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FROM ADDRESS TO WASHINGTON SOCIETY OF ENGINEERS, DECEMBER 3, 1924.

In a few spots recovery was retarded by unfortunate conditions, such as the drouths in New Mexico and on the Pacific Coast, and there have been some brakes on the wheels of progress that may be mentioned. Since the beginning of the present year almost 700 banks have failed, nearly all small institutions serving agricultural communities in the West. These are an aftermath of agricultural depression, but that doesn't in my opinion tell the whole story. They are due in large measure to a bad banking system - to a multiplication beyond all reason of small, weak, often badly managed institutions. Bankers will tell you that our American banking system is the best in the world. If efficiency and safety and service to all classes of customers in small as well as in large communities at reasonable rates are requisites of a good banking system our American system instead of being the best in the world is not far from the worst. In no other great commercial nation is there so great a contrast between rates for loans in the financial centres and rates for loans in the agricultural sections. We have 2 per cent money in Wall Street and 10 or 12 per cent money in the Dakotas. The little country bank - Senator Glass has called some of them toll gates - is nevertheless regarded as a sacred American institution, little less sacred than the little red schoolhouse. It can fail in great numbers just at the time when everything else is recovering yet no one thinks of questioning the institution itself or of suggesting that a better system of serving small communities could be devised - that is no one except a few economists and theorists who don't count. Bankers are all for increasing the number of banks unmindful of the repeated lessons of the past.

A good system of banking for small communities should provide banks large enough to afford good management, and serving a territory wide enough to include a variety of crops and industries, so that the safety of a bank would not be put in jeopardy by depression in any one industry or by a mere local calamity. This means larger banks, and less banks and would probably make necessary the extension of banking facilities to some of the smaller communities by means of branches. Branch banking comes under the condemnation of the American Bankers Association every year, but it is the system of every other great commercial country, and in spite of various efforts to suppress it has made considerable progress in the banking systems of about a third of our states. The time will come, I believe, when business men, farmers and manufacturers will be compelled to give this matter some study instead of leaving it wholly to the bankers.

JUL 7
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