Studies in BANKING COMPETITION *and* THE BANKING STRUCTURE

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FOREWORD

We have gathered together in this volume the articles relating to banking competition and the banking structure that have appeared in *The National Banking Review.* In addition, we have included in the Appendix an analysis of "The Banking Structure in Evolution," which appeared in the 102nd Annual Report of the Comptroller of the Currency.

During the past several years, there has been a greatly heightened interest in these problems in the Congress, the regulatory agencies, the academic community, and among banks throughout the country. It is our thought in arranging this compilation that more informed discussion will be stimulated, and that materials will be conveniently accessible for teaching purposes and for the encouragement of further research and writing on these significant issues of public policy.

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Comptroller of the Currency

The NATIONAL BANKING REVIEW

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(From the 102nd Annual Report of the Comptroller of the Currency)

I

A Statement of Policy

The Nation's industry and commerce are alive with change. If the banking industry is to serve their needs most effectively, it will have to match the initiative and imagination displayed elsewhere in the economy. The temper of the banking industry, and the energy with which new opportunities are created and pursued, will be critically affected by the attitudes of the public authorities. A negative or unreceptive outlook on the part of the regulator may dampen the initiative of banks and impede effective response to public demand for banking services and facilities.

For nearly four years, we have been engaged in an effort to broaden the opportunity for private initiative in the National Banking System, insofar as this could properly be done in the light of existing law and the public purpose to sustain and safeguard the viability of the banking system. In our 101st Annual Report to the Congress, we reviewed the changes that were instituted and those advocated with respect to the operating powers of National Banks. In this 102nd Annual Report, we shall examine the changes of policy and practice relating to the structure of the National Banking System.

The banking structure that is most ideal in terms of the public need will vary with the changing requirements for banking services and facilities. Like the operating powers of commercial banks, the structure of the banking industry must continuously be adapted to emerging demands and opportunities.

All of the forces of change which are at work throughout the economy, both domestic and international, influence the ideal banking structure to be sought. In our prosperous and vigorous society these changes are constant, far-reaching, and of compelling importance. Increases in personal income and population affect the volume of savings seeking productive uses. The growth of capital and advances in technology bring new products and new industries. These, in turn, often give rise to new communities and shifts of population. Population movements are further accelerated as income levels rise and permit the purchase of new homes. All of these factors have worked to produce demands for additional types of banking services and for banking facilities at new locations. The response by the banks and the banking authorities to these new demands and opportunities have molded the evolution of the banking structure.

"Structure" is a term generally used to describe the composition and dispersion of an industry, geographically, by size of unit, and by the range of products manufactured and distributed. The structure of an industry is also affected by the ease with which new firms may enter and existing firms may expand. In all industries, structure is influenced by such factors as the location of the materials of production, the accessibility of markets, and production and demand conditions, as well as by unique factors such as the inventive process and entrepreneurial initiative. Banking, however, and the other regulated industries, differ fundamentally from the unregulated industries in one significant respect—the influence of government on structure.

In the unregulated industries, the influence of government on structure is at a minimum. In these industries, the broadest scope is preserved for individual initiative; public controls are, for the most part, either indirect or peripheral. Except in unusual times such as war, it is rare in the unregulated industries to impose precise and positive rules of conduct for the individual. He is forbidden to engage in certain practices, and certain governmental activities may indirectly affect the choices he makes, but beyond these limiting factors he has a free choice of entry and free discretion to select his own investment, production, and marketing policies. For example, although the total supply of money and credit is regulated, the government does not normally allocate their uses nor fix the prices of goods and services produced and sold. Collective bargaining is required, but wage rates are not fixed. Anticompetitive accretions of market power and deceptive practices are controlled, but there is no effort through public authority to select and enforce any exact set of competitive conditions.

This is in clear contrast to the public policies followed in the regulated industry of banking. In virtually every significant aspect, the structure of the banking industry is directly controlled by government. Entry into banking is restricted and the expansion of existing banks is closely regulated. No bank may be formed without a charter from the government. No bank may expand its size through the acquisition of new capital or the formation of new branches without the sanction of a public authority. No bank may expand through the acquisition of other banks without the prior approval of government.

Underlying this intercession of government in banking is a basic public policy that sets this industry clearly apart from others. The factor which distinguishes banking from other industries is the public concern to safeguard the viability of the banking system. This concern is founded upon the central role which banking performs in the economy, and the critical significance of public confidence in the banking system. The banking system provides the chief instrument of payment in the conduct of business and private transactions, and it represents one of the principal channels through which savings are directed to productive uses. In order that these functions may be performed effectively, there must be public confidence in the banking system. Without such confidence, funds would not be deposited in banks nor would checks be accepted in payment of transactions, and the performance of the entire economy would be greatly impaired.

There are three basic forms of public control that affect the structure of the banking industry: (1) chartering controls; (2) branching controls; and (3) merger controls.

A. *Chartering Controls*

The imposition of entry controls through the requirement of a public charter represents the most fundamental structural regulation of the banking industry. In the unregulated industries, freedom of entry is preserved as the essential basis for the reliance placed on private initiative to exploit profitable opportunities for serving consumer demands, and generally to make certain that productive resources move to their best uses throughout the economy. It is recognized that free entry may result in the elimination of inefficient competitors, but this is regarded as a small price to pay for the public benefits of private initiative and innovation. Failures in banking, however, are considered to be of greater public consequence than failures in other industries because of the broad effects on confidence in the banking system and the severe incidence on individuals and small business firms. Entry restrictions have thus been adopted as one of the measures for preserving the viability of the banking system.

Since the existence of entry restrictions deprives the public of the full benefits of competition in meeting consumer demands, it becomes the responsibility of the regulatory authorities to make certain that entry controls are not so severely administered as to inhibit the provision of needed banking services and facilities. If the public authorities are insufficiently alert or sluggishly responsive to emerging requirements, artificial shortages may appear. This is precisely the situation which prevailed several years ago as a result of postwar changes in the size and location of population and industry.

Shortages of supply normally create mounting pressures for market entry in a capital-rich and dynamic economy such as our own. This poses administrative problems where there is public control of entry. As the saturation point is approached in a market under the pressure of new entry, it becomes increasingly difficult to make accurate estimates of need and potential profitability. Moreover, in order to sustain the viability of the banking system, it is desirable to preserve opportunities for new banks to grow to efficient size. For these reasons, a temporary halt may occasionally be required in the chartering of new banks in some markets, as occurred under the more responsive chartering policies of the past several years.

Some observers have been concerned lest the chartering of new banks should proceed so far as to increase the rate of bank failures, and it is worthwhile to consider how firm the safeguards against failure should be in the chartering of new banks. It must be remembered that bank entry is regulated not because there is a private right of existing banks to be protected against competition, but because there is a public concern to sustain the viability of the banking system. It can never be in the public interest to protect banks against competitors who are either more efficient or more responsive to public demands. There are, moreover, positive public benefits to be derived through the periodic introduction into the banking industry of new competitive forces with fresh ideas and fresh talents.

An absolute safeguard against bank failures resulting from new entry would require an absolute bar against entry, for any new competitor will have some effect on his rivals and will himself run the risk of failure. In order to reconcile the need to protect the viability of the banking system with the equally vital need to assure sufficient production of banking services, a unique combination of public policies has been adopted. Applications for entry are carefully screened in terms of public demand, potential profitability, and effects upon competitors. In order to assure the capability of new banks to operate efficiently and effectively, certain minimum capital requirements are imposed, and the competence of proposed management is appraised and approved by the regulatory authorities. The operating policies and practices of all banks are continuously supervised to sustain their solvency and liquidity. Finally, as an ultimate safeguard where failure does occur, a system of deposit insurance has been provided. Through these measures, confidence in the banking system is preserved without paralyzing the competitive forces. Thus, the banking industry is enabled to undertake the risks that are required in serving the demands of a thriving and flourishing economy.

The chartering of new banks represents, in many respects, the most delicate task which confronts the bank regulatory authorities. A new bank represents a new competitor, and a new competitor is rarely welcome in any industry. On the other hand, since bank charters are valuable because they are limited in supply, they are actively sought by competing applicants. The public authorities are thus subjected to intensive pressures both from those who seek charters and those who oppose them. Moreover, in reaching decisions on charter applications, there can be no absolute certainty of the fate that will befall new banks or their competitors.

