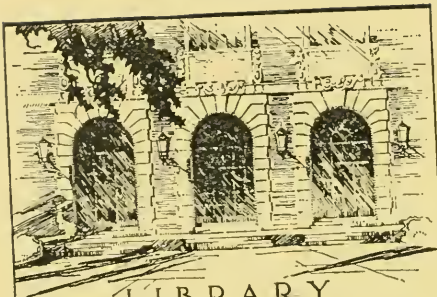


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BANKING TURNOVER  
AND FACILITIES  
IN ILLINOIS

(1937)

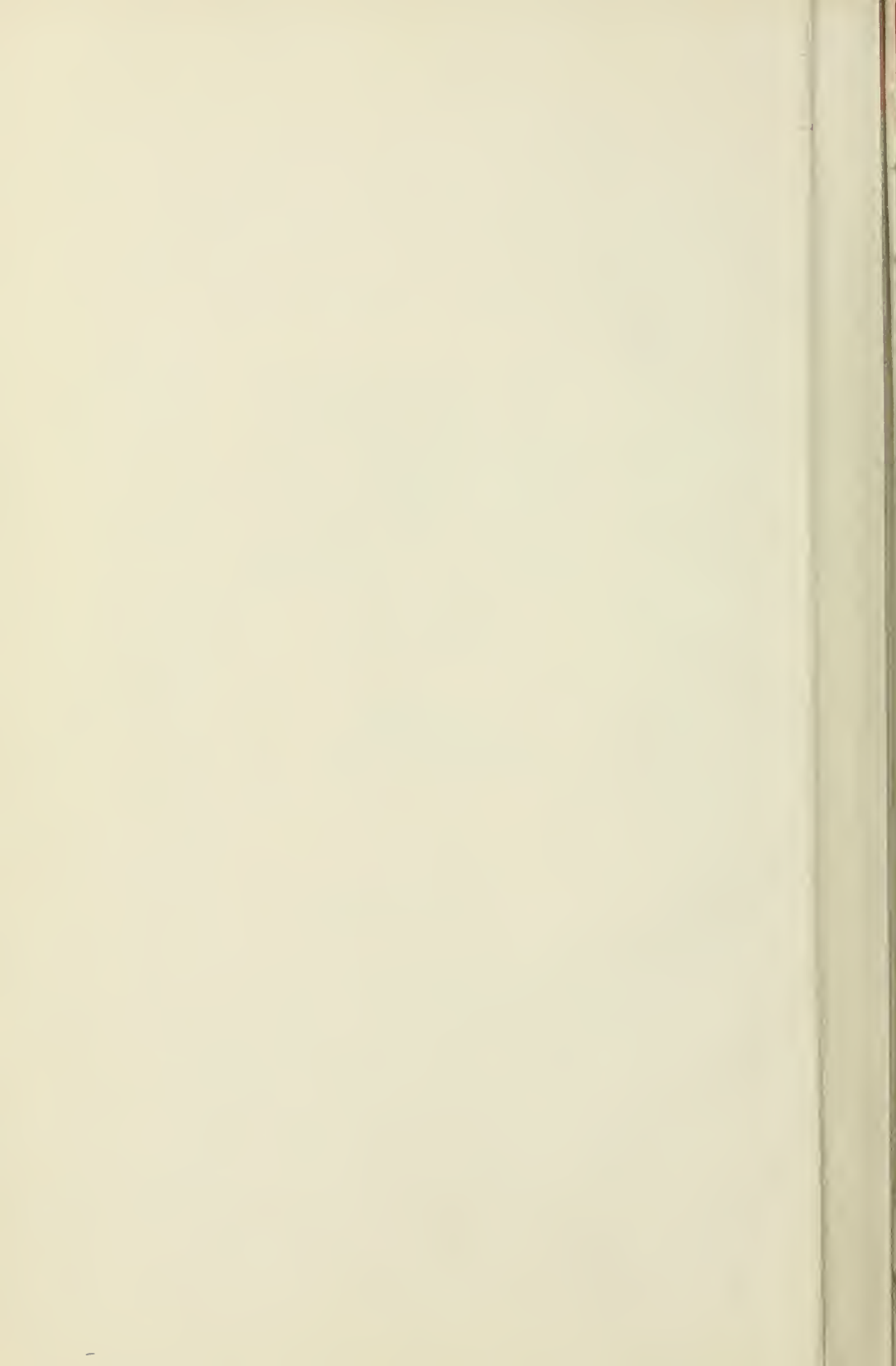


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BUREAU OF BUSINESS RESEARCH  
COLLEGE OF COMMERCE AND BUSINESS  
ADMINISTRATION

## BANKING TURNOVER AND FACILITIES IN ILLINOIS

BY

ARTHUR H. WINAKOR



BULLETIN No. 55

PUBLISHED BY THE UNIVERSITY OF ILLINOIS, URBANA

1937

It is the purpose of the Bureau of Business Research of the University of Illinois—

- (1) to study and as far as possible to explain economic and industrial conditions within the State;
- (2) to direct attention to experience-tested practices of good business management; and,
- (3) to investigate methods for securing the best executive control of business.

BUREAU OF BUSINESS RESEARCH

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BANKING TURNOVER AND FACILITIES  
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## PREFACE

The data upon which this study is based have been collected over a period of several years. Until recently, however, the time did not seem opportune for the publication of a banking study. Now that banking is in a relatively stable condition, it is possible to appraise past events and perhaps to make some surmises as to the future.

Within the past year or two an increasing number of studies have been published dealing with various aspects of banking. Some of these, such as the study of *Bank Chartering History and Policies of the United States* by the Economic Policy Commission of the American Bankers Association, have surveyed the situation in the entire country. There is ample need for more detailed studies of the numerous aspects of banking in the various states. Some of this latter type have already appeared. The present study has been undertaken in order to provide a better understanding of the situation in Illinois. Some of the ideas on chartering policies were suggested by the study first mentioned.

With little exception, the data for this study were taken from two main sources. For national banks the primary source has been the *Annual Reports of the Comptroller of the Currency*, including the *Individual Statements of Condition of National Banks*. In one or two instances these have been supplemented by the *Abstract of Reports of Condition of National Banks*. Data for state banks were taken mostly from the reports of the Auditor of Public Accounts entitled *Statements Showing Total Resources and Liabilities of Illinois State Banks*. Additional information regarding state banks was provided by the *Monthly Bulletin* issued by the Banking Department under the Auditor of Public Accounts.

Dr. Clive F. Dunham and Dr. Rexford C. Parmelee, formerly of the Bureau staff, aided with the initial work on this study. Later, parts of the work were done by John V. Machell, Jr., as well as other members of the Bureau staff, whose help has been very valuable.

ARTHUR H. WINAKOR

June, 1937

2000



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## I. INTRODUCTION

The present time seems particularly suitable for presenting certain studies of banking. Unit banking has apparently reached or completed a definite stage in its development. What the future holds in store is difficult to say. Analyses of past happenings, however, are always of value if they point out former weaknesses or in any way provide a background for the interpretation of current events. It would be a bold prognosticator, indeed, who would venture the supposition that our banking difficulties are all in the past. The failure of banking reforms of recent years to make any fundamental change in the nature and organization of the banking units and structure warrants a feeling of uncertainty as to the future. Such uncertainty prompts this study.

After the period when banks expanded both in numbers and in resources, and after the subsequent contraction and losses, there have occurred a series of reforms. The full effects of these measures have not yet had an opportunity to manifest themselves. The question of whether these reforms are of such a sort that they will avoid or remedy the weaknesses of the past is still unanswered. This comment is not made with the intention of minimizing recent banking reforms; rather the purpose is to assist in placing them in their proper setting for more adequate appraisal.

This study was undertaken with the purpose of adding some factual data to those available for answering such questions. The bulletin is confined to one section of the entire banking structure. Some of the major changes and influences in banking are omitted, not because they are unimportant, but because an analysis of them would extend the scope of the investigation beyond the facilities available.

This study, as the title indicates, is confined to banking in Illinois. Banking conditions in this state provide a particularly suitable medium for examination of banking problems and experience. For one thing, Illinois has experienced rather severe banking difficulties. Furthermore, it contains a relatively large proportion of the country's banks, including the large financial metropolis of Chicago, as well as rural areas with small banks. This is a true unit-banking state with restrictions against branch banking, and with limited group or chain banking development. In respect to certain policies of bank control, Illinois has been a rather serious offender in the past.

A brief section of the bulletin is devoted to the status of private banking in Illinois just prior to the state law of 1917 which abolished private banks and forced them either to take out state or national

charters, or to dissolve. These paragraphs provide a setting for the main study of corporate banks which follows.

The focus of the study is centered in changes in the numbers and kinds of banks throughout the period of years, 1921 to 1935. Emphasis is placed on such aspects of banks as turnover, consolidations, failures, and chartering policies. In other words, the picture presented concerns the changes of banking facilities in a broad sense, and is not confined to failures alone. The availability of banking facilities in various-sized communities is examined under conditions of changing trends in banking.

## II. PRIVATE BANKING IN ILLINOIS, 1917 TO 1921

In order to provide a background for later topics and also afford a convenient starting point in the recent banking development of the state, the banking situation that led to the passage of the state law abolishing private banks is briefly discussed.

Prior to January 1, 1921, Illinois had a banking system composed of national banks, state banks, and unincorporated private banks. Neither the state nor the federal government exercised control or supervision over these private banks. They were free to operate as they chose in so far as capital, types of loans made, kinds of investments, types of deposits, reserves, and the like, were concerned. Difficulties and abuses among the private banks led to insistence for reform. The remedy proposed took the form of the "Private Bank Bill,"<sup>1</sup> passed by the state legislature in 1917, approved by the people in 1918, and effective January 1, 1921.

This act abolished private banking. Since about three years intervened between the passage and the effective date of the act, it is evident that private bankers had some time to choose whether to cease operations, or to incorporate as state or national banks.

In June, 1918, there were 511 private banks in Illinois.<sup>2</sup> By 1919 the number had been reduced to approximately 400.<sup>3</sup>

Since 94 new state bank charters were granted from July, 1917, through June, 1919, it seems probable that many of the private banks had already changed over in accordance with the law.<sup>4</sup> Many more did likewise in the next year and a half. For the most part the private banks took out state rather than national charters.

Most of those private bankers who wished to continue in business took out state charters because of the very liberal provisions as to minimum capital requirements for state banks. In order to facilitate the change from private banking, the new act made it exceedingly easy for these banks to obtain charters. Effective December 1, 1920, the capital requirements set up in the law were as follows for incorporated places:<sup>5</sup>

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<sup>1</sup>Clarence F. Buck, *Illinois Blue Book, 1917-18*, p. 65.

<sup>2</sup>*Ibid.*, p. 65.

<sup>3</sup>Andrew Russel, *Illinois Blue Book, 1919-20*, p. 45.

<sup>4</sup>*Statement of Illinois State Banks*, December 31, 1921, pp. 24-25.

<sup>5</sup>"An Act to Revise the Law with Relation to Banks and Banking," *Banking Law, State of Illinois*, Auditor's Edition, 1921, pp. 8-9.

| <i>Population of<br/>Community</i> | <i>Minimum Capital<br/>Requirement</i> |
|------------------------------------|--|
| 500 or less.....                   | \$ 10,000                              |
| 501 to 1,500.....                  | 15,000                                 |
| 1,501 to 5,000.....                | 25,000                                 |
| 5,001 to 10,000.....               | 50,000                                 |
| 10,001 to 50,000.....              | 50,000 to \$100,000                    |
| More than 50,000.....              | 100,000 to 200,000                     |

For unincorporated places, whatever their size, a minimum capital of \$10,000 was permissible.

Prior to 1918 the minimum capital for state banks had been \$25,000 for communities of 5,000 population or less, \$50,000 if the population was 5,000 to 10,000, \$100,000 if the population ranged from 10,000 to 50,000, and \$200,000 if the population exceeded 50,000. An act which became effective in November, 1918, lowered the capital requirements in all groups except those with 5,000 to 10,000 population, in which the required capital was held at \$50,000. Unincorporated communities were permitted banks with as little as \$10,000 capital. Incorporated towns or villages with less than 1,500 population were permitted to have banks with as little as \$15,000 capital. A minimum capital of \$25,000 was authorized in towns and villages of from 1,500 to 5,000 persons. In towns of 10,000 or more the former requirements were cut in half, but there were restrictions as to the amounts of deposits which could be accepted with these minima. And, as was pointed out in the preceding paragraph, a still lower standard went into effect on December 1, 1920.

Thus it is evident that the provisions setting capital requirements had been lowered even before the passage of the bill to facilitate the incorporation of private banks. The law which became effective on December 1, 1920, further liberalized capital provisions, setting up two groups where previously there had been only one. Formerly the banks in incorporated places of less than 1,500 population were required to have a capital of \$15,000. The new act permitted minimum capital of \$10,000 in incorporated places of less than 500 population, the same amount as for unincorporated places. In towns and villages of 500 to 1,500 persons, banks had to have capital of at least \$15,000, just as they had before. The net result of these changes was the provisions which are shown in tabular form above.

These provisions, except for the modification in 1920, were in force from November, 1918, until December, 1924. They permitted a sharp lowering of the standards which had been in effect for many years prior, both as to minimum capital and as to size of community in which the smaller capital was permissible. These acts did not require a paid-in surplus in addition to the share capital of the banks.



Most of these changes were made in the interest of the small private banks. Without such changes in the law, many of them would have had no choice but to cease operating. There can be little doubt that the laxity of these laws gave rise to many bank difficulties in the following decade. Many of the private banks changed over to corporate banks, for the most part to state banks. Once having organized with a small capital, they were not obliged by later acts to increase the amount. Many of these small banks with meager capital funds were elements of weakness later. Insufficient capital to absorb unusual losses and lack of funds and market for adequate diversification contributed to their difficulties.

In 1918, 26 state banks in all were chartered. Only one of these had a capital of less than \$25,000, the law lowering capital requirements having been effective in only the last month of this year. In 1919 the movement from private to state banks is clear. In this year 124 charters were granted, 23 in Chicago and 101 downstate. All but six of the Chicago charters were for the minimum capital of \$100,000. Of the other 101 banks, 29 had capital of \$25,000, 3 had capital between \$15,000 and \$25,000, 21 had capital exceeding \$10,000 but not exceeding \$15,000, and 6 had capital of \$10,000. Thus, 30 of the 101 had organized with less than \$25,000 of capital stock.

The following year was the last during which private banks were permitted to operate and the last in which they could take out state or national charters. In the last month of this year the still lower capital provisions became effective in the incorporated towns of 500 or less population. In this calendar year, 1920, a total of 416 state charters was granted. This number was approximately 30 per cent of the total number of banks in operation at the end of 1920. All but 18 of these banks were chartered outside Chicago. Thirteen of the 18 in Chicago had minimum capital of \$100,000. Twenty-eight downstate banks chartered had \$10,000 capital, 73 had capital in excess of \$10,000 but not exceeding \$15,000, 17 had capital between \$15,000 and \$25,000, and an additional 130 had \$25,000 capital.

There was a marked decline in the new state charters for 1921, after the effective date for abolishment of private banks; 50 were issued, of which 22 were for Chicago banks. Fourteen banks in Chicago organized with \$100,000 capital. Ten banks outside Chicago were of \$15,000 capital or less.

In the three years from 1919 to 1921 inclusive, Illinois granted 590 charters, 63 to Chicago banks and 527 to banks outside Chicago. This figure of 590 represented an unprecedented growth in state banks. On January 1, 1919, there had been 854 state banks in operation. The new

charters granted amounted to 69 per cent of the 854. Although a few banks were removed by failure, consolidation, and the like, during this period, the number was relatively small.

On January 1, 1919, there had been 96 state banks in Chicago, so that the 63 new charters were 66 per cent of the earlier total. Down-state, the 527 new charters were 70 per cent of the 758 banks operating at the beginning of the period.

