



# The Answers of the American Bankers Association



9

IN REPLY TO A QUESTIONNAIRE OF  
THE UNITED STATES SENATE COMMITTEE  
ON BANKING AND CURRENCY



Published by the Research Council  
AMERICAN BANKERS ASSOCIATION  
22 EAST 40 STREET • NEW YORK, N. Y.

ADDITIONAL COPIES \$1.00

THE ANSWERS OF THE  
AMERICAN BANKERS ASSOCIATION

In reply to Part 9 of the Questionnaire of the Committee  
on Banking and Currency of the United States Senate  
Relative to Senate Resolution 125 of the 76th Con-  
gress, 1st Session, Authorizing the Committee to  
Conduct a Study and Hold Hearings to  
Consider and Recommend a National  
Monetary and Banking Policy



COMPILED UNDER THE SUPERVISION OF THE  
SPECIAL BANKING STUDIES COMMITTEE  
OF THE AMERICAN BANKERS ASSOCIATION

Published by the Research Council

AMERICAN BANKERS ASSOCIATION  
22 EAST 40 STREET • NEW YORK, N. Y.

April 1941

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## PREFATORY STATEMENT

The Administrative Committee of the American Bankers Association, at a meeting held April 21, 1940, authorized the president of the Association to appoint a committee of five to have charge of the preparation of any reports or material to be submitted in connection with hearings of the United States Senate Committee on Banking and Currency on a national monetary and banking policy, as provided for in Senate Resolution 125. This action was reported to and approved, April 23, 1940, by the American Bankers Association's Executive Council, in which, under the constitution of the Association, is vested the administration of its affairs in the interim between sessions of the General Convention.

Following the receipt by the Association of a communication from Senator Robert F. Wagner, chairman of the Committee on Banking and Currency, under date of May 18, 1940, inviting it to prepare replies to certain questions compiled by his committee, the president of the Association, Robert M. Hanes, named a Special Banking Studies Committee of five to study the subject matter of the questionnaire and supervise the preparation of responsive material on behalf of the Association.

Colonel Leonard P. Ayres, vice president of the Cleveland Trust Company, Cleveland, Ohio, chairman of the Research Council and of the Economic Policy Commission of the American Bankers Association, was designated as chairman of this committee and promptly organized it for work, the first meeting being held June 20, 1940. In October 1940, Colonel Ayres was called to Washington for military service, and W. Randolph Burgess, vice chairman of the board of The National City Bank of New York, was appointed to serve as chairman in

Colonel Ayres' stead during his absence. The other members of the committee are Raymond N. Ball, President Lincoln-Alliance Bank & Trust Company, Rochester, New York; Harry A. Bryant, President Parsons Commercial Bank, Parsons, Kansas; A. George Gilman, President Malden Savings Bank, Malden, Massachusetts, and S. H. Squire, President The Tiffin National Bank, Tiffin, Ohio; and the secretary, Gurden Edwards, Director Research Council and Secretary Economic Policy Commission, A.B.A.

The group of 86 questions directed to the American Bankers Association is divided into six parts as follows: I. Deposit Insurance, II. Supervision, III. Legal Status of Banks, IV. Earnings and Interest Payments, V. Bank Organization and Structure, VI. Credit Control. At the first meeting of the special committee in June 1940, sections of the questions were assigned to the members and the preparation of the studies and answers relative to them placed under their supervision. The facilities of the Research Council and other units in the general Association were placed at the disposal of the committee by Executive Manager Harold Stonier.

The secretary of the committee was directed to engage adequate technical assistance and have intensive studies prepared relative to each question, presenting (1) pertinent legal, statistical, and other factual material, (2) a digest of important authoritative opinion, and (3) tentative answer material. This preparatory background material was submitted by the secretary to the members of the committee and in cooperation with them proposed replies were drafted for the questions. As the proposed replies to each of the six groups of questions were completed they were submitted to the entire membership of the special committee and discussed at subsequent meetings. They were also submitted to the following groups in the Association:—

#### THE NATIONAL OFFICERS:

President, P. D. Houston, Chairman of the Board American National Bank, Nashville, Tennessee.