Despite these difficulties of administering entry controls, banking must not be treated as a "closed" industry. Each new generation produces a new group of men and women of skill and ability seeking outlets for the use of their talents, and in our prosperous society there is a constant accummulation of capital in search of profitable employment. In some measure, these new productive resources will find their best uses in the banking industry, and the public will benefit by allowing them access to that industry.

B. *Branching Controls*

The second principal form of structure control is the regulation of branching. A bank may expand internally through the formation of *de novo* branches, or externally through the absorption of other banks by means of merger. Merger controls, however, raise a number of separate issues and will be discussed in the next section.

The policy issues confronted in branching are in many respects similar to those which appear in the chartering of new banks. Since the formation of a *de novo* branch introduces a new competitor into a market, the same questions arise of public need or convenience, potential profitability, and effects upon competitors. But inasmuch as branching increases the size of an individual bank, new issues also emerge concerning the potential for greater operating efficiency and for enlargement of the range of services offered to consumers.

There will be some circumstances in which a new branch will be able to serve public demand to better advantage than a new bank. Some banking markets can profitably support a new branch where a new bank could not prosper. A new branch may be able to bring to a community a broader range of services than could be efficiently provided by a newly chartered bank. Moreover, the abandonment of a branch will be less harmful—both to the parent bank and to the banking system—than the failure of a new bank; thus, where prospects are not immediately certain, or where expansion is based partially on anticipated growth in demand, branching might be the preferred course. The choice of whether to provide for bank expansion through new charters or through new branches is also affected by other considerations which are discussed in the next two sections.

Much of the recent demand for new branches, as has been true of that for new charters, stems from the growth and shifts of population and the creation and relocation of industries. Very commonly in recent years, for example, the movement of population from urban to suburban areas has deprived urban banks of customers and created new demands in suburban areas. Moreover, the growth of new industries often gives rise to new working and residential communities with new needs for banking services and facilities. Through branching, a bank may "move with its customers" and retain its position in the industry. The broader the geographic dispersion of a bank's offices, the more readily may the deposits from surplus areas be put to effective use in areas where loan demand exceeds the deposits generated. Further, by increasing its size, branching may enable a bank to produce some services at lower cost. It may also enable a bank to spread its risks more effectively and thus allow engagement in lending activities that would not be feasible for a smaller bank. A larger bank, moreover, has a larger legal lending limit and so may serve certain classes of customers more effectively than smaller banks.

In the unregulated industries, the economies of scale actually realized, and the variety of services actually performed, are determined competitively. In banking, however, the regulatory authorities have the ultimate responsibility to choose the means of bank expansion best calculated to serve the public interest. Their decisions will inevitably affect the prices and range of products and services offered to consumers.

The authority to permit the formation of branches is much more severely restricted than the power of the regulatory authorities to allow the creation of new banks. These long-standing traditions with respect to branch banking have had a deep-seated and far-ranging effect upon the entire banking structure of the country, and upon the performance of the banking system. They have greatly enlarged the number of banks, hampered the growth of banks to most efficient size, inhibited the development of specialized services by many banks, and diminished the effectiveness and efficiency of the banking system in the vital task of facilitating the movement of capital to its best uses throughout the Nation. In some degree, these limitations have been overcome through the solicitation of loans and deposits in areas beyond the powers to branch, and through the establishment of affiliates, satellites, or holding companies. These, however, represent generally inferior means for the expansion of banking operations.

There is the mistaken belief that broader authority to permit branching would lead to harmful effects upon competition in the banking industry. Greater power to allow the formation of branches, however, would merely add to the discretionary authority of the regulatory agencies. Equipped with a more extensive range of alternatives, the banking authorities would be in a better position to choose the precise means of bank expansion most suitable to serve the needs of individual banking markets, and most likely to provide the required services and facilities at the least cost. Indeed, the risk of monopoly power is greatest where the greatest reliance is placed on unit banking. Since new branches might be able to operate profitably in markets where new unit banks could not survive, the prohibition of branching would exclude potential competitive forces from these markets.

There is no consideration of the public interest which would justify an absolute withholding of the branching tool from the regulatory authorities. The only proper basis for the restriction of branching is the suitability of this means of bank expansion to serve emerging public demands in particular banking markets. Under this principle, the regulatory authorities should have the full discretion to authorize the formation of branches wherever they can serve the public interest to best advantage.

C. *Merger Controls*

The third means by which government influences the banking structure is through direct administrative control of mergers. In the unregulated industries mergers may be freely undertaken, subject only to prosecution under the antitrust laws. In banking, however, mergers require the prior administrative approval of a regulatory authority, and the regulatory agencies in reaching their decisions apply a variety of statutory criteria relating to the banking and public consequences of proposed mergers.

The desire to merge is critically affected by the power to branch. Merger applications rarely appear in no-branch States because a merger under those conditions usually requires the closing of one of the merged banks. Thus, two tools of structure control are effectively lost where branching is prohibited, and needed bank expansion must take place almost entirely through new charters.

The public benefits which may be derived from mergers stem basically from the economies of large-scale enterprise, and the greater variety of services which larger firms may offer to consumers. These benefits will arise where increases in the scale of operations yield savings in costs, or where a broadening in the lines of production or the extension of operations to new markets permit greater dispersion of risks and thus allow the undertaking of ventures unsuitable for smaller firms. A larger and more broadly based bank may also be able to offer specialized services which are not profitable for smaller institutions, and should be able to move capital more efficiently from surplus to deficit areas. Moreover, the legal lending limits of banks require the presence of larger institutions to meet the needs of larger businesses most proficiently.

In our public policy for the unregulated industries, we have generally distinguished between the growth of firms through internal expansion and their growth through merger. Growth through merger has been viewed with greater public concern because it entails the elimination of competitors and, for this reason, merger limitations have been imposed through the antitrust laws. The direct administrative controls applied to bank mergers are also based in part upon the competitive effects of such mergers, but, as we shall see, the banking authorities apply a variety of other public interest criteria in deciding bank merger cases. These criteria are specifically related to the fact that the banking structure is under direct public control.

There is some probability that growth through merger may have a more adverse effect on the liveliness of competition than growth through internal expansion. However, there are countervailing considerations. A merger may enable a firm to acquire plant, personnel, and market-access not otherwise readily attainable, or attainable only at greater cost. More fundamentally, even though the intensity of competition may be adversely affected by growth through merger, merger may nevertheless produce benefits of larger-scale production which are in some degree passed on to consumers in the form of improved service or lower prices. The task of public policy is to allow those increases in the size of firms that are, on the whole, beneficial to consumers, while restricting those that are, on balance, harmful.

There are two reasons why merger may often be the preferred course of expansion in banking, even though in comparable circumstances reliance on internal growth may be more appropriate for the unregulated industries.

First, the banking authorities have a positive responsibility to see that the public convenience and need for banking services and facilities are met. In carrying out this responsibility, they do not have the authority to require the provision of service such as is found in the fully regulated industries like the "public utilities"; their choices are limited to the private proposals for bank expansion presented for their approval. If they find that a proposed merger will yield public benefits and they see no superior means for achieving these benefits either at hand or in clear prospect, they have a strong positive reason for approving the merger. In the unregulated industries, there is no public responsibility to fashion industry expansion according to the public need; reliance is placed on private initiative and no public authority faces the problem of choosing the form or method of industry growth.

Second, in choosing the *best* means to serve the public convenience and need for banking services, the banking authorities must appraise the alternatives in terms of the effects on the solvency and liquidity of competing banks. Bank merger proposals are generally designed to provide new services to a community, to provide services at lower cost, or to enter new markets. The alternative means of achieving these purposes are new charters and *de novo* branching. If the existing banks in a market are poorly managed, financially weak, or unprogressive, such added competition may threaten their solvency or liquidity and merger may constitute the only effective means of bringing improved service to a community without posing a threat to bank viability.

In the unregulated industries, there is no public concern to safeguard individual firms against failure. Indeed, in these industries freedom to compete and to eliminate less efficient rivals is essential to the reliance placed on private initiative to serve consumer demands. It is therefore appropriate in the freely competitive industries to impose more severe restrictions on growth through merger than are applied to banking.