A comparison of the banks taking out state charters during this period that were the direct successors of private banks with all other state banks operating at this time was made, in order to see what their relative success was over a period of years. For this purpose all private banks in Illinois that were listed in Polk's *Bankers Encyclopedia* for September, 1918, were examined. A total of 524 private bank offices were found, a few of which were branches of private banks. By the time the prohibition of private banking became effective in 1921, a total of 79 of these were no longer in operation. Sixty-three of the 79 had discontinued business, 11 had consolidated with other banks, and 5 had lost their identity by being absorbed into other banks.

This left 445 of the private banks which continued to function under state and national charters. Only 12, however, took out national charters. The remainder, 433, were incorporated under state charters.

At the end of 1921 there were 1,897 state and national banks operating in Illinois besides 2 in temporary suspension. By the end of 1935 only 723 of these were left; the remainder of 1,176, or 61.9 per cent, had gone out of business. Of the 445 former private banks, 271, or 60.9 per cent, were gone by the end of 1935. In this respect the private banks did as well as all banks. Since only a few of the former private banks took out national charters, it may be fairer to compare them with state banks. Of the 1,400 state banks operating at the end of 1921, 62.3 per cent were gone by the end of 1935. State banks that had not recently been private banks lost almost 63 per cent of their number between 1921 and 1935.

In each of these comparisons the former private banks seem to have done as well or slightly better than the other banks. The comparison is not clear-cut, but it does suggest that those banks that took out charters incidental to the private bank act were as well managed and had a survival power equal to that of the other chartered banks, most of which did not directly have their roots in former private banks.

The foregoing comparisons were made on the basis of banks gone for any reason, whether failure, consolidation, suspension, absorption, or liquidation. It is believed that more detailed examinations of these factors would not greatly change the inferences. In these former

private banks certain elements were present that are frequently lacking among many of the incorporated banks. One is the factor of family name and prestige. Many of the private banks were owned by old, established families. Even after incorporation, family responsibility and independence asserted themselves. No doubt, too, certain valuable lessons of experience had been learned by these old bankers. Incorporation and supervision probably gave these banks a higher stability than they might otherwise have attained.

These comparisons suggest that the banking difficulties of later years were more fundamental than the question of weaknesses introduced by private banks with small capital. No doubt these did add an element of weakness, but it was only one factor among many and should not be singled out for undue criticism.

Minimum capital requirements for new state banks were exceedingly low from November 30, 1918, to November 1, 1924, particularly in the period from December 1, 1920, to November 1, 1924. These were the periods in which most private banks took out state charters. But there were also a number of entirely new banks organized at this time that took advantage of the exceedingly low capital requirements. As will be pointed out in later pages, new banks apparently are less stable than old, hence these might have introduced an unstable quality because of both their size and their newness.

The banks chartered between November 30, 1918, and November 30, 1924, were classified into those incorporated prior to December 1, 1920, and those on or after that date. In the first of these two periods 284 new state banks were organized, 66 of these with less than \$25,000 capital, of which 50 were formerly private bankers and 16 newly organized concerns. Twenty-eight of the private bankers, or 56 per cent, chose the minimum capital permitted when they incorporated; eleven of the newly organized concerns, or 69 per cent, had the minimum capital. Only 8 of the 66 banks had over \$15,000 capital, and none had over \$20,000.

In the second part of the period, when capital requirements were even more liberal, 260 state banks were chartered; 102 of these had less than \$25,000 capital. Although the minimum capital remained at \$10,000, it became possible to organize a bank of this size in incorporated places with as little population as 500 or less. Of the 102 banks, 84 were traced to former private banks, and 18 were evidently new bank outlets. Only 40 of the total, or approximately 40 per cent, incorporated at the minimum capital for the town in which they operated. Six of these were new banks and 34 were former private banks. Thus about 40.5 per cent of the private bankers incorporated with

minimum capital as compared with 60 per cent in the earlier period, even though requirements were somewhat lower in this later period.

Though relatively fewer were chartered with the minimum, most of them were nevertheless very small. Of the 62 chartered with more than the required minimum capital, only 17 had more than \$15,000 of capital stock. In this respect there was no significant variation between newly organized banks and the successors of private banks. Fifteen of the 17 banks whose capital stock exceeded \$15,000 employed \$20,000, and one employed \$24,000.

### III. BANKING TURNOVER IN ILLINOIS, 1921 TO 1935

Because of the prestige which for years has been associated with financial institutions, they have been looked upon as far more stable than they are as a matter of fact. It is not uncommon to see studies of the turnover and mortality of retail and other types of establishments. The same approach and point of view are here applied to the banks of Illinois. In this manner a fairly adequate picture may be obtained of banking stability or instability.

A summary of the banks in operation in Illinois in the past fifteen years is contained in Table I. For state and national banks combined the picture shown is one of declining numbers. From 1,897 in operation in 1921, the number rose to a peak of 1,912 in operation in 1922, after which there was an uninterrupted decline to 875 in 1933, and a slight increase since then to 890 in 1935. This was a shrinkage of 53.1 per cent in the number from 1921 to 1935. The trends for the changes in numbers of state banks and national banks are similar, except that the losses of the former were more severe. The percentage change from 1921 to 1935 was a decline of 57.8 per cent for state banks as compared with 39.8 per cent for national banks.

These figures give no clue to the actual number of banks which were in operation within this entire period. Actually there were 2,278 different banks in operation at some time in these fourteen years. If this total number is used as the basis of comparison, then the actual loss in number of banks in the period becomes 60.9 per cent. For state banks the number of different banks was 1,637, and the revised percentage of loss is 63.9. The revised total of national banks is 641 and the percentage of loss, 53.4. These figures include as losses banks which failed, consolidated, converted from state to national, or vice versa. They do not in every case represent the loss of a bank, but they do indicate the exceptionally rapid rate of turnover of banks, usually regarded as stable. Since the number of transfers from one system to the other was small, the losses in bank numbers are attributable primarily to the other factors mentioned. The problems opened by this paragraph will be pursued in greater detail in later pages.

Some other interesting information is to be found in Table I. In Cook county the number of banks continued to increase while the number of downstate banks steadily declined. There was a steady increase in the banks in Cook county from 261 in 1921 to 337 in 1928. The same trend is found for both state and national banks, although national banks reached their peak one year later. The entire number of banks in Cook county increased by 29.1 per cent from 1921 to 1928;



TABLE I  
NUMBER OF STATE AND NATIONAL BANKS OPERATING IN ILLINOIS, COOK COUNTY,  
AND DOWNSTATE, 1921 TO 1935

(Data as of December 31 of each year or for the last call as reported in *Individual Statements of National Banks*)

| Year | All Banks |       |          | Cook County Banks |       |          | Downstate Banks |       |          |
|------|-----------|-------|----------|-------------------|-------|----------|-----------------|-------|----------|
|      | Total     | State | National | Total             | State | National | Total           | State | National |
| 1921 | 1,897     | 1,400 | 497      | 261               | 221   | 40       | 1,636           | 1,179 | 457      |
| 1922 | 1,912     | 1,411 | 501      | 270               | 229   | 41       | 1,642           | 1,182 | 460      |
| 1923 | 1,911     | 1,407 | 504      | 286               | 241   | 45       | 1,625           | 1,166 | 459      |
| 1924 | 1,902     | 1,402 | 500      | 293               | 246   | 47       | 1,609           | 1,156 | 453      |
| 1925 | 1,898     | 1,394 | 504      | 303               | 253   | 50       | 1,595           | 1,141 | 454      |
| 1926 | 1,872     | 1,379 | 493      | 321               | 271   | 50       | 1,551           | 1,108 | 443      |
| 1927 | 1,836     | 1,347 | 489      | 331               | 280   | 51       | 1,505           | 1,067 | 438      |
| 1928 | 1,816     | 1,328 | 488      | 337               | 283   | 54       | 1,479           | 1,045 | 434      |
| 1929 | 1,765     | 1,283 | 482      | 331               | 274   | 57       | 1,434           | 1,009 | 425      |
| 1930 | 1,589     | 1,145 | 444      | 303               | 248   | 55       | 1,286           | 897   | 389      |
| 1931 | 1,294     | 912   | 382      | 197               | 156   | 41       | 1,097           | 756   | 341      |
| 1932 | 1,079     | 742   | 337      | 124               | 99    | 25       | 995             | 643   | 312      |
| 1933 | 875       | 612   | 263      | 98                | 73    | 25       | 777             | 539   | 238      |
| 1934 | 898       | 606   | 292      | 99                | 69    | 30       | 799             | 537   | 262      |
| 1935 | 890       | 591   | 299      | 98                | 66    | 32       | 792             | 525   | 267      |

state banks alone increased by 28.1 per cent, as compared with 35.0 per cent for national banks. Measured relative to their number in 1921, by 1935 all banks in Cook county had declined by 62.5 per cent, and the state and national banks, respectively, had fallen off by 70.1 per cent and 20 per cent.

The actual number of different banks operating in Cook county was 439, of which 84 were national and 355 were state. By 1935 only 22.3 per cent of the 439 were still operating. For state and national banks, the comparable figures were 18.6 per cent and 38.1 per cent, respectively.

The situation in Chicago was not essentially different from that in Cook county as a whole, although the turnover of banks was even more rapid. In 1921 the city had 27 national banks and 155 state banks, a total of 182. By 1935 there were 21 national and 34 state, a total of 55 banks. These figures indicate that 77.8 per cent of the national banks, 21.9 per cent of the state banks, and 30.2 per cent of all banks in Chicago in 1921 were operating in 1935. The adjusted figures show that the numbers of different banks in operation within the period studied were 61 national and 257 state, a total of 318. In the light of these figures, the percentage of banks operating in 1935 to the total banks chartered or operating at any time from 1921 to 1935 makes a much poorer showing. The adjusted figures indicate that the numbers operating in 1935 were 34.4 per cent for the national, 13.2 per cent for the state, and 17.3 per cent for both combined.

TABLE II  
PERCENTAGE DECLINES IN NUMBER OF ILLINOIS BANKS, 1921 TO 1935

| Classification                                    | Illinois | Downstate | Cook County | Chicago |
|---|----------|-----------|-------------|---------|
| A. Based on Number Operating, End of 1921         |          |           |             |         |
| State.....  | 57.8     | 55.5      | 70.1        | 78.1    |
| National.....                                     | 39.8     | 41.6      | 20.0        | 22.2    |
| Total.....  | 53.1     | 51.6      | 62.5        | 69.8    |
| B. Based on Entire Number Operating Within Period |          |           |             |         |
| State.....  | 63.9     | 59.0      | 81.4        | 86.8    |
| National.....                                     | 53.4     | 52.1      | 61.9        | 65.6    |
| Total.....  | 60.9     | 56.9      | 77.7        | 82.7    |

The remaining figures in Table I show the numbers of banks operating in the downstate counties. The trends are quite similar to those for the entire state. Except for interruptions in one or two years the number of banks in operation steadily declined. From the total of 1,636 downstate banks in 1921 to 792 in 1935 there was a loss of 51.6 per cent. The change in state banks from 1,179 in 1921 to 525 in 1935 was a loss of 55.5 per cent. National banks in this same period fell from 457 in 1921 to 267 in 1935, a decrease of 41.6 per cent.

There were approximately 100 more state and 100 more national banks operating in this period in downstate Illinois than Table I shows. If the basic figures are revised to allow for this greater turnover, the losses in bank numbers become 52.1 per cent for national banks, 59.0 per cent for state banks, and 56.9 per cent for both combined.

The various percentages which have been presented in the foregoing paragraphs are summarized in Table II. In each case the national banks had a distinctly more favorable record than the state banks. Downstate counties as a whole made a better showing than either Cook county or Chicago.

Comparisons of the figures in the upper and lower halves of the table indicate that those in the lower half, in every instance, reflect a greater loss in banks. The reason is that the figures in the lower half include all banks, irrespective of the length of time they operated, whereas the other set makes a comparison between 1921 and 1935 and overlooks any intervening changes. For national banks in Chicago and Cook county, the lower set of data reflects a much greater turnover of banks than the other. Although the numbers of national banks in operation in 1921 and 1935 were not greatly different, a number of national banks organized subsequent to 1921, as well as some operating at the end of 1921, had gone out of business by the end of 1935.

TABLE III  
PER CAPITA DEPOSITS OF STATE AND NATIONAL BANKS IN ILLINOIS, DOWNSTATE  
COUNTIES, COOK COUNTY, AND CHICAGO, 1921 TO 1935

| Year | Illinois | Downstate<br>Counties | Chicago | Cook County<br>excluding Chicago |
|------|----------|-----------------------|---------|----------------------------------|
| 1921 | \$395    | \$228                 | \$622   | \$205                            |
| 1922 | 446      | 240                   | 720     | 231                              |
| 1923 | 462      | 257                   | 732     | 260                              |
| 1924 | 514      | 264                   | 838     | 277                              |
| 1925 | 522      | 273                   | 843     | 290                              |
| 1926 | 528      | 274                   | 852     | 289                              |
| 1927 | 529      | 278                   | 845     | 298                              |
| 1928 | 556      | 287                   | 889     | 310                              |
| 1929 | 524      | 270                   | 841     | 272                              |
| 1930 | 518      | 237                   | 879     | 206                              |
| 1931 | 373      | 182                   | 626     | 112                              |
| 1932 | 305      | 144                   | 515     | 71                               |
| 1933 | 292      | 119                   | 510     | 72                               |
| 1934 | 378      | 155                   | 654     | 107                              |
| 1935 | 446      | 180                   | 771     | 141                              |

Another method by which the status of banking may be viewed is in terms of the deposits per bank. Related to this is the population of the area to be served.

The factor of deposits is analyzed next, followed by an analysis of population relative to banks.

Table III contains data regarding the average deposits per person in the entire state, in the downstate counties, in Cook county, in Chicago, and in Cook county exclusive of Chicago. For the state as a whole deposits per person steadily increased from \$395 in 1921 to \$556 in 1928. From that year to 1933 there was a continued decline to \$292, the lowest figure in the entire series. In 1934 and 1935, marked improvement brought the per capita deposits up to \$446, although they were still well below those of normal years.

Because the figures for Chicago heavily weight the totals for Illinois, they are shown separately. Many of the large banks in the Chicago money market receive deposits from outlying banks in Illinois and in other states, and in addition are bankers to large corporations. Thus they differ materially from most banks in Illinois.

Per capita bank deposits in Chicago showed a trend similar to that of the entire state, although on a higher level. Furthermore, the decline in per capita deposits from 1931 to 1933 was less severe and the recovery somewhat greater. In 1935 the deposit per person in Chicago was \$771 as compared with \$446 for the entire state.

If Chicago and the remainder of Cook county are omitted from the total for the state, the deposits per capita are much lower. The figures range from \$228 in 1921 to \$287 in 1928, followed by a decline to



\$119 in 1933. The recovery in 1934 and 1935 brought the figure back to \$180.

Cook county exclusive of Chicago reflects a peculiar trend. It shows a much wider range of fluctuation. Here the growth was from \$205 in 1921 to \$310 in 1928. The following slump was very severe, and only a minor recovery has occurred since. Each year after 1928 deposits per person declined, from \$310 in 1928 to \$71 in 1932. By 1935 the figure was \$141, only 45.5 per cent of the peak figure. If the 1921 figure is taken as a base, then the peak figure of 1928 was 51.2 per cent above, the low of 1932 was 65.4 per cent below, and the figure for 1935 was 31.2 per cent below the base.

Chicago maintained a better per capita figure than either the remainder of Cook county or all the other counties. Its 1935 figure was 24.0 per cent above that for 1921. Part of this showing may be due to the corporation and outlying bankers' balances on deposit in Chicago. It is quite evident, however, that the banks as a whole had lost a large element of deposits which they formerly carried.

There are a number of factors which account for these variations in per capita deposits. Besides the more obvious changes due to variations in price levels, population, and the like, there are more fundamental economic movements that have influenced banking and banking deposits. Among the latter one may mention banking failures with their influence upon confidence in solvent institutions, postal savings, and the depression influence upon the incomes and savings of the people.