First Vice President, H. W. Koeneke, President The Security Bank of Ponca City, Ponca City, Oklahoma.  
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- W. Espey Albig, Secretary Commerce and Marine Commission.
- Dr. Paul F. Cadman, Economist.

Curden Edwards, Secretary Economic Policy Commission.

Dr. Ernest M. Fisher, Director Research in Mortgage and Real Estate Finance.

Thomas B. Paton, Assistant General Counsel.

Frank W. Simmonds, Secretary Bank Management Commission.

Gilbert T. Stephenson, Director Trust Research The Graduate School of Banking.

The proposed replies were also submitted to A. L. M. Wiggins, President Bank of Hartsville, Hartsville, South Carolina, Chairman Committee on Federal Legislation, A.B.A.; and to Thomas M. Steele, President First National Bank and Trust Company, New Haven, Connecticut, and R. E. Harding, President Fort Worth National Bank, Fort Worth, Texas, the two latter having been designated by the president of the National Bank Division to consult with the chairman of the special committee on points of specific national bank interest. Within the special committee, the president of the State Bank Division, Mr. Bryant, was designated to consult with representatives of that division in respect to points of specific state bank interest, and similarly Mr. Gilman, who was president of the Savings Division, 1939-40, was designated to represent the viewpoints of savings banking. In addition, from time to time a number of special points were discussed with others deemed especially qualified to advise upon them. The committee is deeply indebted to Charles P. Blinn Jr., Executive Vice President Philadelphia National Bank, Philadelphia, Pennsylvania, chairman of the Subcommittee on Section 5219 U. S. Revised Statutes of the Association's Committee on Federal Legislation, and to his associates on the committee, for an exhaustive study made of and replies prepared to the questions raised in respect to 5219 in question 4, subdivision D, section II of the questionnaire; also to the American Institute of Banking Research Committee, G. Fred Berger, Treasurer Norristown-Penn Trust Company, Norristown, Pennsylvania, chairman,



for cooperation in obtaining a cross section survey of banker experience relative to a number of points brought up in other questions.

The members of these various groups were asked by the special committee to review the proposed answers and submit criticisms or suggestions in regard to them. Numerous thoughtful and constructive replies were received and were considered by the committee in revising the proposed answers. These revisions were then resubmitted to the same groups and their replies again considered in preparing further revisions. On behalf of the Special Banking Studies Committee grateful acknowledgment is made to the many individuals who thus rendered it most valuable service in its endeavors to bring seasoned banking experience and judgment representative of all types of banking to its aid in preparing the answers in the following pages. While many suggestions became directly or indirectly part of the report as now drafted, there inevitably remained some differences of opinion among those consulted which could not be wholly harmonized. The report does, however, represent a substantial consensus among them.

This report is submitted with certain other qualifications. The facts presented and the conclusions drawn are based on information and conditions as of the time of the present writing. The answers were prepared by a group of bankers who are well qualified by experience and capabilities to present constructive replies to the questions propounded, and they were advised and assisted by the broader groups indicated above. However, it is not assumed that the results will receive unanimous approval among the 15,000 banking institutions of the country, operated by many men of diverse minds and interests, and subject to the great diversity of local economic and social environments which are characteristic of the dynamic and varied life of the United States as a whole. It is hoped that a broad expression of viewpoint from the banking profession will be called forth by this report.

The present report is limited to responses to the questions propounded by the Senate Committee on Banking and Cur-

rency in its printed questionnaire. The American Bankers Association desires to reserve the privilege of submitting supplementary statements and of presenting oral testimony relating to questions which may come before the committee.

P. D. HOUSTON, *President*

American Bankers Association

April 15, 1941.

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