Bank mergers have sometimes been opposed on the ground that, although they may improve service for some classes of consumers, they may do so at the expense of others. Some classes of consumers, however, have needs which only larger banks can serve efficiently. If other classes of consumers are disadvantaged by a merger, a new opportunity is presented to competing banks and the banking authorities may respond by authorizing new charters or new branches. In this way, the needs of *all* classes of bank customers may be served most efficiently and most effectively.

The Bank Merger Act of 1960 provided for direct administrative control of bank mergers by the banking authorities, and established broad public interest standards to guide the administration of these controls. In addition to the "effect of the transaction on competition (including any tendency toward monopoly)," the banking agencies are required to consider the financial history and condition of each of the banks involved, the adequacy of their capital structures, their future earnings prospects, the general character of their management and, most significantly, "the convenience and needs of the community to be served." Mergers are to be approved only where, after considering all of these factors, the transaction is found to be "in the public interest." Since the passage of the Bank Merger Act, however, two Supreme Court decisions have subjected bank mergers to the antitrust laws. This has given rise to ambiguities of policy and conflicts of purpose.

The problems are both philosophic and

procedural. There is no serious dispute about the desirability of applying antitrust principles to the unregulated industries. Since in those industries primary reliance is placed on individual initiative and private enterprise to meet consumer demands, there are justifiable reasons for preserving freedom of entry and restricting the acquisition of market power in order to enable the competitive forces to function. In banking, however, entry and expansion are under direct public control. The competitive forces are purposefully restricted in order to safeguard the viability of the banking system, and an effort to apply conventional antitrust principles in these circumstances is almost certain to conflict with bank regulatory objectives.

This is well demonstrated by the difficulties that have been encountered under the Bank Merger Act since the *Philadelphia* and *Lexington* decisions brought bank mergers under the antitrust laws. Although the banking agencies must continue to reach their decisions according to the broader public interest standards set forth in the Bank Merger Act, their decisions are now subject to attack in the courts under the narrower standards of the antitrust laws.

This impasse can be clearly resolved only by exempting bank mergers from the antitrust laws completely as has been done in other regulated industries, or by subjecting such mergers to the full application of those laws. If this latter course is chosen, the Bank Merger Act should be repealed. There would seem to be no valid reason for subjecting banks to more onerous premerger requirements than apply in the unregulated industries if bank mergers are to be subject to attack under the antitrust laws. More fundamentally, if it is to be public policy to apply conventional antitrust concepts to banking, it logically follows that bank entry and bank branching should also be free of direct public control. The least satisfactory course is the present one of entrusting regulatory powers to the banking agencies and judging the exercise of those powers on the assumption that the competitive forces are to be fully preserved and fully operative. It should be observed, however, that a decision to move toward free bank entry and expansion raises questions which go beyond the problems of banking structure. It is highly doubtful that bank operating practices could be effectively supervised, and the viability of the banking system sustained, without some form of public control over the banking structure.

There is one intermediate course through which a reconcilation might be achieved between the Bank Merger Act and the antitrust laws without a statutory change. The courts, in antitrust cases involving bank mergers, could take cognizance of the fact that banking competition is restricted through public regulation, and that bank mergers receive prior administrative approval from a public authority according to broad public interest standards which transcend purely competitive considerations. This approach would not be as clear-cut as the other alternatives we have presented, and would undoubtedly leave large areas of uncertainty for long periods. Nevertheless, if in bank merger cases the courts considered the unique competitive conditions which prevail in the regulated industry of banking, there would be a greater likelihood that the antitrust criteria developed principally with the unregulated industries in mind could be adapted to banking without impairing the effectiveness of bank regulation. An effort to test this approach for accommodating these two basic strands of our public policy was recently undertaken by the Comptroller of the Currency as an intervening defendant in an antitrust action relating to the merger of the Mercantile Trust Company N.A. and the Security Trust Company, both of St. Louis.

There is one administrative procedure under the Bank Merger Act which should be modified if that Act is to remain in force. At present, the banking agencies not directly involved in a merger decision are required to submit advisory opinions on the "competitive factor" to the responsible agency. Since this factor comprises only one of the seven considerations required to be taken into account, the advisory opinions do not represent a judgment on the desirability of a merger. Nevertheless, differences between the advisory opinions and the decisions on mergers have often been falsely cited as evidence of differences in merger policy among the banking agencies. Moreover, five years of experience under the Bank Merger Act have demonstrated that the advisory opinions of the banking agencies not faced with the responsibility of decision are ordinarily routine and rarely present facts or ideas unknown to the responsible agency. There seems to be no proper reason for continuing this procedure.

Retention of the Justice Department advisory opinions may appear to have greater justification. However, the role of the Justice Department in bank merger cases will ultimately rest on the resolution of the more fundamental issue of the proper applicability of the antitrust laws to the regulated industry of banking.

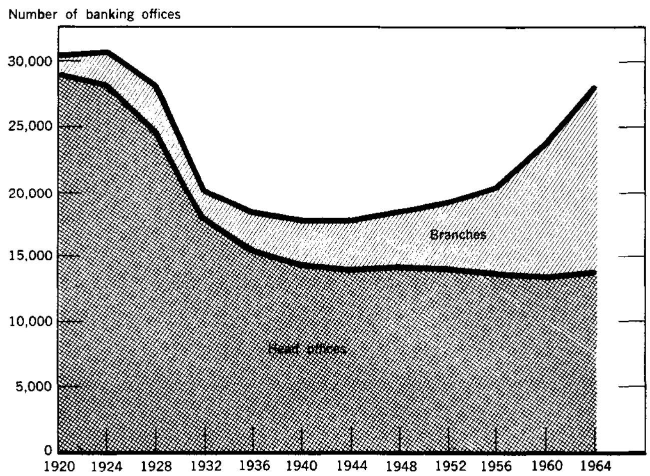
II

Evolution of the Banking Structure, 1900-1965

THE COMMERCIAL BANKING industry is a service industry that has customer relationships throughout the economy. Consequently, the evolution of the banking structure has been significantly conditioned by changes in general economic activity. The other principal influence on the banking structure has been the system of public controls described in the preceding section. Among these controls,

Chart 1

Commercial banks and commercial bank branches in the U. S., 1920-1964



Source: Table 1

branching limitations have had the greatest effect on the banking structure as evidenced by the disparate conditions found among unit and branch banking States.

The evolution of the banking structure since 1900 may be sketched in broad terms by a comparatively few numbers. (See Chart 1 and Tables 1 and 2.*) In 1900, there were approximately 13,000 commercial banks, and they operated only about 100 branches. Twenty years later, the number of banks had risen to 29,000, and the number of branches to 1,300. The Great Depression took a heavy toll and, by the end of 1934, the number of commercial banks had dropped to about 15,400. Branches, on the other hand, had begun to assume greater importance as indicated by the nearly 3,000 in operation that year.

During the next 30 years, there was a gradual decline in the number of banks which was reversed only in the 1963-1964 period. However, branch operations became increasingly important during this period. Although in 1919, only 4 percent of commercial banking offices were branches, by the end of 1964 the proportion of branches had risen to 51 percent.

We turn now to a brief examination of the evolution of the banking structure, with particular emphasis on the period 1961-1965.

A. *Rapid Expansion: 1900-1920*

Although the statistics on banking structure before 1920 are relatively sparse, it would be misleading to use the 1920 banking structure as a benchmark against which to measure succeeding developments. Spurred by a period of economic expansion in both the industrial and agricultural sectors, and uninhibited by significant legal barriers to entry, an unprecedented expansion of about 130 percent occurred in banking facilities during the 1900-1920 period. This expansion was almost entirely in the form of new banks, and it was concentrated heavily in the agricultural States of the Midwest and Great Plains. Branch operations at that time were relatively insignificant.

B. *Sharp Retrenchment: 1921-1934*

In the 13 years following 1921, the number of commercial banks declined by approximately half. The major part of this reduction took place during the depths of the depression, 1930-1933, when 9,000 banks failed and another 2,300, many of which were in financial difficulties, were absorbed by other banks. Perhaps of greater significance, however, were the more than 5,000 bank suspensions which occurred during the 1921-1929 period while most sectors of the economy were prosperous.