Changes in price level have a definite effect upon deposits, particularly since a large part of the deposits represent business balances. Changes in volume of business and in price levels are reflected either in increasing or in decreasing deposits. Changes in employment, withdrawal of savings for consumption, and changes in wages largely influence savings deposits. As important as any of these factors is the opportunity provided by postal savings as a haven for scared money. In some communities such postal deposits exceed bank deposits. Then, too, certain communities which formerly had banks are now without such facilities. Part of the money formerly deposited in banks finds its way into the banks of neighboring towns, some into postal savings, and some is held on hand.

Perhaps a more direct analysis may be made by an examination of deposits in terms of banks rather than population. This has been done in Table IV, the first three columns of which give the average deposits for all state banks in Illinois, all national banks, and both combined.

TABLE IV  
AVERAGE DEPOSITS PER BANK FOR ILLINOIS, CHICAGO, AND ILLINOIS EXCLUSIVE OF  
CHICAGO, 1921 TO 1935  
(000 omitted)

| Year | Illinois    |                |           | Chicago     |                |           | Illinois Exclusive of Chicago |                |           |
|------|-------------|----------------|-----------|-------------|----------------|-----------|-------------------------------|----------------|-----------|
|      | State Banks | National Banks | All Banks | State Banks | National Banks | All Banks | State Banks                   | National Banks | All Banks |
| 1921 | \$1,085     | \$2,231        | \$1,385   | \$6,706     | \$26,748       | \$ 9,679  | \$386                         | \$ 822         | \$505     |
| 1922 | 1,263       | 2,446          | 1,573     | 7,825       | 29,554         | 11,044    | 418                           | 842            | 534       |
| 1923 | 1,319       | 2,608          | 1,659     | 7,532       | 28,211         | 10,690    | 454                           | 930            | 586       |
| 1924 | 1,552       | 2,826          | 1,887     | 9,070       | 30,022         | 12,324    | 486                           | 967            | 619       |
| 1925 | 1,633       | 2,840          | 1,953     | 9,423       | 28,812         | 12,485    | 507                           | 1,020          | 650       |
| 1926 | 1,686       | 3,012          | 2,035     | 9,199       | 29,143         | 12,296    | 521                           | 1,076          | 675       |
| 1927 | 1,722       | 3,180          | 2,110     | 8,856       | 29,844         | 12,121    | 550                           | 1,125          | 712       |
| 1928 | 1,783       | 3,612          | 2,274     | 8,785       | 33,113         | 12,682    | 585                           | 1,192          | 758       |
| 1929 | 2,011       | 2,851          | 2,241     | 10,638      | 21,973         | 12,611    | 558                           | 1,168          | 733       |
| 1930 | 2,237       | 3,155          | 2,494     | 12,274      | 24,843         | 14,554    | 523                           | 1,184          | 717       |
| 1931 | 2,111       | 2,480          | 2,220     | 15,849      | 23,584         | 17,359    | 438                           | 1,066          | 630       |
| 1932 | 1,063       | 4,644          | 2,182     | 8,927       | 90,105         | 24,711    | 397                           | 940            | 571       |
| 1933 | 1,023       | 6,224          | 2,586     | 10,902      | 85,428         | 32,984    | 369                           | 1,093          | 587       |
| 1934 | 1,324       | 7,331          | 3,276     | 14,712      | 88,870         | 41,197    | 476                           | 1,336          | 754       |
| 1935 | 1,638       | 8,428          | 3,919     | 18,901      | 100,010        | 49,870    | 584                           | 1,510          | 893       |

In 1921 the average deposit of state and national banks in Chicago was \$9,679,000. By 1924 the average had increased to the twelve-million figure, which it held through 1929. This relatively stable figure of deposits obscures the rapid increase in the number of Chicago banks, from 182 in 1921, to 231 in 1928. This increase in number tended to reduce the average deposits. With the rapid decline in number of banks which was in full swing by 1930, the deposits per bank mounted. This increase was due both to the smaller number of banks, and to the better survival power of the large banks, so that the deposits in terms of averages grew rapidly. By 1935 the average was \$49,870,000 in deposits per Chicago bank, or about five times the figure for 1921, and by far the largest of the entire period.

Although the trends of state and national bank deposits are quite similar, they do disclose some distinct variations. For the entire period national bank deposits averaged about four times the size of the state deposits. Some of the important movements in deposits were due to the occasional shifting of a large bank from a state to a national charter, or vice versa. The fluctuations in the average deposits of state banks were much wider than for the national banks.

The banks in Illinois outside Chicago, of course, average much smaller than the Chicago banks. Combined state and national banks outside Chicago had \$505,000 deposits in 1921. After a steady increase to \$758,000 in 1928 and a sharp decline to \$571,000 in 1932, their average deposits reached a new peak of \$893,000 in 1935.

Their averages are also influenced by changes in the numbers of banks, but these changes were less severe and radical than in Chicago. Nevertheless, the changing deposit figures are due to a decrease in total banks, and in recent years to business recovery and government policy. Quite clearly, even in the years prior to 1930, the average deposits per bank did not show a healthy growth, if recognition is given to the reduction in the number of banks among which to divide the total deposits.

The national banks ranged from two to three times the size of the state banks in their average deposits. Not only were the deposits of state banks smaller, but their fluctuations by way of losses were more severe. The average of \$369,000 for 1933 was below the 1921 figure of \$386,000. Two years later, however, the average deposits had jumped to \$584,000, which practically equalled the peak in 1928. National banks varied from \$822,000 in 1921, to a high of \$1,192,000 in 1928. The decline which set in reduced deposits to \$940,000 in 1932, which was still above the 1921 figure. This low point occurred one year earlier than for state banks, and the recovery which followed started earlier. In both 1934 and 1935, average deposits of national banks established new peaks.

These figures have dealt in averages. Just as there are many banks above these averages, so too there are many smaller banks. It is these smaller banks that are faced with the greatest problems. These are not new problems; they are the same as those which have proved themselves deterrents to profitable and successful small-bank operation in other years.

To list only a few, one may mention the small amount of earnings available to pay reasonable expenses and yield a fair return on the capital funds invested, without accepting poor quality loans or making hazardous investments.

Besides, there is the ever present danger that a loan or a few loans or investments may prove bad, and the small capital funds thus be impaired. Lack of sufficient high-grade loans, as well as inadequate diversification, is another reason for the relatively greater difficulties of successful operation of small as compared with large banks.

The automobile, by providing rapid transportation, has made it easy for the small-town business man to keep accounts in the larger centers. Chain stores have reduced the needs for local business loans. The continued decline of many small towns has reduced their population and at the same time decreased both the local activity and needs for business loans.

New kinds of competition have also developed from the many types of federal activities. Efforts of the federal government to provide loans at very low rates to farmers for short and long term needs, home mortgage purchases, and the like, have in one way or another been reflected in reductions of bank activities and earnings. In some respects these activities have helped banks out of difficulties; in others they have multiplied bank problems. Incessant pressure for lower interest rates, not only on loans to farmers, home owners, and others, but in the large money markets, with its reduction of yields on investment securities, has made it increasingly difficult for many banks, particularly the smaller institutions, to show a satisfactory volume of business or to earn a reasonable return on their capital.

A condensed summary of what happened to banks in Illinois from 1922 to 1935 inclusive, is found in Table V. The data in this table are in terms of numbers of banks. The first section of the table is for state and national banks combined. This is followed by separate summaries for state banks and for national banks.

Section A of the table shows the total number of banks operating in Illinois, at the last call in 1921, classified according to Chicago, the remainder of Cook county, and the downstate counties. All additions to these banks within the fourteen years are summarized. This information is followed by items showing the disposition of the banks in this same period of time.

In the fourteen-year period 379 banks were chartered and started operations. Only 362 of these were additions to the number of banks, since the other 17 represented new charters issued to former state and national banks which transferred from one system to the other. The entire number of banks operating in the period was 2,278. These consisted of 1,839 downstate banks, of which 201 were added subsequent to 1921; 318 Chicago banks, of which 136 were additions; and the remainder of 121 in Cook county, of which 42 were added. In Cook county and in Chicago the number of new banks chartered was relatively greater in comparison with the number formerly operating than in the downstate counties. In part this greater increase may have been justified by the rapid growth of the metropolitan area of Chicago.

From these totals of banks there are deducted the losses in bank numbers. Consolidations of one bank with another reduced the number of banks by 119, of which 51 were in Chicago, 8 in the remainder of Cook county, and 60 downstate. A somewhat smaller number of bank losses was attributable to absorption of one bank by another or to the assumption of debts and assets of one bank by another. There were 85 of these cases, 71 in downstate counties and 14 in Chicago. Besides

TABLE V  
SUMMARY OF TURNOVER OF ILLINOIS BANKS, 1922 TO 1935

| Item   | Total | Downstate | Cook<br>County<br>Outside<br>Chicago | Chicago |
|--|-------|-----------|--------------------------------------|---------|
| A. Total State and National Banks in Illinois          |       |           |                                      |         |
| Total banks operating, end of 1921.....                | 1,897 | 1,636     | 79                                   | 182     |
| Additions to banks:                                    |       |           |                                      |         |
| Restored in 1922.....                                  | 2     | 2         | ...                                  | ...     |
| New banks chartered.....                               | 362   | 193       | 40                                   | 129†    |
| Conversions from national or state.....                | 17    | 8         | 2                                    | 7       |
| Total additions.....                                   | 381   | 203       | 42                                   | 136     |
| Total operating, organized, etc.....                   | 2,278 | 1,839     | 121                                  | 318     |
| Losses:  |       |           |                                      |         |
| Consolidated with national or state.....               | 119   | 60        | 8                                    | 51      |
| Absorbed by national or state.....                     | 85    | 71        | ...                                  | 14      |
| Converted to national or state.....                    | 17    | 8         | 2                                    | 7       |
| Total consolidations, absorptions, & conversions.....  | 221   | 139       | 10                                   | 72      |
| Receivership.....                                      | 637   | 469       | 41                                   | 127     |
| Liquidation.....                                       | 417   | 343       | 18                                   | 56      |
| Suspension.....  | 74    | 59        | 7                                    | 8       |
| Conservatorship.....                                   | 39    | 37        | 2                                    | ...     |
| Total defunct.....                                     | 1,167 | 908       | 68                                   | 191     |
| Total losses (consolidations, absorptions, defunct) .. | 1,388 | 1,047     | 78                                   | 263     |
| Net number operating, end of 1935.....                 | 890*  | 792*      | 43*                                  | 55*     |
| *Suspended and restored.....                           | 51    | 46        | 2                                    | 3       |
| B. State Banks in Illinois                             |       |           |                                      |         |
| Total banks operating, end of 1921.....                | 1,400 | 1,179     | 66                                   | 155     |
| Additions to banks:                                    |       |           |                                      |         |
| Restored in 1922.....                                  | 2     | 2         | ...                                  | ...     |
| New banks chartered.....                               | 234   | 101       | 31                                   | 102     |
| Conversions from national.....                         | 1     | ...       | 1                                    | ...     |
| Total additions.....                                   | 237   | 103       | 32                                   | 102     |
| Total operating, organized, etc.....                   | 1,637 | 1,282     | 98                                   | 257     |
| Losses:  |       |           |                                      |         |
| Consolidated with state.....                           | 85    | 41        | 5                                    | 39      |
| Consolidated with national.....                        | 20    | 9         | 3                                    | 8       |
| Absorbed by state.....                                 | 3     | 3         | ...                                  | ...     |
| Converted to national.....                             | 16    | 8         | 1                                    | 7       |
| Total consolidations, absorptions, & conversions.....  | 124   | 61        | 9                                    | 54      |
| Receivership.....                                      | 471   | 331       | 34                                   | 106     |
| Liquidation.....                                       | 377   | 306       | 16                                   | 55      |
| Suspension.....  | 74    | 59        | 7                                    | 8       |
| Conservatorship.....                                   | ...   | ...       | ...                                  | ...     |
| Total defunct.....                                     | 922   | 696       | 57                                   | 169     |
| Total losses (consolidations, absorptions, defunct) .. | 1,046 | 757       | 66                                   | 223     |
| Net number operating, end of 1935.....                 | 591*  | 525*      | 32*                                  | 34*     |
| *Suspended and restored.....                           | 46    | 41        | 2                                    | 3       |
| C. National Banks in Illinois                          |       |           |                                      |         |
| Total banks operating, end of 1921.....                | 497   | 457       | 13                                   | 27      |
| Additions to banks:                                    |       |           |                                      |         |
| New banks chartered.....                               | 128   | 92        | 9                                    | 27†     |
| Conversion from state.....                             | 16    | 8         | 1                                    | 7       |
| Total additions.....                                   | 144   | 100       | 10                                   | 34      |
| Total operating, organized, etc.....                   | 641   | 557       | 23                                   | 61      |
| Losses:  |       |           |                                      |         |
| Consolidated with state.....                           | 1     | ...       | ...                                  | 1       |
| Consolidated with national.....                        | 13    | 10        | ...                                  | 3       |
| Absorbed by state.....                                 | 40†   | 31†       | ...                                  | 9       |
| Absorbed by national.....                              | 43†   | 38†       | ...                                  | 5       |
| Converted to state.....                                | 1     | ...       | 1                                    | ...     |
| Total consolidations, absorptions, & conversions.....  | 97†   | 78†       | 1                                    | 18      |
| Receivership.....                                      | 166   | 138       | 7                                    | 21      |
| Liquidation.....                                       | 40    | 37        | 2                                    | 1       |
| Suspension.....  | ...   | ...       | ...                                  | ...     |
| Conservatorship.....                                   | 39    | 37        | 2                                    | ...     |
| Total defunct.....                                     | 245   | 212       | 11                                   | 22      |
| Total losses (consolidations, absorptions, defunct) .. | 342   | 290       | 12                                   | 40      |
| Net number operating, end of 1935.....                 | 299*  | 267*      | 11                                   | 21      |
| *Suspended and restored.....                           | 5     | 5         | ...                                  | ...     |

†Same bank.

‡Includes one bank which continued under old charter.



there were 17 conversions from one system to another. Total losses in bank facilities by consolidations, absorptions, and conversions were thus 221, or 9.7 per cent. This indicates the small extent to which declines in bank outlets were due to orderly combining of bank assets and facilities.

By far the greater portion of changes in the number of banks was due to forced or involuntary reductions. These included receiverships, suspensions, conservatorships, and liquidations. Even these do not tell the complete story, since many of the 221 absorptions and consolidations no doubt had as their motive the assistance of one bank by another.

By the end of 1935 there were 1,167 defunct banks other than those lost by absorptions, consolidations, and conversions. These 1,167 were just about half (51.2 per cent) of the 2,278 banks which operated within the period. For the 101 downstate counties, the 908 defunct banks were slightly less than half of the total banks. In Chicago the 191 defunct banks were three-fifths of the total. And in the remainder of Cook county the defunct banks constituted more than half of all banks in operation in the period from 1922 to 1935 inclusive.

Of this total of 1,167 defunct banks, the largest group was accounted for by the 637 in receivership. The next largest group was those in liquidation, namely, 417.<sup>5</sup> The remaining two groups were small, 74 in suspension and 39 in conservatorship. Most of these were in the downstate counties.

Chicago accounted for nearly one-third of all bank consolidations in Illinois; it also contributed about one-sixth of losses from defunct banks. The same idea may be made clearer by comparing bank losses from voluntary and involuntary causes with the total number of banks. For the entire state, as has been mentioned, consolidations and absorptions equalled 9.7 per cent of the total banks. Defunct banks accounted for 51.2 per cent of the total. In the downstate counties consolidations and absorptions accounted for 7.6 per cent of the total banks as compared with 49.4 per cent defunct. Cook county, exclusive of Chicago, had percentages of 8.3 and 56.2, respectively. In contrast to these figures, consolidations, conversions, and absorptions in Chicago amounted to 22.6 per cent of the total banks. This figure was almost three times as high as in the remainder of the state. It suggests the dynamic character of banking in Chicago, as well as the opportunities for combining banking facilities in a large city. Defunct banks in Chicago

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<sup>5</sup>This group contains a few banks that liquidated voluntarily without loss to depositors, but their number is too small to impair the general situation reflected by the data.

amounted to 60.1 per cent of total banks, a moderately higher figure than for the remainder of Illinois.

