a position to provide much of the additional capital necessary, and the Government, through the Reconstruction Finance Corporation, made extensive purchases of preferred stock and capital notes and debentures of banks. Banks that had been licensed immediately following the banking holiday without reorganization were invited to cooperate in the program for strengthening the capital structure of banks, and as a result many of the larger metropolitan banks also sold capital stock to the Reconstruction Finance Corporation. A large number of banks were required to obtain additional capital funds before being admitted to membership in the Federal Deposit Insurance Corporation.

By the end of June 1934 the program of capital rehabilitation was well under way, the Reconstruction Finance Corporation having outstanding on that date a total of \$814,679,000 invested in the capital stock of banks.

At the end of June 1935, which marked the approximate peak, the Reconstruction Finance Corporation's investment in preferred stock, capital notes, and debentures of 5,752 banks amounted to \$904,666,000. On December 31, 1935, it amounted to \$897,016,000. By June 30, 1936 it had declined to \$819,993,000, and on December 31, 1936 the total outstanding was \$654,619,000. These and other related figures, as reported at the end of each quarter during the years 1933-1936, are shown in table 27.

TABLE 27.—PURCHASES BY THE RECONSTRUCTION FINANCE CORPORATION OF PREFERRED STOCK AND CAPITAL NOTES OR DEBENTURES OF BANKS, AND LOANS ON PREFERRED STOCK OF BANKS, BY QUARTERS, IN THE YEARS 1933-1936

[Cumulative figures at end of quarter, in thousands of dollars]

Quarter	Amount authorized	Amount disbursed	Amount outstanding
1933			
First quarter.....	14, 933	12, 750	12, 750
Second quarter.....	47, 318	43, 468	43, 463
Third quarter.....	69, 972	63, 107	63, 102
Fourth quarter.....	496, 556	264, 346	264, 200
1934			
First quarter.....	932, 003	593, 578	593, 052
Second quarter.....	1, 046, 946	817, 303	814, 679
Third quarter.....	1, 103, 596	890, 775	827, 374
Fourth quarter.....	1, 153, 497	938, 004	863, 984
1935			
First quarter.....	1, 174, 135	989, 756	902, 834
Second quarter.....	1, 186, 972	1, 006, 895	904, 666
Third quarter.....	1, 214, 593	1, 026, 070	904, 030
Fourth quarter.....	1, 235, 678	1, 040, 973	897, 016
1936			
First quarter.....	1, 239, 077	1, 056, 768	877, 327
Second quarter.....	1, 242, 462	1, 066, 016	819, 993
Third quarter.....	1, 242, 553	1, 071, 576	701, 385
Fourth quarter.....	1, 244, 468	1, 073, 267	1 654, 619

¹ Outstanding on October 31, 1937—\$594,275,000.

The supplying of capital funds by the Reconstruction Finance Corporation was responsible in part for the repayment by the banks of funds previously borrowed. Some indication of this fact is found in the comparison between the amount of outstanding loans to open banks by the Reconstruction

Finance Corporation, shown in the last column of table 25, and the amount of the Corporation's outstanding investment in preferred stock, capital notes, and debentures of banks, shown in table 27. As the investment in capital stock of banks increased, the amount of outstanding loans declined.

Loans made by the Reconstruction Finance Corporation to other types of financial institutions (such as mortgage loan companies, insurance companies, and building and loan associations) also assisted the banks indirectly in liquidating their assets. While figures on the total advances to such organizations are available, there is no measure of the extent to which such funds were used in repaying bank loans.

Other aid to banks.—Certain organizations other than those already mentioned also assisted in the liquidation of bank assets, thereby strengthening the position of open banks and facilitating the liquidation of closed banks. It is estimated that about a half a billion dollars of the proceeds of Federal Land Bank and Federal Farm Mortgage Corporation loans during the years 1933-1936 were used to refinance mortgage indebtedness and other debts of farmers to commercial banks, open and closed.

It is roughly estimated also that approximately a half a billion dollars of home mortgage loans held by commercial banks and receivers were taken over by the Home Owners' Loan Corporation up to the time it ceased lending, on June 12, 1936. For the most part these loans were exchanged for guaranteed bonds of the Home Owners' Loan Corporation. Closed banks which received the bonds were able to borrow 80 percent of their par value from the Reconstruction Finance Corporation.