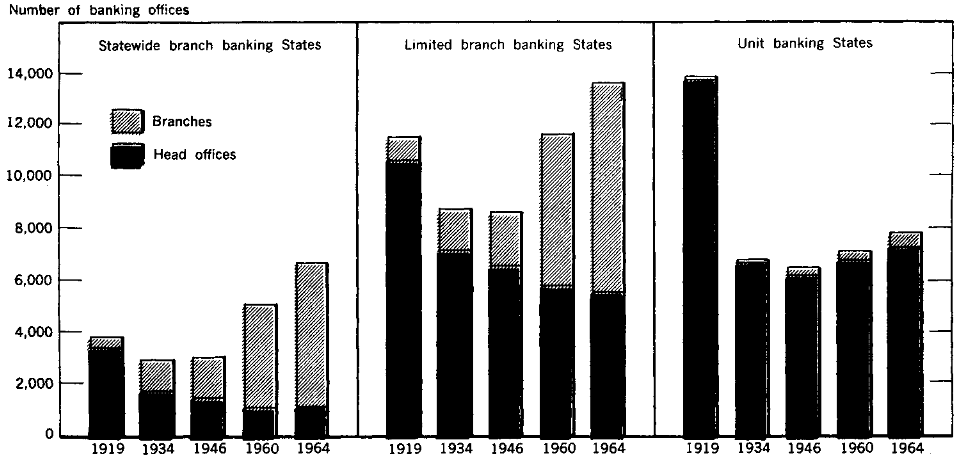
A number of factors contributed to the unstable condition of the banking system in the 1920's. The great increase in the number of banks from 1900 to 1920 had raised the number of banking offices in relation to population to a historic high. Many banks were established in small, farm-oriented trading centers at a time when the agricultural sector was participating in the general prosperity; the pronounced weakness in this sector during the 1920's precipitated the failure of a number of these small, specialized institutions. The increased use of automobiles revolutionized shopping habits, and in so doing increased the competition among scattered banks. The growth of large-scale industrial and commercial activity increased the demand for services which only large banks could offer, and thus led to the absorption of a number of smaller banks.

The Midwestern and Plains States in which much of the bank expansion of the 1900-1920 period took place were mainly unit banking States, and those States also

* The tables supporting this Section will be found in Section IV, The Data.

Chart 2

Commercial banks and branches, by State groups classified by branch law, selected years



Source: Table 3

accounted for a very sizeable proportion of the banks which failed in the 1921-1934 period. In this period of banking instability, the subsequent growth of branch banking was foreshadowed. By the end of 1934, branches represented 16 percent of all commercial banking offices, compared with 4 percent in 1919. (See Table 3.)

C. *Consolidation: 1935-1946*

The reorganization of the banking structure forced by the depression was largely completed by the end of 1934. At that time, there were 15,353 commercial banks and 2,973 branch offices in operation. The next 12 years, including the period of World War II, were characterized by relative stability in the banking structure. Principally as a result of mergers, the number of banks declined slowly to 14,044 at the end of 1946. Although the number of branches increased by 1,008 during the period, to 3,981, this did not offset the decline in number of banks, so that the number of commercial banking offices fell from 18,326 to 18,025.

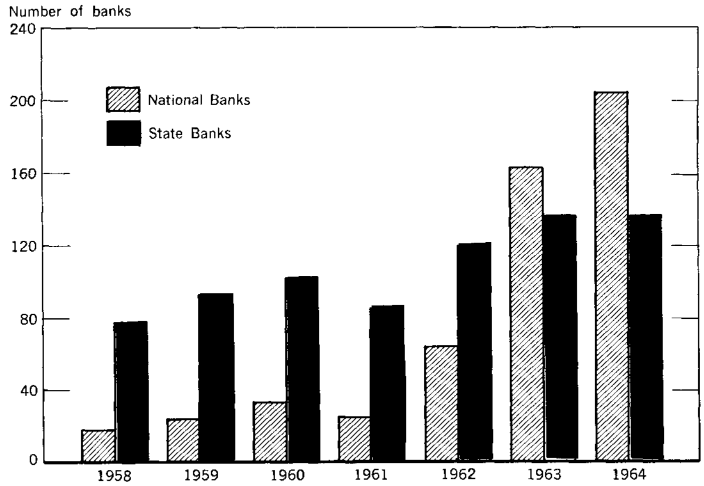
D. *Postwar Adjustments: 1946-1960*

The most striking feature of the banking structure in 1946 was the fact that fewer commercial banking offices were in operation than at the end of the period of drastic banking reorganization 12 years earlier. Yet, in the interim, wartime demands had generated a high level of economic activity, and income and population had increased substantially. Gross National Product in 1954-dollars was $282.5 million in 1946, compared with $138.5 million in 1934, an increase of 104 percent. The population of the country increased by 11 percent in the same period. Further, the wartime shortages of many goods and the complete absence of others, coupled with the relatively high levels of wartime income, had created a backlog of demand which promised to spur postwar economic activity.

It is plain that in 1946 the country as a whole required additional banking facilities to allow the banking needs of the public to be met fully and effectively. This was especially true in those urban areas that had experienced the greatest

Chart 3

Newly-organized commercial banks in the U. S., by class of bank, 1958-1964



Source: Table 4

economic growth during the war, and in those rural areas where banking retrenchment in the 1920's and 1930's had been most extreme.

In the 14 years from the end of 1946 to the end of 1960, the number of commercial banking offices increased from 18,025 to 23,716. Although the number of banks declined from 14,044 to 13,473 during the period, as a result of merger absorptions in excess of new bank formations, there was a great increase in the number of *de novo* branches. Branch offices, including those resulting from mergers, increased from 3,981 at the end of 1946 to 10,243 at the end of 1960. There were, it should be noted, significant variations among the States in the increase of commercial banking offices: 67 percent in statewide branching States, 35 percent in limited branching States, and 10 percent in unit banking States. (See Chart 2.)

The overall increase of 32 percent in commercial banking offices from 1946 to 1960, although substantial, failed to keep pace with the growth of real Gross National Product, which was 56 percent higher in 1960 than in 1946. There thus remained at the end of the period as great a need for additional banking facilities as prevailed at the beginning.

E. *Economic Growth and Bank Expansion: 1961-1965*

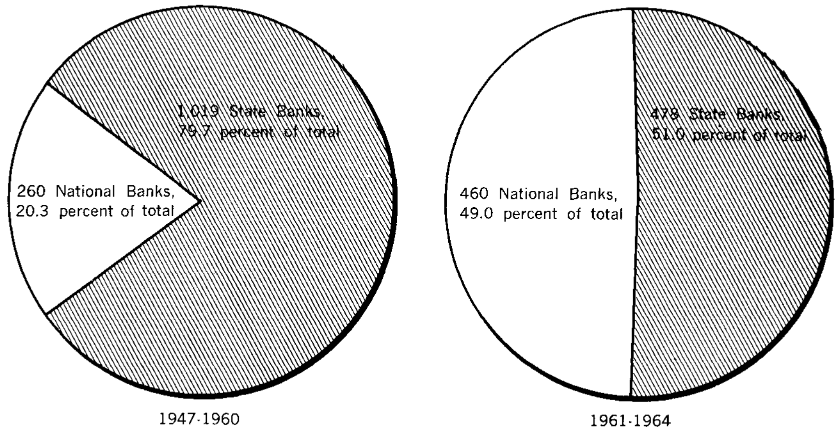
1. New Banks and Total Number of Banks

During the period from 1961 to mid-1965, the Nation enjoyed its longest peacetime expansion in history. Real Gross National Product was 17 percent higher in 1964 than in 1960. Population continued to grow at a much higher rate than during the economically depressed 1930's.

The number of commercial banking offices increased by 18.5 percent during the years 1961-1964, compared with a 12.9 percent increase in 1957-1960, and an 8.7 percent increase in 1953-1956. The 1961-1964 expansion occurred in response not only to the banking needs generated by the economic growth of those years, but

Chart 4

Newly-organized commercial banks, by class of bank



Source: Table 4

also to the unfilled demands that existed at the beginning of the period.