If the percentages of bank losses from all reasons are combined, they amount to 60.9, 56.9, 64.5 and 82.7 per cent for the entire state, for the 101 counties, for Cook county, and for Chicago, respectively. Because of absorptions and consolidations, Chicago differs materially from the others. Subtracting these percentages from 100 gives the percentage of banks operating at the end of 1935. The actual numbers operating are given at the bottom of Section A. For the entire state the number was 890.

Even these figures give only a partial indication of bank changes. In addition to the gains and losses in bank numbers listed in the table, there were 51 banks which at some time after 1921 and before the end of 1935 had been suspended and then restored to good standing. For all practical purposes these 51 banks should be added to the 1,167 and the 1,388 to get the full measure of bank instability in these years. Practically all of these banks that were suspended and restored were in downstate counties.

Section B of Table V contains data of a similar order for state banks alone. It shows more clearly the gains from and losses to national banks. The total of 1,402 state banks operating at the beginning of 1922 was divided into 155 in Chicago, 66 in the remainder of Cook county, and 1,181 in downstate counties.

To these there were added 235 banks from 1922 to 1935 inclusive. One of these represented a conversion of a national to a state bank; the rest were newly chartered. Although these additions constituted less than 9 per cent of the number initially operating in the downstate counties, they approximated 50 per cent of the Cook county banks, and 66 per cent of the Chicago banks.

Losses in bank numbers have been divided into two groups. The first represents those cases in which the bank going out of business was either taken over by another or changed in form. These represent for the most part, mild, orderly, and voluntary bank changes, with little likelihood of losses to depositors. In fact, in most cases they are healthy changes and helpful to the banking structure.

Consolidations of one state bank with another removed 85 banks from the total. Consolidations of a state with a national bank removed another 20 units from independent status. Sixteen state banks converted to national banks. In all, 124 state banks were lost in these ways. These losses represented approximately 5 per cent of the downstate banks, 20 per cent of the Chicago banks, and 10 per cent of the banks in the remainder of Cook county.

Involuntary losses, due to receivership, liquidations, suspensions, and conservatorships, accounted for 922 banks that went out of the state system. This constituted 56.3 per cent of the total operating in the period. The percentages of defunct banks were 54.3 for downstate counties, 58.2 for Cook county exclusive of Chicago, and 65.8 for Chicago.

In addition to these changes in banks, 46 banks were suspended and then restored to good standing within the years 1922 to 1935. Practically all of these were in downstate counties.

In Section C of Table V the national bank data are summarized. At the end of 1921 there were 497 national banks in Illinois, 27 of which were in Chicago. A total of 144 national banks were added in the next 14 years, 16 of these banks representing conversions from state to national charters, and hence no change in total facilities. For the downstate counties the 100 additional banks amounted to more than 20 per cent of the 1921 number. In the case of Chicago banks, the 34 new charters exceeded the original number of 27. Even if the 7 state banks which converted to nationals are omitted, the charters issued to new national banks in Chicago between 1922 and 1935 equalled 100 per cent of the number operating at the end of 1921.

Losses of national banks in terms of numbers amounted to 342, made up of 97 consolidations, conversions, and absorptions and 245 defunct banks. This is in the ratio of about 2 voluntary bank changes to 5 banks in receivership, liquidation, suspension, or conservatorship. For the state banks the ratio was less than 1 to 7. Downstate national banks had about one voluntary loss to each 3 involuntary losses. In Chicago national bank consolidations and absorptions approached in number the losses through defunct banks. Cook county, excluding Chicago, had only one voluntary loss.

As a rule, the ratio of voluntary bank losses to involuntary losses was greater for the national banks and for the Chicago banks. A partial explanation is to be found in the fact that relatively more of the national banks operate in the cities, thereby affording greater opportunity for bank consolidations of a purely voluntary type, as well as making possible the assumption of assets and deposits of weak banks by the stronger. Chicago, both because of the dynamic character of its banking, and because of the opportunities for some banks to lend assistance to others, reported relatively more consolidations and absorptions for both state and national banks than the rest of Illinois.

Another series of facts evidencing the instability of banking in Illinois is contained in the data for Table VI and those immediately following. These tables present figures of a similar type, but for differ-



TABLE VI  
NUMBER OF BANKS OPERATING IN ILLINOIS AT THE END OF 1921, NEW BANKS  
SUBSEQUENTLY ORGANIZED, AND THE NUMBER OF EACH  
OPEN AND CLOSED, 1922 TO 1935

(Data are for December 31 of each year or last call as reported in *Individual Statements of National Banks*)

| Year | Old Banks     |        |       | New Banks      |        |      | All Banks             |        |       |
|------|---------------|--------|-------|----------------|--------|------|-----------------------|--------|-------|
|      | Total<br>1921 | Closed | Open  | Organ-<br>ized | Closed | Open | Organized<br>Plus Old | Closed | Open  |
| 1922 | 1,899*        | 18     | 1,881 | 31             | 0      | 31   | 1,930*                | 18     | 1,912 |
| 1923 | 1,899         | 57     | 1,842 | 70             | 1      | 69   | 1,969                 | 58     | 1,911 |
| 1924 | 1,899         | 96     | 1,803 | 104            | 5      | 99   | 2,003                 | 101    | 1,902 |
| 1925 | 1,899         | 120    | 1,779 | 124            | 5      | 119  | 2,023                 | 125    | 1,898 |
| 1926 | 1,899         | 178    | 1,721 | 161            | 10     | 151  | 2,060                 | 188    | 1,872 |
| 1927 | 1,899         | 231    | 1,668 | 181            | 13     | 168  | 2,080                 | 244    | 1,836 |
| 1928 | 1,899         | 278    | 1,621 | 212            | 17     | 195  | 2,111                 | 295    | 1,816 |
| 1929 | 1,899         | 341    | 1,558 | 239            | 32     | 207  | 2,138                 | 373    | 1,765 |
| 1930 | 1,899         | 514    | 1,385 | 274            | 70     | 204  | 2,173                 | 584    | 1,589 |
| 1931 | 1,899         | 765    | 1,134 | 287            | 127    | 160  | 2,186                 | 892    | 1,294 |
| 1932 | 1,899         | 950    | 949   | 304            | 174    | 130  | 2,203                 | 1,124  | 1,079 |
| 1933 | 1,899         | 1,150  | 749   | 334            | 208    | 126  | 2,233                 | 1,358  | 875   |
| 1934 | 1,899         | 1,158  | 741   | 370            | 213    | 157  | 2,269                 | 1,371  | 898   |
| 1935 | 1,899         | 1,176  | 723   | 379            | 212    | 167  | 2,278                 | 1,388  | 890   |

\*Two banks in suspension in 1921 were restored in 1922.

ent detailed groups. The first table is for the entire state, both state and national banks, combined. This is followed by data in separate tables for all state banks, all national banks, Chicago banks, and those outside Chicago.

Table VI provides a basis for examination of banks and policies from several view-points. First, there are shown the total number of banks operating at the end of 1921 and the losses in these banks by years through 1935. Then figures are presented for newly chartered banks in the same periods as well as the losses therein. In this manner a comparison is possible between the numbers of old and new banks lost. It is possible further to analyze the bank-chartering policies.

The first column in Table VI shows that 1,899 banks, both state and national, were operating in 1922. The second column gives cumulative totals of the numbers of these banks that were gone in each year. The third column gives the difference between the first two, or the number operating at the end of each year. Cumulative figures through 1935 indicate that of the original 1,899, only 723 were left in 1935. The remainder, 1,176, had failed, merged, consolidated and lost their identity, or otherwise disappeared. Thus, 61.9 per cent of the banks operating in Illinois in 1922 were gone by 1935.

In the meantime, however, there was a continual succession of new banks being opened. Between 1921 and 1928 over two hundred new

TABLE VII  
 TURNOVER OF NEW AND OLD BANKS IN ILLINOIS, 1922 TO 1935: PERCENTAGE OF  
 BANKS GONE BY THE END OF EACH YEAR TO NUMBER OF BANKS IN  
 OPERATION AT THE BEGINNING OF THE YEAR

| Year | Old Banks | New Banks | All Banks |
|------|-----------|-----------|-----------|
| 1922 | 0.9       | 0         | 0.9       |
| 1923 | 2.1       | 3.2       | 2.1       |
| 1924 | 2.1       | 5.8       | 2.3       |
| 1925 | 1.3       | 0         | 1.3       |
| 1926 | 3.3       | 4.2       | 3.3       |
| 1927 | 3.1       | 2.0       | 3.0       |
| 1928 | 2.8       | 2.4       | 2.8       |
| 1929 | 3.9       | 7.7       | 4.3       |
| 1930 | 11.1      | 18.4      | 12.0      |
| 1931 | 18.1      | 27.9      | 19.4      |
| 1932 | 16.3      | 29.4      | 17.9      |
| 1933 | 21.1      | 26.2      | 21.7      |
| 1934 | 1.1       | 4.0       | 1.5       |
| 1935 | 2.4       | ...*      | 1.9       |

Source: Data contained in Table VI.

\*Because of the restoration of one bank in 1935, the number of new banks closed was smaller in 1935 than in 1934.

banks were chartered, or more than one for every ten in operation in 1922. In fact, the 212 new charters issued by 1928 were not far below the losses of the original 1,899 banks, which by 1928 amounted to 278. By the end of 1935, the total new charters were 379 in number and represented the equivalent of about one-third of the losses from the original 1921 group.

But in the intervening years, while these new banks were being chartered, some of them were also failing, consolidating, or otherwise going out of business. Even by 1928, 17 of the 212 new banks had gone out of business; by 1935, 55.9 per cent of these 379 newly chartered banks were gone. When it is considered that these 379 banks operated on the average less than half as long as the original 1,899, since they were all chartered after the year 1921, the percentage of newly chartered banks which were gone by 1935—namely, 55.9—is very high when compared with the 61.9 per cent of the 1,899 banks which started out in 1922.

In fact, there was a much greater turnover among these new banks than among those which were operating in 1922. This was shown in the following manner. The number of banks gone by the end of each year was divided by the number of banks in operation at the beginning of each year. These figures are summarized in Table VII. In five of the fourteen years, the percentages of new banks gone to the new banks operating at the first of the year were less than the comparable figures for the old banks. In the remaining nine years the percentages

of banks gone were greater for the new than for the old banks. Furthermore, the percentage gone was much larger for new banks than for old banks in the nine years, whereas there were only slight differences in the percentages in those five years when new banks gone were relatively less than old banks.

In 1924, for example, the old banks gone by the year end were only 2.1 per cent as compared with 5.8 per cent for the new banks. In 1929 the percentages were 3.9 and 7.7 for old and new banks. In 1932 they were 16.3 and 29.4 for old and new banks, respectively. And in 1934 the percentages were 1.1 and 4.0.

Another way of showing this greater turnover among the new banks is to compare the total number of years that the banks could have operated had they remained in operation in the entire period studied, or from their organization if chartered after 1921, with the total years they actually functioned. On this basis the old banks operated 73.6 per cent of the possible total years contrasted with 64.6 per cent for banks chartered subsequent to 1921. Clearly, on any basis, the turnover among new banks was more rapid and the risks of new ventures greater.

The combined figures which are given in the last three columns of Table VI show that there were 2,278 banks operating at some time during the years 1922 to 1935, that 890 were still operating at the end of 1935, and that the difference of 1,388, or 60.9 per cent, were gone by the end of 1935. The percentages of banks gone to banks operating range from a minimum of 0.9 per cent in 1922 to a maximum of 21.7 per cent in 1933. In 1935, 2 per cent of the banks were gone by the year end.

The four tables which follow present the same data reclassified to disclose variations in bank turnover in state and national banks, and in Chicago banks and those outside Chicago. The record of new and old state banks in Illinois is contained in Table VIII.

There were 1,402 state banks operating early in 1922. By the end of 1928 more than one out of each six, or 229, were closed. With numerous bank failures in following years, the number of banks gone by the end of 1935 was 874, or 62.3 per cent of the original number. For a time new banks were organized almost as fast as the old went out of business. By the end of 1928, 170 new charters had been issued, or somewhat less than the 229 lost among the older banks. Since 1930 very few new state banks have been chartered. The numbers of state banks operating, however, both old and new, have continued to decline. No doubt, an important factor in this record is to be found in the relatively greater attractiveness of national than of state bank charters.

TABLE VIII  
NUMBER OF STATE BANKS OPERATING IN ILLINOIS AT THE END OF 1921, NEW  
BANKS SUBSEQUENTLY ORGANIZED, AND THE NUMBER OF EACH  
OPEN AND CLOSED, 1922 TO 1935  
(Data as of December 31 of each year)

| Year | Old Banks     |        |       | New Banks      |        |      | All Banks             |        |       |
|------|---------------|--------|-------|----------------|--------|------|-----------------------|--------|-------|
|      | Total<br>1921 | Closed | Open  | Organ-<br>ized | Closed | Open | Organized<br>Plus Old | Closed | Open  |
| 1922 | 1,402*        | 17     | 1,385 | 26             | 0      | 26   | 1,428*                | 17     | 1,411 |
| 1923 | 1,402         | 52     | 1,350 | 58             | 1      | 57   | 1,460                 | 53     | 1,407 |
| 1924 | 1,402         | 81     | 1,321 | 85             | 4      | 81   | 1,487                 | 85     | 1,402 |
| 1925 | 1,402         | 102    | 1,300 | 98             | 4      | 94   | 1,500                 | 106    | 1,394 |
| 1926 | 1,402         | 145    | 1,257 | 130            | 8      | 122  | 1,532                 | 153    | 1,379 |
| 1927 | 1,402         | 192    | 1,210 | 148            | 11     | 137  | 1,550                 | 203    | 1,347 |
| 1928 | 1,402         | 229    | 1,173 | 170            | 15     | 155  | 1,572                 | 244    | 1,328 |
| 1929 | 1,402         | 281    | 1,121 | 191            | 29     | 162  | 1,593                 | 310    | 1,283 |
| 1930 | 1,402         | 414    | 988   | 218            | 61     | 157  | 1,620                 | 475    | 1,145 |
| 1931 | 1,402         | 609    | 793   | 228            | 109    | 119  | 1,630                 | 718    | 912   |
| 1932 | 1,402         | 750    | 652   | 234            | 144    | 90   | 1,636                 | 894    | 742   |
| 1933 | 1,402         | 856    | 546   | 235            | 169    | 66   | 1,637                 | 1,025  | 612   |
| 1934 | 1,402         | 858    | 544   | 235            | 173    | 62   | 1,637                 | 1,031  | 606   |
| 1935 | 1,402         | 874    | 528   | 235            | 172    | 63   | 1,637                 | 1,046  | 591   |

\*Two banks in suspension in 1921 were restored in 1922.

Losses, conversions, consolidations, and other deductions, had reduced the number of operating banks from among those chartered since 1921 to 63 at the end of 1935. The remainder of 172, or 73.2 per cent of the total of new charters granted in the period, were gone by the end of 1935. This was a very poor showing, even after allowance is made for the unusual circumstances and economic conditions. A number of these new banks were no doubt organized as promotional schemes, with little intention that they would remain in business.

Examination of the number of banks gone by the end of each year in comparison with the number operating at the beginning of the year again suggests the greater turnover of new than of old banks. In the fourteen years from 1922 to 1935 inclusive, the percentages of banks gone to total operating banks were distinctly larger for new banks than for old banks in all years except five. In no year were more than 20 per cent of the old banks gone, whereas for four consecutive years from 20 to 30 per cent of the new banks went out of business each year.

According to the number of years that these banks could have operated had they remained in business, the old banks operated on the average 72.2 per cent of this potential total. The new banks operated 60.7 per cent of their possible maximum.

