

1934

Excerpt from Report of the Committee on Banking and Currency, June 6, 1934, Chap. IV, Sec. 8, BANKING REFORM, p. 319.

The functions of commercial banking are unequivocal and definitive—flexible extensions of credit to industry without undue risk to the deposited funds of the public.

The recent banking experience of the nation and the inquiry into the collapse of our banking structure convinces that the existing banking organization is outmoded and archaic and incapable of adequately performing these functions so essential to the economic safety and welfare of the nation. In lieu of a comprehensive, coordinated, and cohesive system adapted to meet the changing needs of the country, there exists an incoherent, disjointed, and diversified banking labyrinth.

The banking system of this country has not been the result of a directed and guided evolutionary plan, but rather the consequence of a fortuitous and mutational development. The result has been a permutation and combination of banking institutions subject to a diversification of jurisdictions, with consequent overlapping and conflict of authority and supervision. A banking system which permits of circumvention of its legal safeguards merely by organization of a corporation under the favorable and amenable corporate laws of another State, is fatally deficient. A banking system which permits persons, without any particular aptitude, training, or background to legally assume the performance of the vital duties of a banker possesses dangerous potentialities.

Prescient and basic banking reforms are necessary. Correction of comparative trivialities will not suffice.

* * * * *