The number of commercial banks increased slightly during the period 1961-1964, the first such increase over a four-year span since 1945-1948, and only the second since 1920. Although new charters averaged only about 91 per year during the period 1947-1960, the average rose to about 235 in the years 1961-1964. (See Chart 3.) Only 20 percent of the new commercial banks established in the 1947-1960 period were National Banks, but the proportion rose to 49 percent in 1961-1964. (See Chart 4 and Table 4.) The higher rate of chartering led to a 2.4 percent net increase in the total number of National Banks in 1963 and a 3.4 percent increase in 1964; the comparable net increases in State banks were .3 percent and .4 percent. (See Table 5.) The rate of chartering of National Banks declined, however, in the second half of 1964 and the first half of 1965.

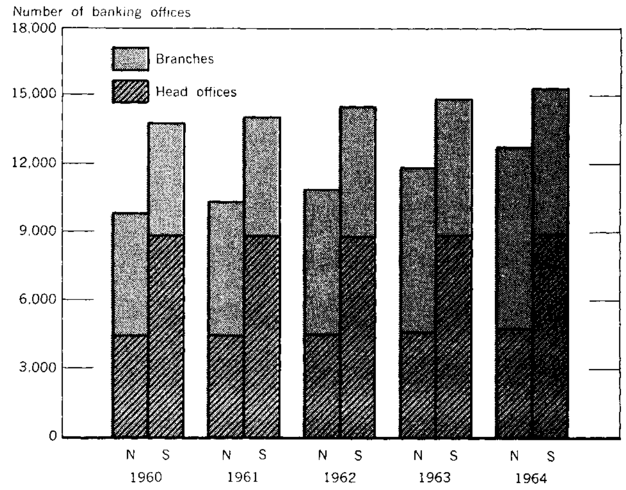
The volume of new chartering was strongly influenced by the prevailing branch laws. Of the 826 banks chartered in 1962-1964, 59 percent were in the 16 unit banking States, 22 percent in the 17 limited branching States, and 19 percent in the 17 statewide branching States and the District of Columbia. (See Table 6.)

Although the majority of new banks were located in unit banking States, it is interesting to note that the *ratio* of new banks to total banks in existence was higher in statewide branching States than in unit banking States. This pattern is attributable mainly to the much larger number of existing banks in unit banking States; at the end of 1964, there were 7,173 banks in unit banking States and 1,087 in statewide branching States.

In every year between 1952 and 1964, the number of commercial banks increased in unit banking States, the total increase in the 12-year period being 13.1 percent. In limited branching States, a slight decrease occurred in the number of banks each year in the same period, with a total decline of 13.6 percent. There were 19.0 percent fewer banks in statewide branching States at the end of 1964 than at the end of 1952, though the num-

Chart 5

Commercial banks and branches by class of bank, 1960-1964



Source: Table 5

ber increased slightly in 1963 and 1964. These movements in the total number of banks are largely explained by the relatively infrequent disappearance of banks through merger in unit banking States, and by the fact that the branching alternative tended to hold down the number of new banks in branching States.

2. Branch Expansion and the Total Number of Banking Offices

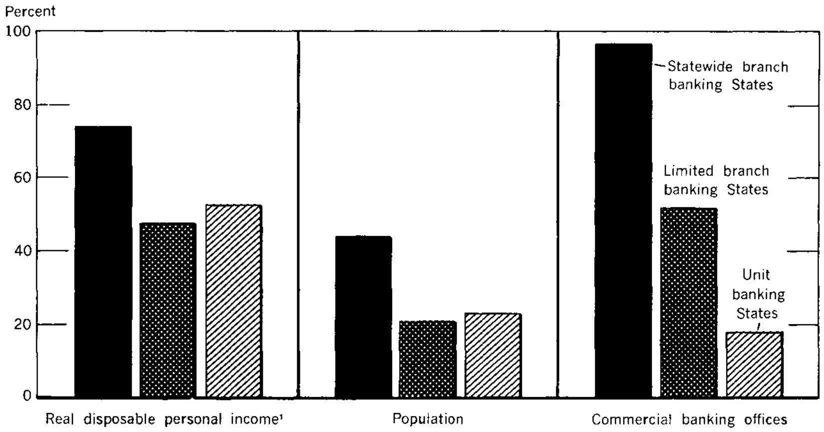
Despite the increase in the number of new banks in recent years, most of the expansion in banking facilities has taken the form of *de novo* branching. The number of branches operated by National Banks rose from 5,325 at the end of 1960 to 7,957 at the end of 1964, a 49 percent increase. During the same period, branches of State banks increased by 30 percent, from 4,918 to 6,381. (See Chart 5.) Continuing the long-term trend, branches represented 43 percent of total commercial banking offices at the beginning of the period and 51 percent at the end.

The rates of growth in population and income since 1950 for statewide branching States have outdistanced the comparable rates for the limited branching and unit banking States. (See Chart 6.) For example, in the statewide branching groups population increased by 16.6 percent and 7.8 percent, respectively, for the periods 1956-1960 and 1961-1964. (See Table 7.) The comparable figures for the limited branching States were 6.9 and 5.0 percent, and for the unit banking States, 9.0 and 5.5 percent. Personal income movements showed a similar spread for the same two periods; the percentage increases were 38.8 and 27.5 percent for the statewide branching group, 26.0 and 20.6 percent for the States with limited branching, and 31.0 and 20.6 percent for the unit banking group.

These differential rates of economic growth were accompanied by marked differences in the percentage increase of total commercial banking offices during 1961-1964. In the statewide branching States, the increase was 30.4 percent; in the limited branching States, the figure

Chart 6

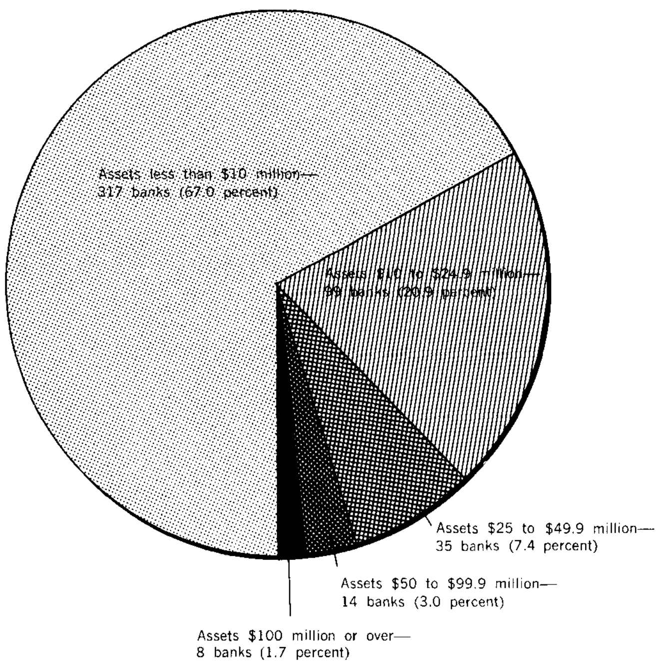
Percentage changes in real disposable income, population, and commercial banking offices for States grouped by branch law, 1951-1964



[1] 1951-1963 Source: Table 7

Chart 7

Classification of acquired banks by size in those mergers under the Bank Merger Act in which a National Bank resulted, through June 30, 1965



Source: Table 8

was 18.4 percent; while the unit banking States experienced only a 9.9 percent increase.

3. Structural Change Through Merger

The principal avenue for the exit of banks in recent years has been absorption through merger. Most mergers in the postwar period were not of an emergency character involving near-insolvency on the part of the acquired bank. This is in sharp contrast to the situation found in many mergers of the early 1930's.

From the date the Bank Merger Act went into effect in 1960, through June 30, 1965, 459 merger transactions took place in which the resulting bank was a National Bank; these involved the absorption of 473 banks. The majority of the acquired banks were small; 317, or 67 percent, had assets of less than $10 million; and 416, or 88 percent, had under $25 million in assets. (See Chart 7 and Table 8.) Only 8 of the 459 transactions, or less than 2 percent, involved the union of 2 banks each having more than $100 million in assets. Less than 8 percent took place in unit banking States where a merger would usually require the closing of one of the merged offices.