Combined figures for all state banks indicate that there were 1,637

TABLE IX

NUMBER OF NATIONAL BANKS OPERATING IN ILLINOIS AT THE END OF 1921, NEW BANKS SUBSEQUENTLY ORGANIZED, AND THE NUMBER OF EACH OPEN AND CLOSED, 1922 TO 1935

(Data as of December 31 or last call as reported in *Individual Statements of National Banks*)

| Year | Old Banks     |        |      | New Banks      |        |      | All Banks             |        |      |
|------|---------------|--------|------|----------------|--------|------|-----------------------|--------|------|
|      | Total<br>1921 | Closed | Open | Organ-<br>ized | Closed | Open | Organized<br>Plus Old | Closed | Open |
| 1922 | 497           | 1      | 496  | 5              | 0      | 5    | 502                   | 1      | 501  |
| 1923 | 497           | 5      | 492  | 12             | 0      | 12   | 509                   | 5      | 504  |
| 1924 | 497           | 15     | 482  | 19             | 1      | 18   | 516                   | 16     | 500  |
| 1925 | 497           | 18     | 479  | 26             | 1      | 25   | 523                   | 19     | 504  |
| 1926 | 497           | 33     | 464  | 31             | 2      | 29   | 528                   | 35     | 493  |
| 1927 | 497           | 39     | 458  | 33             | 2      | 31   | 530                   | 41     | 489  |
| 1928 | 497           | 49     | 448  | 42             | 2      | 40   | 539                   | 51     | 488  |
| 1929 | 497           | 60     | 437  | 48             | 3      | 45   | 545                   | 63     | 482  |
| 1930 | 497           | 100    | 397  | 56             | 9      | 47   | 553                   | 109    | 444  |
| 1931 | 497           | 156    | 341  | 59             | 18     | 41   | 556                   | 174    | 382  |
| 1932 | 497           | 200    | 297  | 70             | 30     | 40   | 567                   | 230    | 337  |
| 1933 | 497           | 294    | 203  | 99             | 39     | 60   | 596                   | 333    | 263  |
| 1934 | 497           | 300    | 197  | 135            | 40     | 95   | 632                   | 340    | 292  |
| 1935 | 497           | 302    | 195  | 144            | 40     | 104  | 641                   | 342    | 299  |

different banks operating for some time between 1922 and the end of 1935. These 1,637 banks operated on the average 71.0 per cent of the years which they might have operated since 1922 or their particular dates of organization.

In several ways national banks have shown a resistance to failure superior to that of state banks. Although this margin has been distinct, it has not been sufficient to place the national banks on a satisfactory basis in so far as their failures and turnover are concerned. Their showing has merely been better than that of state banks. Both types of banks have shown exceedingly high rates of mortality, instability, and turnover.

A classification of the national banks in Illinois by old and new banks is found in Table IX. Turning attention first to the 497 banks which were operating at the beginning of 1922, the table shows in the second column that these banks, just like the old state banks, encountered a continual shrinkage in their number. By the end of 1928, 9.9 per cent of the original 497 were gone. This was a much better showing than that of state banks, for by the end of 1928, 229 of the 1,402 state banks, or 16.3 per cent, were gone.

By the end of 1935, the old national banks had declined to 195, the remainder of 302 having gone out of business. The percentage of banks gone by the end of 1935 is only slightly different from the comparable figure for state banks.



New national banks organized subsequent to 1921 practically equalled the losses in numbers of the old, this situation continuing until 1928 and 1929. Beginning with 1933 the new charters granted to national banks increased rapidly, the number more than doubling from the 70 issued from 1922 to 1932 to 144 by the end of 1935. This was in sharp contrast to the new state charters, which increased by only one, from 234 at the end of 1932, to 235 at the end of 1935.

As already suggested, the old national banks showed a turnover almost as great as that of the old state banks. What is the situation with regard to the new banks, all but one of which have taken out national charters? Will this increase of national bank charters mean greater stability?

Attention is again directed to the fourth to sixth columns of Table IX, which disclose changes in newly chartered national banks. Although new national charters issued after 1929 did not keep pace with the losses in the years following, they increased at a very rapid rate because of the relatively more attractive charters offered. By the end of 1935, 144 new charters had been granted, and 40 of these banks, or 27.8 per cent, were gone. This is a very much lower figure than the 73.2 per cent for new state banks. Such a comparison, however, is very unfair to the state banks. As has been pointed out, most of the new national charters were granted from 1933 to 1935. These new nationals have not had an opportunity to show their mettle, nor did they operate under the trying conditions of the preceding years.

It is necessary to turn to some other measure of bank turnover to obtain a reasonably fair comparison between new state and new national banks. One such measure is the comparison of banks gone at the end of each year with the number operating at the beginning of each year. In this respect the new national banks had a lower rate of turnover than the state banks, but not a significantly better showing nor one which indicates a high degree of stability.

Prior to 1929 the percentages of banks gone in each year were not very large for either type of bank; the national banks, however, held a modest margin over the state banks. In 1929, new national banks gone at the year end amounted to 2.5 per cent of their number as compared with 9.0 per cent for state banks. In the years 1930 to 1934 inclusive, the percentages for state banks were 19.8, 30.6, 29.4, 27.8, and 6.1, respectively. For national banks the figures for the same years were 13.3, 19.1, 29.3, 22.5, and 1.7 per cent. Here again the national banks reflect a greater stability than the state banks, but their advantage is not very large. New national banks have been only moderately more stable than new state banks.

TABLE X

NUMBER OF STATE AND NATIONAL BANKS OPERATING IN ILLINOIS (EXCLUSIVE OF CHICAGO) AT THE END OF 1921, NEW BANKS SUBSEQUENTLY ORGANIZED, AND THE NUMBER OF EACH OPEN AND CLOSED, 1922 TO 1935

(Data as of December 31 or last call as reported in *Individual Statements of National Banks*)

| Year | Old Banks  |        |       | New Banks |        |      | All Banks          |        |       |
|------|------------|--------|-------|-----------|--------|------|--------------------|--------|-------|
|      | Total 1921 | Closed | Open  | Organized | Closed | Open | Organized Plus Old | Closed | Open  |
| 1922 | 1,717*     | 11     | 1,706 | 17        | 0      | 17   | 1,734*             | 11     | 1,723 |
| 1923 | 1,717      | 40     | 1,677 | 32        | 1      | 31   | 1,749              | 41     | 1,708 |
| 1924 | 1,717      | 68     | 1,649 | 50        | 3      | 47   | 1,767              | 71     | 1,696 |
| 1925 | 1,717      | 91     | 1,626 | 66        | 3      | 63   | 1,783              | 94     | 1,689 |
| 1926 | 1,717      | 148    | 1,569 | 91        | 7      | 84   | 1,808              | 155    | 1,653 |
| 1927 | 1,717      | 198    | 1,519 | 102       | 10     | 92   | 1,819              | 208    | 1,611 |
| 1928 | 1,717      | 240    | 1,477 | 121       | 13     | 108  | 1,838              | 253    | 1,585 |
| 1929 | 1,717      | 293    | 1,424 | 133       | 16     | 117  | 1,850              | 309    | 1,541 |
| 1930 | 1,717      | 448    | 1,269 | 156       | 40     | 116  | 1,873              | 488    | 1,385 |
| 1931 | 1,717      | 651    | 1,066 | 165       | 60     | 105  | 1,882              | 711    | 1,171 |
| 1932 | 1,717      | 806    | 911   | 178       | 82     | 96   | 1,895              | 888    | 1,007 |
| 1933 | 1,717      | 995    | 722   | 203       | 104    | 99   | 1,920              | 1,099  | 821   |
| 1934 | 1,717      | 1,004  | 713   | 235       | 106    | 129  | 1,952              | 1,110  | 842   |
| 1935 | 1,717      | 1,019  | 698   | 243       | 106    | 137  | 1,960              | 1,125  | 835   |

\*Two banks in suspension in 1921 were restored in 1922.

Another comparison may be made by examination of the number of years the national banks could have operated had they remained in business in comparison with the actual years of operation. The 497 old national banks operated 77.4 per cent of this potential total. The newly chartered national banks operated 76.0 per cent of their possible maximum years of life. These figures compare with 72.2 per cent for old state banks and 60.7 per cent for new state banks. All national banks had a percentage of 77.3 as against 71.0 per cent for all state banks.

The combined figures for state and national banks outside Chicago are contained in Table X. This table shows that there were 1,717 banks in operation at the beginning of 1922, of which 1,019 were gone by the end of 1935. The percentage of loss was 59.3, a much more favorable figure than for Chicago, as will be pointed out in later paragraphs. Throughout the entire period (after 1922) the new banks chartered were well below the old banks which were gone. For example, by the end of 1928, 240 old banks had gone out of business, but only 121 new charters had been issued. The net result of these changes was an almost continuous decline in the total number of old and new banks operating in downstate Illinois.

The 243 new charters issued from 1922 to 1935 equal about one-seventh of the 1,717 banks which were operating in 1922. Forty of the

TABLE XI  
NUMBER OF STATE AND NATIONAL BANKS OPERATING IN CHICAGO AT THE END OF  
1921, NEW BANKS SUBSEQUENTLY ORGANIZED, AND THE NUMBER OF  
EACH OPEN AND CLOSED, 1922 TO 1935

(Data as of December 31 or last call as reported in *Individual  
Statements of National Banks*)

| Year | Old Banks     |        |      | New Banks      |        |      | All Banks             |        |      |
|------|---------------|--------|------|----------------|--------|------|-----------------------|--------|------|
|      | Total<br>1921 | Closed | Open | Organ-<br>ized | Closed | Open | Organized<br>Plus Old | Closed | Open |
| 1922 | 182           | 7      | 175  | 14             | 0      | 14   | 196                   | 7      | 189  |
| 1923 | 182           | 17     | 165  | 38             | 0      | 38   | 220                   | 17     | 203  |
| 1924 | 182           | 28     | 154  | 54             | 2      | 52   | 236                   | 30     | 206  |
| 1925 | 182           | 29     | 153  | 58             | 2      | 56   | 240                   | 31     | 209  |
| 1926 | 182           | 30     | 152  | 70             | 3      | 67   | 252                   | 33     | 219  |
| 1927 | 182           | 33     | 149  | 79             | 3      | 76   | 261                   | 36     | 225  |
| 1928 | 182           | 38     | 144  | 91             | 4      | 87   | 273                   | 42     | 231  |
| 1929 | 182           | 48     | 134  | 106            | 16     | 90   | 288                   | 64     | 224  |
| 1930 | 182           | 66     | 116  | 118            | 30     | 88   | 300                   | 96     | 204  |
| 1931 | 182           | 114    | 68   | 122            | 67     | 55   | 304                   | 181    | 123  |
| 1932 | 182           | 144    | 38   | 126            | 92     | 34   | 308                   | 236    | 72   |
| 1933 | 182           | 155    | 27   | 131            | 104    | 27   | 313                   | 259    | 54   |
| 1934 | 182           | 154    | 28   | 135            | 107    | 28   | 317                   | 261    | 56   |
| 1935 | 182           | 157    | 25   | 136            | 106    | 30   | 318                   | 263    | 55   |

243 new charters were issued in the two years 1934 and 1935. The percentage of new banks gone by the end of 1935 was 43.6. On the basis of the actual number of years in which the new banks operated in comparison with the possible number in which they might have operated, it was found that these banks functioned 69.3 per cent of their potential total. The old banks operated 75.0 per cent of their total, thus showing a better record than the new banks. The total number of banks shown in the last column of Table X operated 74.6 per cent of their possible time. Of the 1,960 banks, 57.4 per cent were gone by the end of 1935.

Judging from the percentages of banks gone at the end of each year, the new banks again show a less stable condition than the old. In practically every year the percentage of new banks gone was more than that of old banks. For both types, however, the figures are well below those for Chicago banks.

Banks in Chicago, the data for which are summarized in Table XI, showed the most rapid rates of turnover. Only 25 of the 182 which were operating at the end of 1921 were left at the end of 1935. Until the end of 1931, new banks opened at a much more rapid rate than the old went out of business. Since 1931, only 14 new charters have been issued to Chicago banks. Only five charters have been granted since 1933. Nor did the new banks exhibit any better resistance than



the old. The percentage of old banks gone by the end of 1935 was 86.3 as compared with 77.9 per cent for the new.

If the years of operation are compared with the years in which the banks might have operated, the old banks in Chicago are found to have functioned 60.0 per cent of the possible maximum; the corresponding figure for new banks is 58.1 per cent.

The extraordinarily large number of new banks organized in Chicago is suggested by the fact that the number of 136 at the end of 1935 equalled more than three-fourths of the number operating at the end of 1921. Although one would naturally expect more changes in a large metropolitan area in the way of consolidations, mergers, absorptions, and the like, the exceedingly rapid changes could only indicate a condition of undesirable instability in the long run. The mere fact that banks were consolidating or otherwise reducing their number is not so much open to criticism as is the continual succession of new banks, which suggests speculative promotions.

Percentages of banks gone at the end of each year again suggest the less stable position of the new banks. Although new banks held an advantage prior to 1929, this was more than lost in the following years. From 1922 to 1928 the percentage of new banks gone did not exceed 5.3 in any year. In fact, in four years there were no losses, and in two additional years the losses were less than 2 per cent of the number operating at the beginning of each year. Old banks reported some banks gone in each year, the figures ranging from 0.6 per cent to 6.7 per cent.

Beginning with 1929, however, the situation was reversed, and the percentages of banks gone were magnified. The percentages of old banks gone were 6.9 in 1929, 13.4 in 1930, 41.4 in 1931, 44.1 in 1932, 28.9 in 1933, none in 1934, and 10.7 in 1935. For the new banks the corresponding percentages were 13.8, 15.6, 42.0, 45.5, 35.3, 11.1, and none in 1935.

From the foregoing paragraphs certain tentative conclusions may be drawn. First among these is the pronounced turnover of banks in all categories. The rate of turnover in old banks, however, was consistently exceeded by that for new banks, suggesting the inherent risks and greater speculative aspects of many new ventures. This is not unlike conditions which ordinarily prevail in merchandising and manufacturing establishments.<sup>6</sup>

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<sup>6</sup>Paul D. Converse, *Business Mortality of Illinois Retail Stores from 1925 to 1930*, Bulletin No. 41, Bureau of Business Research, University of Illinois, Urbana, 1932.

In appraising these conditions for old banks, i.e., those operating at the end of 1921, the great influx of corporate banks in the years just prior to this period, due to the prohibition against private banks, should not be overlooked. No doubt these former private banks and the many other small banks chartered in the years 1918 to 1924 prevented the "old" banks from making a better showing than they did.

A second important factor was the rapid and continued issuance of charters to new banks in the face of marked instability among both new and old banks. Charters were granted for both state and national banks, for Chicago and downstate banks. But the most liberal issuance of permits for new banks was found in Chicago, which had a less stable condition than the remainder of the state.

Banks in Illinois outside Chicago show a more favorable picture in several ways. Their turnover was less rapid, both for old and new banks. Furthermore the new charters issued were a smaller percentage of the downstate banks.

As between state banks and national banks, the latter seemed to be more stable. Nevertheless the margin in favor of the national banks was not large. Both types of banks showed an exceedingly high turnover, and both had a very large number of new additions to their ranks. In fact, relatively more new national banks than state banks were chartered.

The preceding tables have shown a very marked decline in numbers operating for the year 1933, which included the so-called Bank Holiday. All banks in Illinois were closed by proclamation of the Governor on March 4, 1933, two days before the national Bank Holiday. Subsequent to these involuntary closings, banks were permitted to reopen only if they were known to be solvent, or if they made the necessary readjustments in their capital structures to place them in sound condition.

One might assume that the reopening of banks under such conditions would disclose the relative condition of the various units, and that those that opened later would be the weaker. Numerous elements operated to weaken such inferences. In opening the banks, definite precedence was given to those in the Reserve Cities, then permission was granted to banks with clearing associations, and later to the small country banks. Furthermore, the tremendous pressure under which the reopenings functioned must have precluded the most satisfactory appraisal of each bank. The strict standards that were set for the reopening of banks, particularly in the case of national banks, aroused bankers and business men and resulted in political pressure for their relaxation. Although such limitations as the above vitiate an exact

comparison of banks reopened subsequent to the moratorium, they do not destroy much of the value of such an analysis.

A chronological record of bank reopenings subsequent to the moratorium is summarized in Table XII. On March 3, 1933, there were 1,026 banks operating in Illinois, of which 326 were in the national system and 700 in the state system.

