

On January 9, 1933, the following colloquy between Senator Glass and Senator Wheeler occurred on the Senate Floor:

Mr. WHEELER. On the question of double liability, I am informed, for instance, that the chain banks in my State, if the pending measure should become a law, would immediately reorganize their chain banks into a branch banking system; that they would establish a principal bank in one of the centers, and make all the other banks just mere branches of that bank; and that they would get away from the double liability which they now have in the case of the various other banks and only have double liability in the case of the one single bank, which would be the main bank.

Mr. GLASS. They have no double liability if it is a chain banking system.

Mr. WHEELER. I beg the Senator's pardon; they have double liability, because they have directors of the various banks at the present time. I notice the Senator shakes his head in the negative, but I happen to know that they do have double liability, because there are stockholders outside the chain banks.

Mr. GLASS. I happen to know - at least, I think I know it - that if it is a chain banking system, no double liability is involved.

Mr. WHEELER. If they have independent stockholders, they have double liability.

Mr. GLASS. If the stockholder of one national bank is likewise a stockholder of another such bank, of course, he has a double liability in each institution; but that is not the chain banking system nor is it the group banking system. For that reason, in the pending bill we have provided that if the chain and group banking systems shall persist they must incur a double liability or go out of existence. So those who are experienced in banking will differentiate the branch banking system and the chain and group banking systems in many respects; and, if they are discerning critics, they will tell you that both the group and chain banking systems, if not positively vicious, unless extremely and cautiously managed, are a menace to the credit system of any State in which they may be established.

I am glad to say there are exceptions to the rule; I am glad to testify, from the thorough investigation of the Banking and Currency Committee, that the group banking system of the State of Michigan has been as thoroughly and as effectively well-managed as is possible to a chain banking system and has been of great service to the commercial, industrial, and the credit requirements of that State.

Mr. VANDENBERG. And has voluntarily acknowledged the double liability.

Mr. GLASS. And in their very charter, upon their own initiative, have voluntarily acknowledged the double liability, which is something that does not prevail in a great majority of such systems. They are capitalized upon a fair and honest basis. They have not gone out, as the managers of some such systems have done, and stripped their victims by watering their stock in a shameful way. So much, Mr. President, for what we have been taught to believe are the distinctions between branch banking and group banking.