4. The Incidence of Bank Failures

As contrasted with earlier periods, the bank failure rate has been exceedingly small within recent years. In the period from 1952 to the middle of 1965, only 62 commercial banks failed. (See Table 9.) Of these, 9 were National Banks, 33 were insured State banks, and 20 were noninsured State banks. These figures show that commercial bank failures have averaged less than 5 per year out of a total bank population of 13,500 to 14,000.

III

The Future of the Banking Structure

THE MARKETS FOR BANKING services vary from those composed of small depositors who require only convenient access to savings accounts and checking facilities, to the largest business firms which have need for a great variety of banking services throughout the country and even internationally. In this spectrum of markets, there is a role for banks of a diversity of sizes. Well-managed, efficient, small banks have a special appeal to certain classes of consumers and a unique competence to serve their needs. Equally, there are banking requirements that only large institutions can meet efficiently and effectively. The task of structure policy is to seek that balance among banks of various sizes which will accord proper recognition to the production advantages of each, and to the specific capabilities each may possess for meeting the varied demands of the consuming public.

The record of structural change in recent years demonstrates distinct progress toward that goal. Yet there remains one obstacle which continues to hamper the attainment of an ideal banking structure, and which will deeply influence the future performance of the banking system.

The industrial and business structure of the Nation, which has made possible the great achievements of the economy through the years, could not have been attained without the freedom of trade we have enjoyed within and among the States of the Union. The freedom of labor and capital to move throughout the country in response to anticipated public demands, and the liberty to undertake creative new ventures, have been indispensable elements in the lively and spirited economy which has characterized our history. Banking, along with certain of the other regulated industries, represents the one major segment of the economy in which this basic principle of freedom of trade has not been fully applied. As a result, many banks have been barred from the complete realization of production economies, and many communities have been deprived of the broader range of banking services which could have been provided to them.

These limitations over branching may, in a sense, be attributed to the duality of the banking system, but they are not inherent in that system. Properly conceived, the dual banking system can be an effective instrument for perceptive adaptation of banking to the Nation's needs. The dispersion of banking controls among the States and the Federal government broadens the opportunity to develop new ideas and to test new approaches. It enables either segment of the dual banking system to supplement the other where deficiencies arise in service to the community. This is the great strength of the dual banking system.

Some observers have equated the health of the dual banking system with uniformity and equality. They are concerned lest either segment of the system gain an advantage over the other. There is, however, no risk that either part of the dual banking system will achieve a *publicly* harmful position of superiority. Competitive superiority can be attained only through more efficient and more effective service to the public, and it can never be in the public interest to restrict the initiative of one segment of the dual banking system for the purpose of protecting the competitive position of the other. The best hope for the future lies in greater freedom for each of the systems to meet the ever-changing public demands for an ever-increasing variety of banking services and facilities.

The Nation looks forward to a future of growing population, improved personal skills, rising incomes, increasing accumulation of capital, advancing technologies, a broadening range of products and services offered to consumers, and expanding interests throughout the world. To meet these needs and opportunities, a sensitively responsive banking system, alert both to present and future requirements, is essential. No tool that is useful to improve the functioning of the banking system should arbitrarily be withheld, nor should any be applied except in furtherance of that aim.

The ultimate surpassing factor in the progress of the economy has been the spirit of initiative and innovation which abounds in our society. That spirit must be sustained and nourished in the banking industry if the promise of the future is to be fully realized. The continuing challenge is to devise new and better ways to serve the public demand. This calls for persistent questioning of present methods, ingenuity and inventiveness in the conception of improvements, and the enterprise to carry them out.

IV

The Data

Table 1

Commercial banks and commercial bank branches in the U. S.,* 1920-1964

Year	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total commercial banking offices	Percent change in total offices
1920 †	29,086	—	1,281	—	30,367	—
1924	28,185	− 3.10	2,297	79.31	30,482	0.38
1928	24,968	−11.41	3,138	36.61	28,106	− 7.79
1932	17,802	−28.70	3,195	1.82	20,997	−25.29
1936	15,120	−15.07	3,270	2.35	18,390	−12.42
1940	14,344	− 5.13	3,525	7.80	17,869	− 2.83
1944	13,992	− 2.45	3,924	11.32	17,916	0.26
1948	14,164	1.23	4,349	10.83	18,513	3.33
1952	14,049	− 0.81	5,274	21.27	19,323	4.38
1956	13,642	− 2.90	7,360	39.55	21,002	8.69
1960	13,473	− 1.24	10,243	39.17	23,716	12.92
1964	13,760	2.13	14,338	39.98	28,098	18.48

* Data exclude banks and banking offices in territories.

† The 1920 data are as of June 30. The remaining data are as of year-end.

Sources:
Office of the Comptroller of the Currency, **Annual Report**, various years.
Board of Governors of the Federal Reserve System, **Federal Reserve Bulletin**, various issues.
Board of Governors of the Federal Reserve System, **Banking and Monetary Statistics**, 1943.

The figures presented in the text and tables represent, insofar as possible, the total number of commercial banks and banking offices located within the various States of the United States. Sources which justified their total figures by a breakdown among States were used in preference to sources which did not. This procedure was adopted simply as an aid in evaluating the probable accuracy, especially for the earlier years, of the limited sources available.

The second procedure applied involved the use, wherever available in the form indicated above, of reports of the Office of the Comptroller of the Currency for National Bank data, and reports of the Federal agencies having jurisdiction over State banks for State bank data.

These two procedures lead to slightly different total bank and total banking office figures than have appeared in the reports of any one banking agency.

Table 2

Commercial banking offices, gross national product and population of the U. S., 1920-1964

Year	Commercial banking offices*	Percent change (4-year periods)	Gross national product (billions of 1954 dollars)	Percent change (4-year periods)	Population (millions)	Percent change (4-year periods)
1920	30,367	—	—	—	106.5	—
1924	30,482	0.4	—	—	114.1	7.1
1928	28,106	− 7.8	181.8 †	—	120.5	5.6
1932	20,997	−25.3	130.1	−28.4 ‡	124.8	3.6
1934	18,326	—	138.5	—	126.4	—
1936	18,390	−12.4	173.3	33.2	128.1	2.6
1940	17,869	− 2.8	205.8	18.8	132.5	3.4
1944	17,916	0.3	317.9	54.5	133.9	1.1
1946	18,025	—	282.5	—	139.9	—
1948	18,513	3.3	293.1	− 7.8	146.7	9.6
1949	18,686		292.7		149.3	
1950	18,960		318.1		151.9	
1951	19,134		341.8		154.0	
1952	19,323	4.4	353.5	20.6	156.4	6.6
1953	19,609		369.0		159.0	
1954	19,950		363.1		161.9	
1955	20,428		392.7		165.1	
1956	21,002	8.7	402.2	13.8	168.1	7.5
1957	21,559		407.0		171.2	
1958	22,139		401.3		174.1	
1959	22,894		428.6		177.1	
1960	23,716	12.9	440.2	9.4	180.0	7.1
1961	24,537		447.9		183.1	
1962	25,518		476.8		185.9	
1963	26,793		492.6		188.1	
1964	28,098	18.5	516.0	17.2	191.3	6.3

* Excludes offices in territories.

† 1929.

‡ 1929-1932.

Sources:

Banking offices—Office of the Comptroller of the Currency, **Annual Report**, various years, and Board of Governors of the Federal Reserve System, **Federal Reserve Bulletin**, various issues.
Gross national product—Department of Commerce, **Survey of Current Business**, various issues.
Population—Department of Commerce, **Statistical Abstract of the United States**, various years.