From March 13, when the first reopenings were authorized, up to the end of 1935, a total of 876 of these banks were reopened and the remainder of 150 were not permitted to reopen. Of course, in between these two dates many of the 876 banks that reopened had made important necessary additions and readjustments in their capital and reorganized their assets. But recognizing this, the fact remains that by the end of 1935, 14.6 per cent had not been granted permission to operate; conversely, 85.4 per cent had been opened.

There was considerable variation, however, in the percentages of state and national banks which opened immediately and ultimately. By the end of 1935 the percentage of national banks which had reopened was 73.3 per cent. All 12 of the Chicago national banks opened in the first week. State banks were relatively slower in reopening, partly because of the larger number in downstate areas. By the end of 1935, however, a much larger percentage of state banks had reopened, namely, 91.0 per cent. Although all Chicago national banks reopened in the first week, only 56.1 per cent of Chicago state banks reopened so quickly, and 26.3 per cent had not opened by the end of 1935. In the remainder of Cook county and downstate a much larger percentage of state banks ultimately reopened, although less quickly than did national banks.

Another element which must be considered in this connection was that a relatively larger percentage of national banks were in the larger towns and cities (see Table XVII). This would warrant the expectation that national banks would open more rapidly than state banks, as was actually the case.

But the relatively greater frequency with which state banks had opened than national by the end of 1935 suggests markedly different policies. Either a larger percentage of national than of state banks did not wish to reorganize, or were not permitted to do so. The logical inference is that the standards for national bank reopenings were higher. This point is borne out by the analysis of what happened to these reopened banks. Before taking up this analysis, however, a few more comments are in order regarding the rate of bank reopenings.

In the six weeks from March 20 to April 30, 46.3 per cent of state banks reopened, as contrasted with 7.4 per cent for national banks.

TABLE XII  
REOPENING OF ILLINOIS BANKS AFFECTED BY THE MORATORIUM OF MARCH 4, 1933\*

| Date of Reopening                   | All Banks |         |                             |            | State Banks |         |                             |            | National Banks |         |                             |            |
|-------------------------------------|-----------|---------|-----------------------------|------------|-------------|---------|-----------------------------|------------|----------------|---------|-----------------------------|------------|
|                                     | Total     | Chicago | Cook County Outside Chicago | Down-state | Total       | Chicago | Cook County Outside Chicago | Down-state | Total          | Chicago | Cook County Outside Chicago | Down-state |
| Number operating March 3, 1933..... | 1,026     | 69      | 51                          | 906        | 700         | 57      | 40                          | 603        | 326            | 12      | 11                          | 303        |
| A. Number of Banks                  |           |         |                             |            |             |         |                             |            |                |         |                             |            |
| Changes subsequent to moratorium:   |           |         |                             |            |             |         |                             |            |                |         |                             |            |
| Opened by license or permit.....    | 876       | 54      | 44                          | 778        | 637         | 42      | 36                          | 559        | 239            | 12      | 8                           | 219        |
| March 13-19.....                    | 371       | 44      | 26                          | 301        | 171         | 32      | 19                          | 120        | 200            | 12      | 7                           | 181        |
| March 20-26.....                    | 142       | 1       | 6                           | 136        | 130         | 1       | 6                           | 124        | 12             | ...     | 1                           | 12         |
| March 27-April 2.....               | 73        | 1       | 2                           | 70         | 65          | 1       | 1                           | 63         | 8              | ...     | ...                         | 7          |
| April 3-9.....                      | 48        | ...     | 1                           | 47         | 45          | ...     | 1                           | 44         | 3              | ...     | ...                         | 3          |
| April 10-16.....                    | 27        | ...     | 1                           | 26         | 26          | ...     | 1                           | 25         | 1              | ...     | ...                         | 1          |
| April 17-30.....                    | 58        | 2       | 1                           | 55         | 58          | 2       | 1                           | 55         | ...            | ...     | ...                         | ...        |
| May.....                            | 79        | 2       | 5                           | 72         | 78          | 2       | 5                           | 71         | 1              | ...     | ...                         | 1          |
| June.....                           | 31        | ...     | 1                           | 30         | 28          | ...     | 1                           | 27         | 3              | ...     | ...                         | 3          |
| July-December.....                  | 32        | 3       | ...                         | 29         | 24          | 3       | ...                         | 21         | 8              | ...     | ...                         | 8          |
| January, 1934-December, 1935.....   | 15        | 2       | 1                           | 12         | 12          | 2       | 1                           | 9          | 3              | ...     | ...                         | 3          |
| Not allowed to reopen.....          | 150       | 15      | 7                           | 128        | 63          | 15      | 4                           | 44         | 87             | ...     | 3                           | 84         |
| B. Percentages of Total             |           |         |                             |            |             |         |                             |            |                |         |                             |            |
| Opened by license or permit.....    | 85.4      | 78.3    | 86.3                        | 85.9       | 91.0        | 73.7    | 90.0                        | 92.7       | 73.3           | 100.0   | 72.7                        | 72.3       |
| March 13-19.....                    | 36.2      | 63.9    | 50.3                        | 33.3       | 24.5        | 56.1    | 47.5                        | 19.8       | 61.3           | 100.0   | 63.6                        | 59.8       |
| March 20-26.....                    | 13.8      | 1.4     | 11.8                        | 12.7       | 16.3        | 1.8     | 15.0                        | 20.6       | 3.7            | ...     | 9.1                         | 4.0        |
| March 27-April 2.....               | 7.1       | 2.9     | 5.9                         | 14.1       | 18.3        | 3.5     | 7.5                         | 10.4       | 2.5            | ...     | ...                         | 2.3        |
| April 3-30.....                     | 15.7      | 2.9     | 8.9                         | 7.9        | 11.1        | 3.5     | 12.5                        | 11.8       | 1.2            | ...     | ...                         | 1.3        |
| May.....                            | 7.7       | ...     | 2.0                         | 3.3        | 4.0         | ...     | 2.5                         | 4.5        | ...            | ...     | ...                         | ...        |
| June.....                           | 3.0       | 4.3     | 2.0                         | 3.3        | 5.3         | ...     | 2.5                         | 3.5        | ...            | ...     | ...                         | 1.0        |
| July-December.....                  | 3.1       | ...     | 2.0                         | 3.2        | 1.7         | ...     | 2.5                         | 3.5        | ...            | ...     | ...                         | 2.6        |
| January, 1934-December, 1935.....   | 1.5       | 2.9     | 2.0                         | 1.3        | 1.7         | 26.3    | 10.0                        | 1.5        | ...            | ...     | ...                         | 1.0        |
| Not allowed to reopen.....          | 14.6      | 21.7    | 13.7                        | 14.1       | 9.0         | ...     | ...                         | 7.3        | 26.7           | ...     | 27.3                        | 27.7       |

\*All banks in Illinois were closed March 4, 1933, two days prior to the national moratorium.

Only 5.3 per cent of Chicago state banks reopened in this period and none of the national, since they had all been opened previously. In Cook county (excluding Chicago) 25.0 per cent of the state banks reopened in these six weeks, but only 9.1 per cent of the national banks. And for downstate counties 51.6 per cent and 7.6 per cent of state and national banks, respectively, reopened in this period. During the few months from May to December, 1933, inclusive, state bank reopenings continued in substantial volume, but national banks were relatively fewer.

In general a smaller proportion of national banks (except in Chicago) than of state banks reopened; but they opened in a much shorter interval of time. Furthermore, of the reopened banks, relatively more of the national banks remained open than of the state.

Of the 200 national banks shown in Table XII as having opened in the first week following the moratorium, all but seven were operating at the end of 1935. The disposition of these seven, which were all downstate, was as follows: 1 was absorbed by a state bank, 3 were absorbed by national banks, and 3 were liquidated. The following week 12 more national banks were authorized to open, of which 11 were still operating at the end of 1935. In the week of March 27 to April 2, 1933, a total of eight national banks reopened; seven of these were operating at the end of 1935. All together, of the 239 national banks reopened subsequent to the moratorium, 227 were still active at the end of 1935. These 227 represented 95.0 per cent of the 239.

For the state banks the record of subsequent survival was somewhat less favorable. Of the 700 state banks operating just prior to the moratorium, 637 had been authorized to reopen by the end of 1935, but only 577 of these were in operation at the end of 1935. Thus only 90.6 per cent of the 637 were operating.

In another respect the record of the state banks differs from that of the national banks. Those state banks that reopened in the first three weeks were less successful than the corresponding national banks. Although 95.9 per cent of the national banks that reopened in this period remained open by the end of 1935, only 88.0 per cent of the state banks were still functioning.

In another way the policies and operations of state and national banking departments may be contrasted. Of the 200 national banks reopened the first week of March 13 to 19 following the moratorium, 96.5 per cent were operating at the end of 1935. Of the total of 126 banks unopened in this week, only 34, or 27.0 per cent, were operating on this latter date. Evidently a national bank that did not open the



first week had a poor chance of reorganizing and reopening. It would appear that records from which to determine whether national banks should reopen were in effective condition.

As already mentioned, there were 171 state banks reopened in the week of March 13 to 19, of which 146, or 85.4 per cent, were operating at the end of 1935. Of the 529 remaining state banks, 466, or 88.1 per cent, subsequently reopened. Even 14 out of 65 state banks that were suspended as of March 3, 1933, reopened by the end of 1935. Thus the state banks, although slower in reopening, had a much better chance to reopen than the national. No doubt the number of state banks involved, as well as differences in records and severity of reopening standards, was a factor accounting for these variations.



#### IV. BANKING FACILITIES IN ILLINOIS TOWNS

In view of the severe losses in number of banks, both state and national, which have occurred, it is evident that many communities which formerly had banking facilities are no longer thus supplied by convenient local enterprises. Many other communities formerly provided with more than one bank outlet are now being served by perhaps one bank. Some of these changes, where they relieved over-banked areas, must be regarded as beneficial from the long-run point of view. Other communities, however, that are now without banking facilities may find their business somewhat handicapped.

There is a very definite relationship between the size or population of a community and the banking facilities which have been available to it. Table XIII, which accompanies this text, shows the total number of towns of various sizes in Illinois for 1920 and 1930. In comparison it gives the total number of towns of these sizes which had banking facilities in 1921, 1930, and 1935. In listing the total towns, all communities, both incorporated and unincorporated, were tabulated. These data were taken from the census reports, but were supplemented by *Rand McNally's Commercial Atlas of America* for 1922 and 1932, for the many very small communities not listed by the census.

A total of 3,739 towns and villages was found for 1920, and 4,160 for 1930.

In 1921 there were 1,042 communities in Illinois which had banks. By 1930 and 1935 the number had decreased to 939 and 655, respectively. The latter figure reflects a loss of banking facilities by 387 communities, or 37.1 per cent of those which had banks in 1921. There were 25 other communities that had banks subsequent to 1921, 6 of which were without facilities by 1930. In 1920 there were 1,362 communities which were without recognized population; in 1930, 1,605 were in this class. No banks were found in any of the communities without definite population figure in 1921, 1930, or 1935.<sup>7</sup>

The number of towns with banks in 1921 constituted 27.9 per cent of the total towns in the state. In 1930 the percentage of towns with banks had fallen to 22.6 per cent, and in 1935 the towns with banks were only 15.7 per cent of the entire number reported in the 1930 census and the Directory.

In 1921, 14 communities with less than 100 population had banking facilities. By 1930 the number had dropped to 11, and by 1935 to 8.

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<sup>7</sup>The data for the banks are as of 1921 and are compared with the population data as of 1920. Likewise, the banking data for both 1930 and 1935 are compared with the population for 1930, the year of the latest census.

TABLE XIII  
TOTAL NUMBER OF ILLINOIS TOWNS, CLASSIFIED ACCORDING TO SIZE, AND  
PERCENTAGE WITH BANKING FACILITIES, 1921, 1930, AND 1935

| Population           | Total Number of Towns |       | Number of Towns with Banks |      |      | Percentage of Towns with Banks to Total Number of Towns |       |       |
|----------------------|-----------------------|-------|----------------------------|------|------|---|-------|-------|
|                      | 1920                  | 1930  | 1921                       | 1930 | 1935 | 1921  | 1930  | 1935  |
| Total.....           | 3,739                 | 4,160 | 1,042*                     | 939  | 655  | 27.9  | 22.6  | 15.7  |
| No pop. given.....   | 1,362                 | 1,605 | ...                        | ...  | ...  | ...   | ...   | ...   |
| Less than 100.....   | 754                   | 914   | 14                         | 11   | 8    | 1.9   | 1.2   | .9    |
| 100- 199.....        | 359                   | 377   | 78                         | 69   | 37   | 21.7  | 18.3  | 9.8   |
| 200- 299.....        | 255                   | 259   | 130                        | 105  | 48   | 51.0  | 40.5  | 18.5  |
| 300- 399.....        | 187                   | 192   | 128*                       | 109  | 72   | 68.4  | 56.8  | 37.5  |
| 400- 499.....        | 121                   | 113   | 88                         | 79   | 47   | 72.7  | 69.9  | 41.6  |
| 500- 749.....        | 182                   | 182   | 145                        | 131  | 101  | 79.7  | 72.0  | 55.5  |
| 750- 999.....        | 111                   | 105   | 90                         | 80   | 51   | 81.1  | 76.2  | 48.6  |
| 1,000- 1,999.....    | 193                   | 176   | 158                        | 138  | 103  | 81.9  | 78.4  | 58.5  |
| 2,000- 4,999.....    | 123                   | 121   | 119                        | 106  | 91   | 96.7  | 87.6  | 75.2  |
| 5,000- 9,999.....    | 48                    | 58    | 48                         | 53   | 48   | 100.0   | 91.4  | 82.8  |
| 10,000-24,999.....   | 27                    | 34    | 27                         | 34   | 27   | 100.0   | 100.0 | 79.4  |
| 25,000-49,999.....   | 12                    | 15    | 12                         | 15   | 13   | 100.0   | 100.0 | 86.7  |
| 50,000 and over..... | 4                     | 8     | 4                          | 8    | 8    | 100.0   | 100.0 | 100.0 |
| Chicago.....         | 1                     | 1     | 1                          | 1    | 1    | 100.0   | 100.0 | 100.0 |

\*Two additional towns each had a suspended bank.

Thus about one community of this size out of 50 had a bank in 1921, as compared with about one out of each 100 in 1935. Except under unusual circumstances there is not the proper economic environment to support a bank in communities of this size.

In the towns with more than 100 population there is a marked increase in the percentage with banks. In the towns ranging from 200 to 300 and from 300 to 400 population, approximately one out of five and one out of three, respectively, had a bank in 1935. Nearly half of the towns with populations ranging from 400 to 2,000 had banking facilities in 1935.

There seems to be a noticeable change in the ratio of towns with banks to total towns when the population of 2,000 to 5,000 is reached. In 1935, 91 of the 121 towns in this group had a bank, or 3 out of every 4. As the larger towns are examined, there is a greater probability of finding one or more banks in each town. However, in the 5,000 to 10,000 population group only 48 of the 58 towns of this size reported in the 1930 census had banks in 1935. Even in the 10,000 to 25,000 population group, 7 out of 34 towns had no banks. Most surprising of all was the finding that 2 of the 15 towns with populations of 25,000 to 50,000 were without banks.

The figures in the table show the marked decline in the percentage of towns with banks to the total towns from 1921 to 1930, and to 1935. The severest losses in banking facilities occurred in the smaller com-

munities. If the number of towns with less than 500 population that had banks are combined, the total is 438 in 1921, and 212 in 1935, showing a loss of 51.6 per cent. This loss took place in the face of an actual increase in the total number of towns of this size from 1,676 to 1,855 (omitting those without designated population).

These figures are in marked contrast to those for larger towns. The towns with 500 to 5,000 population declined slightly in number, from 609 in 1920, to 584 in 1930. Five hundred and twelve of these had a bank in 1921, and 346 in 1935. This was a decline of 32.4 per cent, or decidedly less of a shrinkage in facilities than was found for the smaller communities. Thus the total towns in this group decreased as compared with an increase of smaller towns, but the loss of banking facilities was less than for the small towns.

