

June 2, 1938

Honorable Leo T. Crowley  
Chairman of the Board  
Federal Deposit Insurance Corporation  
Washington, D. C.

Dear Mr. Crowley:

A complete copy of the speech you had prepared for delivery at Del Monte on May 26 has just come to my attention. I am informed that during actual delivery of the address you deleted a portion critical of branch banking. However, the full text appears to have been distributed in advance to press services and newspapers in all parts of the country. In the case of the Associated Press in San Francisco it arrived after the speech had been delivered, without the deletion.

To press representatives at Del Monte your attack on branch banking was so sensational that some of the newspapers were ready to give it a big play. Fortunately your deletion forestalled this. The fact that you were to make the speech in California was interpreted as indicating that your attack was directed at large branch banking institutions in this state. While we are confident in the strength of Bank of America, and feel secure in the public confidence that brings two million depositors to our banking offices, publication of your attack might easily have caused thousands of those depositors to become fearful over the safety of their funds. You know the contagion of such fears, and the final effect might have been dire at this time, when the banks are the one bulwark of confidence in an economically depressed nation.

One of the statements you were prepared to make, and circulated widely in the advance copies of your talk, went like this:

"As insurer of the safety of deposits, the Corporation believes that some limits must be placed upon the number of offices and upon the extent of control over banking resources in a given area that are permitted to any corporate entity, be it branch bank or holding company."

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Such a statement made by anyone else might not have serious effects, but coming from you and directed at member banks of your own organization, the ground is laid for a dangerous inference that depositors' funds in a branch banking institution are not safe. Surely you would not want to do that just to carry on a campaign for unit banking?

Now let us look at the next statement:

"Diversification of risk is essential to the success of any insurance plan. Too great a concentration of an area's resources in any branch or group violates this basic principle."

This strikes me as a strange contradiction. The same principle of diversification applies to banking as well as to insurance. Diversification of risk is branch banking's greatest factor of safety. Here in California our loans are as diversified as the whole range of activity throughout the entire state. Simultaneously, that same diversity is the depositor's best assurance of safety for his funds. Each branch has the strength of all.

Further, how can the number of banking offices influence the "concentration of an area's resources in any branch or group" any more than the number of tellers' windows in a unit bank? A branch of a bank serves the convenience of customers by expanding the number of available windows and relieves the congestion at metropolitan headquarters. Would you limit the number of these windows and still permit a unit bank unlimited expansion under one roof?

Depositors are not under compulsion, and if enough of them take their funds to a given banking office you will have concentration of resources, regardless of whether it is a unit or a branch bank. How would you control the right of a depositor to take his funds where his confidence directs? Would the F.D.I.C. issue periodical bulletins notifying the public that such and such a bank has a sufficient concentration of resources, and that business should be diverted to a list of less thriving institutions? The number of banking offices or tellers' windows operated by a bank does not necessarily govern the total volume of business.

Let me again remind you of what I said to you at Mr. Twohy's house: It has long been the Administration's desire to decentralize the Wall Street concentration of the nation's financial resources. An institution like Bank of America is an ideal vehicle for such decentralization because of its ability to handle transactions of a size beyond the capacity of a small bank. The development of at least one major banking institution should be encouraged in each Federal Reserve District, otherwise large scale business and smaller banks themselves will be compelled to continue to turn to Wall Street.

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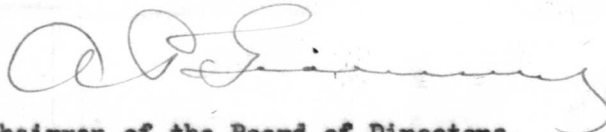
Near the end of your deleted passage you were to say: "Adequate examination and supervision of large branch banks within a state is difficult."

This statement amazed me, directly opposed as it is to the statements of other Government officials, as well as to actual experience. Coming from you it might be interpreted as an inference that this and the other large branch banking institutions in California are not completely examined. Such reflections are damaging, and needless since they are based on fallacy. So far as I know, no supervising official has ever complained of difficulty in examining and supervising the activities of this bank. If you have any such complaint to make I think you might present it to us before preparing to circulate such charges throughout the country.

Any statement tending to discourage the people needlessly is the wrong sort of thing to come from a chief Government official. I recognize that if you honestly believe in unit banking as against branch banking, that is your personal privilege. I believe also that on your part you recognize that the American philosophy of government is that the first duty of a public officer is to discharge his public responsibility, which in your case is to safeguard the soundness of the banking structure as a whole rather than any section of it, and in this you will find Bank of America ready to cooperate to the limit. But in the event that you do feel that you must carry the torch of the unit banker my earnest hope is that you will base your arguments on proved facts. In any debate to establish the truth, this institution will proudly submit its record of service and soundness.

I am disappointed that any reservations you held in mind were not discussed with me or my associates when you were in my office recently. A frank exchange of ideas on these matters would have been to our mutual advantage, I am sure.

Sincerely yours,



Chairman of the Board of Directors.