Table 3

Commercial banks and branches, by States grouped by branch law,* selected years, 1919-1964

	1919 †			1934			1946			1950			1960			1964		
	Banks	Br'nch's	Total	Banks	Br'nch's	Total	Banks	Br'nch's	Total	Banks	Br'nch's	Total	Banks	Br'nch's	Total	Banks	Br'nch's	Total
Statewide Branching																		
Alaska‡	—	—	—	—	—	—	—	—	—	—	—	—	13	27	40	12	46	58
Arizona	81	21	102	17	18	35	10	35	45	11	56	67	10	173	183	16	241	257
California	704	179	883	283	800	1,083	207	880	1,087	202	979	1,181	117	1,636	1,753	200	2,232	2,432
Connecticut	134	0	134	144	9	153	123	20	143	112	50	162	70	197	267	66	285	351
Delaware	39	16	55	47	12	59	39	14	53	38	20	58	20	53	73	20	63	83
District of Columbia	44	4	48	21	30	51	20	35	55	19	45	64	12	90	102	15	81	96
Hawaii‡	—	—	—	—	—	—	—	—	—	—	—	—	12	81	93	12	109	121
Idaho	208	0	208	64	26	90	47	42	89	43	55	98	32	82	114	24	119	143
Maine	115	32	147	69	57	126	64	68	132	63	71	134	47	129	176	46	160	206
Maryland	234	59	293	179	75	254	170	94	264	164	119	283	133	237	370	121	355	476
Nevada	33	0	33	10	5	15	8	17	25	8	19	27	7	35	42	8	56	64
North Carolina	523	46	569	243	68	311	227	161	388	225	218	443	183	504	687	152	707	859
Oregon	265	1	266	104	30	134	70	75	145	70	102	172	51	194	245	51	249	300
Rhode Island	33	14	47	26	33	59	23	44	67	16	60	76	9	89	98	10	110	120
South Carolina	421	15	436	126	20	146	149	30	179	148	49	197	145	141	286	133	237	370
Utah	125	0	125	60	10	70	59	12	71	55	24	79	50	70	120	55	100	155
Vermont	86	0	86	75	12	87	72	9	81	70	11	81	56	33	89	49	50	99
Washington	368	10	378	199	31	230	122	115	237	118	144	262	87	283	370	97	373	470
Total	3,413	397	3,810	1,667	1,236	2,903	1,410	1,651	3,061	1,362	2,022	3,384	1,054	4,054	5,108	1,087	5,573	6,660
Percent change for group from previous date	—	—	—	-51.2	211.3	-23.8	-15.4	33.6	5.4	-3.4	22.5	10.6	-22.6	100.5	50.9	3.1	37.5	30.4
Limited Branching																		
Alabama	334	20	354	217	16	233	219	23	242	225	26	251	238	82	320	252	135	387
Georgia	720	25	745	322	25	347	316	30	346	397	42	439	421	97	518	431	159	590
Indiana	1,029	3	1,032	515	39	554	489	83	572	487	109	596	443	307	750	431	437	868
Kentucky	575	1	576	444	25	469	390	34	424	385	44	429	355	144	499	348	214	562
Louisiana	254	80	334	147	53	200	155	62	217	165	77	242	190	173	363	209	231	440
Massachusetts	232	45	277	216	105	321	187	143	330	182	177	359	171	370	541	159	523	682
Michigan	633	218	851	435	134	569	434	198	632	442	239	681	380	575	955	361	804	1,165
Mississippi	303	24	327	216	35	251	203	52	255	201	68	269	193	132	325	196	188	384
New Jersey	360	21	381	398	113	511	348	133	481	324	165	489	253	430	683	236	621	857
New Mexico	113	5	118	43	0	43	44	6	50	51	15	66	55	52	107	63	80	143
New York	880	229	1,109	797	616	1,413	672	694	1,366	629	786	1,415	402	1,368	1,770	354	1,802	2,156
Ohio	1,147	106	1,253	685	166	851	674	176	850	659	226	885	585	635	1,220	547	869	1,416
Pennsylvania	1,468	36	1,504	1,105	91	1,196	1,016	124	1,140	971	193	1,164	703	784	1,487	591	1,139	1,730
South Dakota	655	0	655	212	1	213	169	44	213	169	49	218	174	59	233	173	72	245
Tennessee	519	31	550	329	46	375	294	68	362	297	98	395	297	210	507	294	290	584
Virginia	448	20	468	328	69	397	315	86	401	313	114	427	305	265	570	277	466	743
Wisconsin	938	9	947	636	94	730	554	145	699	554	152	706	561	158	719	578	168	746
Total	10,608	873	11,481	7,045	1,628	8,673	6,479	2,101	8,580	6,451	2,580	9,031	5,726	5,841	11,567	5,500	8,198	13,698
Percent change for group from previous date	—	—	—	-33.6	86.5	-24.5	-8.0	29.1	-1.1	-0.4	22.8	5.3	-11.2	126.4	28.1	-3.9	40.4	18.4
Unit Banking:																		
Arkansas	462	6	468	230	5	235	219	20	239	232	19	251	237	45	282	245	88	333
Colorado	371	0	371	160	0	160	142	1	143	154	4	158	192	1	193	246	1	247
Florida	253	2	255	155	0	155	184	3	187	199	6	205	309	0	309	424	0	424
Illinois	1,376	0	1,376	878	0	878	871	3	874	891	2	893	966	0	966	1,030	0	1,030
Iowa	1,676	0	1,676	622	95	717	649	161	810	663	164	827	673	183	856	675	221	896
Kansas	1,304	0	1,304	752	0	752	614	1	615	612	0	612	587	22	609	594	47	641
Minnesota	1,446	0	1,446	690	6	696	677	6	683	680	6	686	689	6	695	720	9	729
Missouri	1,546	0	1,546	702	0	702	596	0	596	600	1	601	626	23	649	643	53	696
Montana	418	0	418	125	0	125	110	0	110	110	0	110	121	0	121	129	1	130
Nebraska	1,146	2	1,148	435	2	437	409	2	411	418	2	420	426	11	437	432	25	457
New Hampshire	69	1	70	65	1	66	64	2	66	75	2	77	74	3	77	73	19	92
North Dakota	882	0	882	210	0	210	151	25	176	150	22	172	156	28	184	163	42	205
Oklahoma	925	0	925	416	0	416	383	1	384	386	1	387	389	18	407	417	30	447
Texas	1,450	0	1,450	957	0	957	851	4	855	908	5	913	1,011	8	1,019	1,130	31	1,161
West Virginia	335	0	335	181	0	181	180	0	180	180	0	180	182	0	182	184	0	184
Wyoming	148	0	148	63	0	63	55	0	55	53	0	53	55	0	55	68	0	68
Total	13,807	11	13,818	6,641	109	6,750	6,155	229	6,384	6,311	234	6,545	6,693	348	7,041	7,173	567	7,740
Percent change for group from previous date	—	—	—	-51.9	890.9	-51.2	-7.3	110.1	-5.4	2.5	2.2	2.5	6.1	48.7	7.6	7.2	62.9	9.9
Total U.S.	27,828	1,281	29,109	15,353	2,973	18,326	14,044	3,981	18,025	14,124	4,836	18,960	13,473	10,243	23,716	13,760	14,338	28,098
Percent change for group from previous date	—	—	—	-44.8	132.1	-37.0	-8.5	33.9	-1.6	0.6	21.5	5.2	-4.6	111.8	25.1	2.1	40.0	18.5

* Branch law classification used is that which appeared in **The National Banking Review**, 1, March, 1964, p. 341. The basis for classification was pragmatic, rather than statutory.

† Branches are as of 1920.

‡ Included after admission as States.

Sources:

Office of the Comptroller of the Currency, **Annual Report**, various years.
Board of Governors of the Federal Reserve System, **Banking and Monetary Statistics**, 1943.
Board of Governors of the Federal Reserve System, **Federal Reserve Bulletin**, various issues.

Table 4

Number of newly organized commercial banks in the U. S., by class of bank, 1947-1964

Year	National	State	Total
1947	17	92	109
1948	15	65	80
1949	11	60	71
1950	7	61	68
1951	9	53	62
1952	15	58	73
1953	16	52	68
1954	16	55	71
1955	28	88	116
1956	30	93	123
1957	20	67	87
1958	18	78	96
1959	24	94	118
1960	34	103	137
Total, 1947-1960	260	1,019	1,279
1961	26	86	112
1962	65	120	185
1963	164	136	300
1964	205	136	341
Total, 1961-1964	460	478	938
Total, 1947-1964	720	1,497	2,217

Source: The National Banking Review, 2, March, 1965, p. 306.