A similar grouping of towns with populations of 5,000 or more shows that there were 92 in 1921 and 116 in 1930. All 92 towns had banks in 1920. Although not all of the 116 had banks in 1935, the number of towns with banks was larger in 1935 at 97 than the figure of 92 in 1920. These figures suggest the greater ability of large towns to support banks. The shrinkage in the percentages of towns with banking facilities is less as the size of town increases.

The decrease in the number of towns with some banking facilities was far less severe than the decline in the total number of banks. Many towns which formerly had more than one bank lost some of them, but this did not have such a blighting influence as a complete loss of all banks.

The data in Table XIV compare the number of banks, both state and national, with the number of towns which had banks, all classified by population of the town. The number of towns with banks declined from 1,042 in 1921 to 655 in 1935. In this same period the total number of banks declined from 1,897 to 890. The banks fell off more rapidly, so that, in comparison with an average of 1.8 banks per town in 1921, there were only 1.4 banks per town in 1935. These figures omit towns without any banking facilities.

Among those towns of less than 400 persons which had banks, only a few had more than one bank in 1921. None of this size had more than one bank in 1935. Whereas in 1921 many towns with more than 400 population and up to 1,000 had more than one bank per town, by 1935 few towns of 1,000 or less population had more than one bank. In 1921 there were 513 towns with less than 1,000 population which had one bank, 158 towns with two banks, and 2 with three banks. By 1935 there were 346 with one bank, 18 with two banks, and none with more than two.

TABLE XIV  
NUMBER OF ILLINOIS TOWNS WITH BANKS, TOTAL BANKS, AND BANKS PER TOWN OF  
VARIOUS SIZES, 1921, 1930, 1935

| Population            | Number of Towns<br>with Banks |      |      | Total Banks |       |      | Banks per Town |        |       |
|-----------------------|-------------------------------|------|------|-------------|-------|------|----------------|--------|-------|
|                       | 1921                          | 1930 | 1935 | 1921        | 1930  | 1935 | 1921           | 1930   | 1935  |
| Total .....           | 1,042*                        | 939  | 655  | 1,897*      | 1,589 | 890  | 1.82           | 1.69   | 1.36  |
| Less than 100 .....   | 14                            | 11   | 8    | 14          | 11    | 8    | 1.00           | 1.00   | 1.00  |
| 100- 199 .....        | 78                            | 69   | 37   | 80          | 69    | 37   | 1.03           | 1.00   | 1.00  |
| 200- 299 .....        | 130                           | 105  | 48   | 134         | 109   | 48   | 1.03           | 1.04   | 1.00  |
| 300- 399 .....        | 128*                          | 109  | 72   | 142*        | 114   | 72   | 1.11           | 1.05   | 1.00  |
| 400- 499 .....        | 88                            | 79   | 47   | 118         | 91    | 50   | 1.34           | 1.15   | 1.06  |
| 500- 749 .....        | 145                           | 131  | 101  | 201         | 164   | 109  | 1.39           | 1.25   | 1.08  |
| 750- 999 .....        | 90                            | 80   | 51   | 146         | 102   | 58   | 1.62           | 1.28   | 1.14  |
| 1,000- 1,999 .....    | 158                           | 138  | 103  | 276         | 201   | 124  | 1.75           | 1.46   | 1.20  |
| 2,000- 4,999 .....    | 119                           | 106  | 91   | 260         | 203   | 134  | 2.18           | 1.92   | 1.47  |
| 5,000- 9,999 .....    | 48                            | 53   | 48   | 135         | 121   | 76   | 2.81           | 2.28   | 1.58  |
| 10,000-24,999 .....   | 27                            | 34   | 27   | 103         | 88    | 49   | 3.81           | 2.59   | 1.81  |
| 25,000-49,999 .....   | 12                            | 15   | 13   | 73          | 62    | 38   | 6.08           | 4.13   | 2.92  |
| 50,000 and over ..... | 4                             | 8    | 8    | 33          | 50    | 32   | 8.25           | 6.25   | 4.00  |
| Chicago .....         | 1                             | 1    | 1    | 182         | 204   | 55   | 182.00         | 204.00 | 55.00 |

\*Two additional towns each had a suspended bank.

TABLE XV  
AVERAGE POPULATION PER BANK IN ILLINOIS TOWNS WITH BANKS, 1921,  
1930, AND 1935

| Population            | Average Population per Bank* |        |        |
|-----------------------|------------------------------|--------|--------|
|                       | 1921                         | 1930   | 1935   |
| Total .....           | 2,760                        | 4,010  | 6,675  |
| Less than 100 .....   | 50                           | 50     | 50     |
| 100- 199 .....        | 146                          | 150    | 150    |
| 200- 299 .....        | 243                          | 241    | 250    |
| 300- 399 .....        | 315                          | 335    | 350    |
| 400- 499 .....        | 336                          | 391    | 423    |
| 500- 749 .....        | 451                          | 499    | 579    |
| 750- 999 .....        | 539                          | 686    | 769    |
| 1,000- 1,999 .....    | 859                          | 1,030  | 1,246  |
| 2,000- 4,999 .....    | 1,602                        | 1,828  | 2,377  |
| 5,000- 9,999 .....    | 2,667                        | 3,285  | 4,737  |
| 10,000-24,999 .....   | 4,587                        | 6,761  | 9,643  |
| 25,000-49,999 .....   | 6,164                        | 9,073  | 12,829 |
| 50,000 and over ..... | 9,091                        | 12,000 | 18,750 |
| Chicago .....         | 14,845                       | 16,551 | 61,390 |

\*For 1921 the 1920 census figures are employed; for 1930 and 1935 the populations as of the 1930 census are used. For method of computation, see footnote 8.

In towns of more than 1,000 population there was a rapid increase in the number of banks per town, particularly in 1935. There was an average of less than two banks for towns with populations below 25,000. Although the average was below two banks per town, there were actually ten towns with as many as three banks each in towns with between 2,000 and 25,000 population.

Because of the dual movements in the number of banks on one hand and the shifts in population on the other, some rather significant changes have taken place in the population per bank. Although the data presented in Table XV give no recognition to the rural population, the results shown are sufficiently pronounced to justify rather clear conclusions.

In this table the populations of those towns of various sizes which had banks at the last date of call in each of the three years, 1921, 1930, and 1935, are compared with the number of banks in these towns in order to arrive at figures for population per bank. These data omit the country population as well as the population of all communities that had no bank at the end of each of the selected years.<sup>8</sup>

From this table it is readily seen that the town and city population per bank increases very markedly as the size of town increases. This condition holds good for each of the three years examined in Table XV. Even though the number of banks per town is larger in the larger towns, the population per bank increases rapidly.

Perhaps more significant are the changes from year to year in each of the size-groups of towns. In towns of the very smallest size no appreciable change from 1921 to 1930 and to 1935 is evident. The banks in towns of 300-399 population served an average of 315 persons in 1921, and 350 in 1935. As the larger-sized towns are examined, progressive increase in population per bank is noted for 1935 over both 1921 and 1930. Thus the figure for banks in towns of 1,000 to 1,999 population was 45 per cent greater in 1935 than in 1921. Banks in towns of 5,000 to 9,999 population had an average of 4,737 persons per bank in 1935 compared with 2,667 in 1921, or an increase of slightly over 75 per cent. Cities of 50,000 or more population (except Chicago) showed a more than 100 per cent increase in population per bank. In Chicago the increase per bank was more than three-fold.

These data suggest that not only have the banks in larger towns and cities enjoyed a vastly larger potential number of customers than the banks in smaller towns, but this comparative advantage has moved sharply in a direction still more favorable to the banks in large towns and cities.

Even though this table does not reflect country population and the population of many small and a few large towns without banks, it is evident that such data would not destroy its significance. Country

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<sup>8</sup>The population figures were computed from the mid-points of the class intervals rather than by tabulation of the individual town populations, thus avoiding considerable tedious work. Although less exact than the tabulation, any difference would have but a distinctly minor influence on the results of the table.



people and persons in small towns without banks tend to turn more to the towns of over 10,000 population for trading and banking facilities. This implies that the small banks in small towns are not getting the full impact of customers from other small towns which are now without banks, many of whom now go to larger cities.

It would seem that in towns of less than 2,000 population, farm customers are as likely to go to a bank in a town of 500 population as to one in a town of 300 population. Since most of the towns of less than 2,000 population have but one bank, there would be no division of the business among two or more banks. Thus, in the small towns the farm-trade factor would probably increase the figures shown in Table XV but would not change their relationships.

In the next table, number XVI, the towns have been grouped in larger population intervals and the banks classified according to size of town and number of banks in the town. Thus the number of banks in towns with only one bank are shown separately, the banks in towns where they had one direct competitor grouped together, and so forth.

In the lower half of the table percentages are presented which indicate the change from 1921 to 1935 in the number of banks according to size of town and the number of banks per town.

As previously pointed out, the 890 banks operating at the end of 1935 were 46.9 per cent of the 1,897 operating at the end of 1921. For towns of less than 500 population, the 215 banks operating were 44.1 per cent of the 488 operating in 1921. By similar comparisons it is found that the number of banks operating in 1935 relative to the number in 1921 increases as size of town increases, with the exception of Chicago, which had peculiar problems. Thus, although the 1935 banks were 44.1 per cent of the 1921 number in towns of less than 500, the percentage increased steadily to 56.9 per cent for towns of 10,000 or more population (exclusive of Chicago). From this showing the conclusion must be drawn that the loss in number of banks was less severe in the larger cities than in the smaller towns, again excepting Chicago, and that the loss of banking facilities was in inverse relation to the size of city or town. In Chicago, the losses were severe; only 30.2 per cent of the number of banks operating in 1921 were operating by 1935.

In the losses of banks in these years there was a shifting of many towns from two-bank towns to one-bank towns, and likewise from three-bank towns to two- and one-bank towns. Some of these shifts are shown in the details of Table XVI. Since most of the small towns of less than 500 population never had more than one bank, it was obvi-



TABLE XVI  
ILLINOIS BANKS CLASSIFIED ACCORDING TO POPULATION AND NUMBER OF  
BANKS IN TOWNS, 1921, 1930, AND 1935

| Bank-Town Groups                                  | Population of Towns |               |           |             |                                    |         |
|---|---------------------|---------------|-----------|-------------|------------------------------------|---------|
|   | Total               | Less than 500 | 500-1,999 | 2,000-9,999 | 10,000 or more (excluding Chicago) | Chicago |
| A. Number of Banks, 1921, 1930, and 1935          |                     |               |           |             |                                    |         |
| Total banks                                       |                     |               |           |             |                                    |         |
| 1921.....   | 1,897*              | 488*          | 623       | 395         | 209                                | 182     |
| 1930.....   | 1,589               | 394           | 467       | 324         | 200                                | 204     |
| 1935.....   | 890                 | 215           | 291       | 210         | 119                                | 55      |
| Number banks in towns with 1 bank                 |                     |               |           |             |                                    |         |
| 1921.....   | 585*                | 388*          | 173       | 24          | ...                                | ...     |
| 1930.....   | 624                 | 352           | 233       | 37          | 2                                  | ...     |
| 1935.....   | 515                 | 209           | 219       | 76          | 11                                 | ...     |
| Number banks in towns with 2 banks                |                     |               |           |             |                                    |         |
| 1921.....   | 684                 | 100           | 420       | 158         | 6                                  | ...     |
| 1930.....   | 472                 | 42            | 228       | 168         | 34                                 | ...     |
| 1935.....   | 226                 | 6             | 72        | 110         | 38                                 | ...     |
| Number banks in towns with 3 banks                |                     |               |           |             |                                    |         |
| 1921.....   | 198                 | ...           | 30        | 141         | 27                                 | ...     |
| 1930.....   | 150                 | ...           | 6         | 99          | 45                                 | ...     |
| 1935.....   | 51                  | ...           | ...       | 24          | 27                                 | ...     |
| Number banks in towns with more than 3 banks      |                     |               |           |             |                                    |         |
| 1921.....   | 430                 | ...           | ...       | 72          | 176                                | 182     |
| 1930.....   | 343                 | ...           | ...       | 20          | 119                                | 204     |
| 1935.....   | 98                  | ...           | ...       | ...         | 43                                 | 55      |
| B. Percentage of Banks in 1935 to Banks in 1921   |                     |               |           |             |                                    |         |
| Total banks.....                                  | 46.9                | 44.1          | 46.7      | 53.2        | 56.9                               | 30.2    |
| Number banks in towns with 1 bank.....            | 88.0                | 53.9          | 126.6     | 316.7       | (None in 1921)                     | ....    |
| Number banks in towns with 2 banks.....           | 33.0                | 6.0           | 17.1      | 69.6        | 633.3                              | ....    |
| Number banks in towns with 3 banks.....           | 25.8                | ...           | ...       | 17.0        | 100.0                              | ....    |
| Number banks in towns with more than 3 banks..... | 22.8                | ....          | ....      | ....        | 24.4                               | 30.2    |

\*Two additional towns each had a suspended bank.

ously impossible for the shift to be as important in them as in larger towns. It was only in the larger cities and towns which formerly had two or more banks that a shift to one-bank towns was possible.

The total number of banks in towns with one bank was 585 in 1921, increased to 624 in 1930, and then declined to 515 by 1935. The 1935 figure was 88 per cent of the 1921 figure. Obviously the losses in the one-bank towns were less than those of all the banks together. This fact was due in large part to the addition of many one-bank towns which formerly had two or more banks. As mentioned, however, in the towns of less than 500 population this could not have

been so important as in the larger towns. Nevertheless, that it was of some significance is indicated in the analysis of Table XVI. There were 50 towns of less than 500 population in 1921 which had two banks each, or a total of 100 banks. By 1935 only 3 towns had two banks. Many of those formerly with two now appear among the 515 one-bank towns.

Larger towns—i.e., those with 500 or more population—actually showed an increased percentage operating in 1935 over 1921 in the one-bank category. This was primarily attributable to additions to these groups and to losses of towns that formerly had more than one bank. For example, in the 500 to 1,999 population group there were 420 banks in towns with two banks in 1921, and only 72 of these were still in the two-bank town category by 1935. In this same group of towns there were 30 banks in 10 three-bank towns in 1921, and none in 1935.

The figures likewise show that whereas in 1921 all the towns of 10,000 population or more had more than one bank each, and only 3 towns had as few as two banks, by 1935 there were 11 with one bank and 19 with two banks. As contrasted with 203 banks in 40 towns with three or more banks each in 1921, there were only 70 banks in 18 towns with three or more banks in 1935.

The foregoing figures are based upon the total of state and national banks; they do not indicate the extent to which facilities are provided by one or the other type of institution. Such a breakdown of the banks is shown in Table XVII. The percentages for state and national banks in this table are based upon the figures presented in Table XVI.

As might be expected, the losses in the number of national banks were less severe than for state banks, so that the percentage of national banks to the total increased from 26.2 in 1921, to 27.9 in 1930, and 33.6 in 1935. A similar picture is found for towns with one bank, two banks, and so forth. There is a marked trend for the percentage of national to total banks to increase as the number of banks per town increases. Thus in 1935, national banks accounted for 24.7 per cent of the banks in one-bank towns, 44.7 per cent in two-bank towns, and 64.7 per cent in three-bank towns. The exception was in towns with four or more banks, in which national banks accounted for 38.8 per cent of the total.