Table 5

Commercial banks and branches in the U. S.,* by class of bank, 1960-1964

Year	National Banks					State Banks					Total offices, National and State banks
	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total offices	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total offices	
1960	4,529	—	5,325	—	9,854	8,944	—	4,918	—	13,862	23,716
1961	4,512	−0.38	5,855	9.95	10,367	8,920	−0.27	5,250	6.75	14,170	24,537
1962	4,504	−0.18	6,445	10.08	10,949	8,924	0.04	5,645	7.52	14,569	25,518
1963	4,614	2.44	7,209	11.85	11,823	8,954	0.34	6,016	6.57	14,970	26,793
1964	4,772	3.42	7,957	10.38	12,729	8,988	0.38	6,381	6.07	15,369	28,098

* Banks and banking offices in territories excluded.

Sources:

The National Banking Review, 2, March, 1965.
Office of the Comptroller of the Currency, Annual Report, various years, and Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

Table 6

Number of newly organized commercial banks and total commercial banks,* by State groups classified by branch law, 1952-1964

Year	Statewide branch banking			Limited branch banking			Unit banking			All States		
	Total banks	New banks	New as percent of total	Total banks	New banks	New as percent total	Total banks	New banks	New as percent total	Total banks	New banks	New as percent total
1952	1,342	16	1.19	6,367	22	.35	6,340	35	.55	14,049	73	.52
1953	1,334	18	1.35	6,300	21	.33	6,350	29	.46	13,984	68	.49
1954	1,257	9	0.72	6,204	18	.29	6,378	44	.69	13,839	71	.51
1955	1,202	22	1.83	6,090	31	.51	6,423	63	.98	13,715	116	.85
1956	1,161	12	1.03	5,995	33	.55	6,486	78	1.20	13,642	123	.90
1957	1,119	15	1.34	5,927	24	.40	6,521	48	.74	13,567	87	.64
1958	1,090	9	.83	5,845	25	.43	6,567	62	.94	13,502	96	.71
1959	1,083	17	1.57	5,761	23	.40	6,632	78	1.18	13,476	118	.88
1960	1,054	14	1.33	5,726	39	.68	6,693	84	1.26	13,473	137	1.02
1961	1,041	22	2.12	5,660	34	.60	6,731	56	.83	13,432	112	.83
1962	1,022	28	2.74	5,575	44	.79	6,831	113	1.65	13,428	185	1.38
1963	1,037	56	5.40	5,524	57	1.03	7,007	187	2.67	13,568	300	2.21
1964	1,087	75	6.90	5,500	79	1.44	7,173	187	2.61	13,760	341	2.48

* Banks in territories are excluded.

Sources:

New bank data—The National Banking Review, 2, March, 1965, p. 350.
Total bank data—Office of the Comptroller of the Currency, Annual Report, various years, and Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

Table 7

Commercial banking offices, population and personal income by State groups classified by branch law,* 1934-1964

Item	1934	1946	Percent change 1935-1946	1950	Percent change 1947-1950	1955	Percent change 1951-1955	1960	Percent change 1956-1960	1964	Percent change 1961-1964
Commercial banking offices:											
Statewide branch banking†	2,903	3,061	5.4	3,384	10.6	3,875	14.5	5,108	31.8	6,660	30.4
Limited branch banking	8,673	8,580	–1.1	9,031	5.3	9,909	9.7	11,567	16.7	13,698	18.4
Unit banking	6,750	6,384	–5.4	6,545	2.5	6,644	1.5	7,041	6.0	7,740	9.9
All State totals	18,326	18,025	–1.6	18,960	5.2	20,428	7.7	23,716	16.1	28,098	18.5
Population (thousands):											
Statewide branch banking†	21,279	28,494	33.9	30,466	6.9	34,811	14.3	40,596	16.6	43,771	7.8
Limited branch banking	68,399	73,182	7.0	79,108	8.1	84,686	7.1	90,566	6.9	95,101	5.0
Unit banking	36,694	38,216	4.1	41,668	9.0	44,810	7.5	48,824	9.0	51,490	5.5
All State totals	126,372	139,892	10.7	151,242	8.1	164,307	8.6	179,986	9.5	190,362	5.8
Personal income (millions of current dollars):											
Statewide branch banking†	9,970	39,047	291.6	47,853	22.6	68,758	43.7	95,441	38.8	121,644	27.5
Limited branch banking	30,885	91,974	197.8	118,222	28.5	159,289	34.7	200,679	26.0	242,051	20.6
Unit banking	12,627	45,395	259.5	59,368	30.8	78,581	32.4	102,944	31.0	124,150	20.6
All State totals	53,482	176,416	229.9	225,443	27.8	306,628	36.0	399,064	30.1	487,845	22.2
Real disposable personal income (millions of 1954 dollars):											
Statewide branch banking‡	—	44,589		48,520	8.8	60,321	24.3	72,991	21.0	84,208§	15.4 △
Limited branch banking	—	106,346		119,074	12.0	140,069	17.6	158,886	13.4	174,989§	10.1 △
Unit banking	—	54,298		60,136	10.8	69,769	16.0	82,485	18.2	91,994§	11.5 △
All State totals	—	205,233		227,730	11.0	270,159	18.6	314,362	16.4	351,191§	11.7 △

* Branch law classification used is that which appeared in The National Banking Review, 1, March, 1964, p. 341. The basis for classification was pragmatic, rather than statutory.

† Alaska and Hawaii excluded until admission as states.

‡ Alaska and Hawaii excluded.

§ 1963 data.

△ 1960-1963.

Sources:

Banking office data—Office of the Comptroller of the Currency, Annual Report, various years. Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues. Board of Governors of the Federal Reserve System, Banking and Monetary Statistics, 1943.

Population and personal income data—Department of Commerce, Statistical Abstract of the United States, various years.

Disposable personal income data—Department of Commerce, Survey of Current Business, April, 1965.

Table 8

Mergers * under the Bank Merger Act, 1960, in which the resulting institution was a National Bank, classified by size of acquiring and acquired banks, through June 30, 1965

Acquiring Bank †	Acquired Banks					
	Assets less than $10 million	Assets $10 million to $24.9 million	Assets $25 million to $49.9 million	Assets $50 million to $99.9 million	Assets $100 million or over	Total
Assets less than $10 million	49					49
Assets $10 million to $24.9 million	63	6				69
Assets $25 million to $49.9 million	52	14	4			70
Assets $50 million to $99.9 million	54	19	7	1		81
Assets $100 million or over	99	60	24	13	8	204
Total	317	99	35	14	8	473 ‡

* Includes all forms of acquisition.

† For this classification, the bank with the larger total assets in each transaction was considered to be the acquiring bank.

‡ 459 transactions were included. Since six of these involved three banks and four involved four banks, 473 banks were absorbed in the 459 transactions.

Table 9

U. S. Commercial bank failures,* 1952-1965

Year	Number of bank failures				Bank failure rate per 10,000 banks		Business failure rate per 10,000 firms
	National	State insured	State Noninsured	Total	National	State insured	
1952	0	3	1	4	0	3.5	28.7
1953	0	2	1	3	0	2.3	33.2
1954	0	2	2	4	0	2.3	42.0
1955	2	3	0	5	4.3	3.5	41.6
1956	1	1	1	3	2.2	1.2	48.0
1957	0	1	1	2	0	1.2	51.7
1958	1	3	5	9	2.2	3.5	55.9
1959	0	3	0	3	0	3.5	51.8
1960	0	1	1	2	0	1.2	57.0
1961	2	3	4	9	4.4	3.5	64.4
1962	0	0	2	2	0	0	60.8
1963	0	2	0	2	0	2.3	56.3
1964	1	6	1	8	2.1	6.9	53.2
1965 (6 mo.)	2	3	1	6	—	—	—
Total	9	33	20	62			

* For insured banks, the figures show the number of cases requiring FDIC disbursements. For noninsured banks, the figures show the number of cases described by the FDIC as "noninsured bank failures."

Sources: Federal Deposit Insurance Corporation, **Annual Report**, 1952 through 1963, for bank data for those years. Bank data for 1964 and 1965 from FDIC, Report to the Comptroller of the Currency of Liquidation and Insurance Expenses, November 30, 1964 and supplement. Business failure data from **Economic Report of the President, 1965.**