Without doubt these figures reflect the factor of size of town, since the number of banks tends to increase as the size of town increases. Thus they reflect in part the tendency of national banks to be a more important factor in the larger towns. They also suggest the

TABLE XVII  
PERCENTAGE OF STATE AND NATIONAL BANKS IN ILLINOIS ACCORDING TO POPULATION AND NUMBER OF BANKS IN TOWNS

| Bank-Town Groups                      | Population of Towns |          |               |          |           |          |             |          |                                       |          |         |          |
|---------------------------------------|---------------------|----------|---------------|----------|-----------|----------|-------------|----------|---------------------------------------|----------|---------|----------|
|                                       | Total               |          | Less Than 500 |          | 500-1,999 |          | 2,000-9,999 |          | 10,000 or more<br>(excluding Chicago) |          | Chicago |          |
|                                       | State               | National | State         | National | State     | National | State       | National | State                                 | National | State   | National |
| Total banks                           |                     |          |               |          |           |          |             |          |                                       |          |         |          |
| 1921                                  | 73.8                | 26.2     | 91.6          | 8.4      | 71.7      | 28.3     | 57.2        | 42.8     | 59.8                                  | 40.2     | 85.2    | 14.8     |
| 1930                                  | 72.1                | 27.9     | 89.6          | 10.4     | 70.9      | 29.1     | 53.7        | 46.3     | 60.0                                  | 40.0     | 81.9    | 18.1     |
| 1935                                  | 66.4                | 33.6     | 89.8          | 10.2     | 70.4      | 29.6     | 47.1        | 52.9     | 50.4                                  | 49.6     | 61.8    | 38.2     |
| Banks in towns with 1 bank            |                     |          |               |          |           |          |             |          |                                       |          |         |          |
| 1921                                  | 88.7                | 11.3     | 92.5          | 7.5      | 82.1      | 17.9     | 75.0        | 25.0     | 50.0                                  | 50.0     | .....   | .....    |
| 1930                                  | 82.4                | 17.6     | 90.6          | 9.4      | 73.8      | 26.2     | 59.5        | 40.5     | 50.0                                  | 50.0     | .....   | .....    |
| 1935                                  | 75.3                | 24.7     | 90.4          | 9.6      | 71.7      | 28.3     | 47.4        | 52.6     | 54.5                                  | 45.5     | .....   | .....    |
| Banks in towns with 2 banks           |                     |          |               |          |           |          |             |          |                                       |          |         |          |
| 1921                                  | 68.4                | 31.6     | 88.0          | 12.0     | 67.9      | 32.1     | 56.3        | 43.7     | 100.0                                 | 32.4     | .....   | .....    |
| 1930                                  | 63.8                | 36.2     | 81.0          | 19.0     | 67.1      | 32.9     | 54.2        | 45.8     | 67.6                                  | 50.0     | .....   | .....    |
| 1935                                  | 55.3                | 44.7     | 66.7          | 33.3     | 66.7      | 33.3     | 49.1        | 50.9     | 50.0                                  | 50.0     | .....   | .....    |
| Banks in towns with 3 banks           |                     |          |               |          |           |          |             |          |                                       |          |         |          |
| 1921                                  | 57.6                | 42.4     | .....         | .....    | 66.7      | 33.3     | 57.4        | 42.6     | 48.1                                  | 51.9     | .....   | .....    |
| 1930                                  | 54.7                | 45.3     | .....         | .....    | 100.0     | .....    | 51.5        | 48.5     | 55.6                                  | 44.4     | .....   | .....    |
| 1935                                  | 35.3                | 64.7     | .....         | .....    | .....     | .....    | 37.5        | 62.5     | 33.3                                  | 66.7     | .....   | .....    |
| Banks in towns with more than 3 banks |                     |          |               |          |           |          |             |          |                                       |          |         |          |
| 1921                                  | 69.5                | 30.5     | .....         | .....    | .....     | .....    | 52.8        | 47.2     | 60.2                                  | 39.8     | 85.2    | 14.8     |
| 1930                                  | 72.3                | 27.7     | .....         | .....    | .....     | .....    | 50.0        | 50.0     | 59.7                                  | 40.3     | 81.9    | 18.1     |
| 1935                                  | 61.2                | 38.8     | .....         | .....    | .....     | .....    | .....       | .....    | 60.5                                  | 39.5     | 61.8    | 38.2     |

higher minimum capital requirements of national banks over state banks in earlier years, which, because it was difficult for small communities to support a fair-sized bank, frequently precluded them from having national banks.

This point becomes clearer if the totals for the towns of various size are examined. In towns of less than 500 population national banks accounted for 10.2 per cent of the total in 1935. This increased to 29.6 per cent for towns of 500 to 1,999 population, 52.9 per cent for towns of 2,000 to 9,999 population, and 49.6 per cent for towns of 10,000 or above, exclusive of Chicago. In Chicago, national banks were 38.2 per cent of the total. With minor exceptions, each of the percentages is larger than the comparable figures for 1921 and 1930. National banks have held their own better than state banks in towns of all sizes.

In each of the groups of one-bank towns by population size, the national banks increased their percentage to the total banks from 1921 to 1935. A similar rise in the percentage of national to total banks is found in the various sizes of towns with two banks. Except in the towns with 500 to 1,999 population, in which the cases were few, a similar tendency is again noted in the three-bank towns.

In the towns with four banks or more the same picture is found for the total although not in those of 10,000 population or over (exclusive of Chicago). Here state banks maintained their relative position quite well. Although Chicago has a very low proportion of national banks to total banks as compared with other towns in Illinois, it showed a marked difference in this respect. Whereas there was about one national bank for each six state banks in Chicago in 1921, by 1935 the ratio was one national to two state banks.

It is thus evident that over the period studied, in all sizes of towns and irrespective of the number of bank outlets, national banks showed a marked improvement in their number relative to the number of state banks.

A still more detailed tabulation of the number of towns classified according to their size and the number of banks in each is contained in Table XVIII, which analyzes the changes in the period from 1930 to 1935.

Section A is concerned with towns which had one bank both in 1930 and 1935. All together there were 624 towns of all sizes that had one bank each in 1930. By 1935 there were 515 towns with one bank each. The intervening items explain the difference. Of the 624 towns in 1930, by 1935, 245, or 39.3 per cent, were without a bank and 2 had two banks each. This left 377 of the original 624 still supplied with

TABLE XVIII  
CHANGES IN BANKING FACILITIES OF TOWNS IN ILLINOIS CLASSIFIED ACCORDING TO SIZE OF TOWNS AND NUMBER OF BANKS IN TOWNS AS OF 1935

| Changes in Bank-Town Groups                       | Totals | Population 1930 |           |             |               |   |
|---|--------|-----------------|-----------|-------------|---------------|---|
|   |        | Less than 500   | 500-1,999 | 2,000-9,999 | 10,000-49,999 | 50,000 and over<br>Excluding<br>Chicago |
| A. Towns with One Bank                            |        |                 |           |             |               |   |
| Number of towns with 1 bank in 1930.....          | 624    | 352             | 233       | 37          | 2             | ...                                     |
| Less: towns without banks in 1935.....            | 245    | 156             | 77        | 11          | 1             | ...                                     |
| towns with 2 banks in 1935.....                   | 2      | ...             | ...       | 2           | ...           | ...                                     |
| Number of towns still with 1 bank, 1935.....      | 377    | 196             | 156       | 24          | 1             | ...                                     |
| Add: towns without banks in 1930.....             | 6      | 3               | 1         | 2           | ...           | ...                                     |
| towns with 2 banks in 1930.....                   | 114    | 10              | 61        | 39          | 4             | ...                                     |
| towns with 3 banks in 1930.....                   | 15     | ...             | 1         | 11          | 3             | ...                                     |
| towns with more than 3 banks in 1930.....         | 3      | ...             | ...       | ...         | 3             | ...                                     |
| Total towns with 1 bank in 1935.....              | 515    | 209             | 219       | 76          | 11            | ...                                     |
| B. Towns with Two Banks                           |        |                 |           |             |               |   |
| Number of towns with 2 banks in 1930.....         | 236    | 21              | 114       | 84          | 17            | ...                                     |
| Less: towns without banks in 1935.....            | 43     | 8               | 18        | 10          | 7             | ...                                     |
| towns with 1 bank in 1935.....                    | 114    | 10              | 61        | 39          | 4             | ...                                     |
| Number of towns still with 2 banks in 1935.....   | 79     | 3               | 35        | 35          | 6             | ...                                     |
| Add: towns with 1 bank in 1930.....               | 2      | ...             | ...       | 2           | ...           | ...                                     |
| towns with 3 banks in 1930.....                   | 25     | ...             | 1         | 15          | 9             | ...                                     |
| towns with more than 3 banks in 1930.....         | 7      | ...             | ...       | 3           | 4             | ...                                     |
| Total towns with 2 banks in 1935.....             | 113    | 3               | 36        | 55          | 19            | ...                                     |
| C. Towns with Three or More Banks                 |        |                 |           |             |               |   |
| Number of towns with 3 or more banks in 1930..... | 78     | ...             | 2         | 38          | 30            | 8                                       |
| Less: towns without banks in 1930.....            | 2      | ...             | ...       | 1           | 1             | ...                                     |
| towns with 1 bank in 1935.....                    | 18     | ...             | 1         | 11          | 6             | ...                                     |
| towns with 2 banks in 1935.....                   | 32     | ...             | 1         | 18          | 13            | ...                                     |
| Number of towns with 3 or more banks in 1935..... | 26     | ...             | ...       | 8           | 10            | 8                                       |

one bank. There were, however, 138 towns formerly in other categories which by 1935 were added to these 377 to bring the total of one-bank towns to 515. Six of the towns which had a bank in 1935 had been unsupplied in 1930. The largest number of additions, 114, came from towns which had formerly had two banks, but by 1935 had but one. An additional 18 towns formerly had three or more banks, but only one each by 1935.

The other columns in Table XVIII show the changes in one-bank towns when grouped by population. The original 352 one-bank towns of less than 500 population lost 44.3 per cent of their number by 1935. Furthermore, they gained only 13 towns from other categories.

Larger towns fared better. The percentage of their loss was less and the gains from former over-banked towns were greater. Thus the 500 to 1,999 population towns started with 233 in 1930, lost 77, or 33 per cent, by 1935, and gained 63 other towns, 61 of which formerly had two banks and one of which had three banks. Losses in banking facilities to one-bank towns of the 2,000 to 9,999 population group were less severe, and gains from former two and three-bank towns relatively greater.

Section B provides a similar picture for those towns which had two banks. All together there were 236 towns in this group in 1930. Forty-three of these, or 18.2 per cent, were without any bank outlet by the end of 1935. An additional 114 had lost one bank; they are the same 114 gained by the one-bank towns. Actually, however, a much smaller percentage of these two-bank towns lost all banking facilities than did the one-bank towns. An additional 34 towns, most of which formerly had three banks, were added to this group. Only two towns which in 1930 had one bank were able to climb into the two-bank group.

Small towns (less than 500 population) with two banks were few in number in 1930, and gained no new towns by 1935. Only three out of 21 still had two banks and an additional 10, one bank. Of the towns in the 500 to 1,999 population group in 1930, only 35 out of 114 were able to maintain two banks. An additional 61 had one bank. Since only two towns of this size had more than two banks in 1930, and none in 1935, there were no significant additions to this group.

The towns with three or more banks are analyzed in Section C. Of the 78 towns in this category in 1930, 26 still maintained three or more banks by 1935. Fifty of the 78 towns had just three banks in 1930; only nine were able to support three banks by 1935. Two small towns in the 500 to 1,999 population group still had one out of three and two out of three banks by 1935.

Thirty-eight towns in the 2,000 to 9,999 population group started



out with three or more banks in 1930. By 1935 one had no bank, 11 had one bank, 18 had two banks, and only 8 had three or more banks. Even in this latter group not all the banks had survived. Five towns that in 1930 had four or more banks had less than four banks each by 1935.

Ten of the 30 towns with populations of 10,000 to 49,999 in 1930 remained in the three or more-bank group in 1935. One town of this size had no banks in 1935, 6 were served by one bank, and 13 by two banks. The 8 largest cities (excluding Chicago) with populations of 50,000 or more, lost some of their banks, but each still had three or more banks by 1935.

One of the weaknesses of the banking system in Illinois both in the past and at present, is the small proportion of state banks which are members of the Federal Reserve System. Although some of this weakness may be offset to a small degree by operations of the Federal Deposit Insurance Corporation, this agency does not provide a complete remedy.

All national banks are members of the Federal Reserve System, but only about one state bank out of ten is a member bank. There are few member banks in small communities. Although the percentage of state banks which are members has increased over the period of years, this has been due rather to a decline in the total number of banks than to an actual increase of state banks that are members.

In Table XIX the total number of state banks in Illinois is compared with the number of state member banks for the various sizes of town. The data in this table are for the years 1921, 1930, and 1935. In 1921 only 6.2 per cent of these banks were members. Few banks in small towns were members; only two of the 447 in towns of less than 500 population were members in 1921. Nor was there any significant change in this respect among these small banks in later years. Six out of 193, or 3.1 per cent, were members in this same size of town in 1935.

As the size of bank and the size of town in which it is located become larger, there is a tendency for relatively more of the banks to be Federal Reserve members. Thus in the 500 to 1,999 population towns, 17 banks, or 3.8 per cent, were members. By 1935 the percentage had increased to 7.3 per cent of the banks in these towns. In a similar manner, the banks in towns of 2,000 to 9,999 population had increased their percentage of membership from 8.4 in 1921 to 14.1 per cent in 1935. In the towns of 10,000 and more population (exclusive of Chicago), 18 banks, or 14.4 per cent of the total, were members in 1921, 13 banks or 10.8 per cent in 1930, and 12 banks or 20.0 per cent in 1935.

TABLE XIX  
NUMBER AND PERCENTAGE OF ILLINOIS STATE BANKS THAT WERE MEMBERS OF THE FEDERAL RESERVE SYSTEM CLASSIFIED  
ACCORDING TO SIZE OF TOWNS, 1921, 1930, 1935

| Population          | 1921   |         |                       | 1930  |         |                       | 1935  |         |                       |
|---------------------|--------|---------|-----------------------|-------|---------|-----------------------|-------|---------|-----------------------|
|                     | Total  | Members | Percentage of Members | Total | Members | Percentage of Members | Total | Members | Percentage of Members |
| Total.....          | 1,400* | 87      | 6.2                   | 1,145 | 51      | 4.5                   | 591   | 65      | 11.0                  |
| Less than 500.....  | 447*   | 2       | 0.4                   | 353   | 2       | 0.6                   | 193   | 6       | 3.1                   |
| 500-1,999.....      | 447    | 17      | 3.8                   | 331   | 8       | 2.4                   | 205   | 15      | 7.3                   |
| 2,000-9,999.....    | 226    | 19      | 8.4                   | 174   | 14      | 8.0                   | 99    | 14      | 14.1                  |
| 10,000 or more..... | 125    | 18      | 14.4                  | 120   | 13      | 10.8                  | 60    | 12      | 20.0                  |
| Chicago.....        | 155    | 31      | 20.0                  | 167   | 14      | 8.4                   | 34    | 18      | 52.9                  |

\*Two in suspension.

In Chicago the percentage of state member banks to total state banks showed marked changes, due both to changes in the total number of banks and in the number of member banks. In 1921 there were 155 state banks, of which 31, or 20.0 per cent, were members. Although the number of state banks had increased to 167 by 1930, the member banks declined to 14, which constituted 8.4 per cent of the state banks. By 1935, member banks in Chicago had increased to 18 and total state banks had dropped to 34, so that the percentage of the former to the latter was 52.9.

The figures are for state banks alone. The percentages given in this table do not completely reflect the extent to which both state and national banks are members in the Reserve System and the extent (as measured by number of banks) to which the Federal Reserve System is able to influence banking policies. By reference to Table XVII, a better portrayal of this situation may be obtained. That table showed what percentages of the banks in various sizes of towns were national and state banks. Thus, it was found that in 1935, 10.2 per cent of the banks in towns of less than 500 population were national banks. Quite clearly, the addition of national banks to the figures for state member banks does not increase the percentage of member banks to total banks. In the larger towns, however, the situation is different. In the 500 to 1,999 population group, national banks accounted for 29.6 per cent of all banks in 1935. These national banks, together with the state bank figures in Table XIX, raise the percentages shown there. Such a combination of figures is still more favorable to the larger towns, in which the proportion of national banks to total banks is larger.

The figures for member banks in the Federal Reserve System, particularly the state banks which were shown in Table XIX, suggest a high degree of instability. In the first place the percentages of state banks in the small communities which are members are too small for a healthy coordinated banking structure. Even recognizing all the varying disturbing elements in the banking structure, the fact remains that the Federal Reserve System is unable to accomplish a satisfactory coordinating function without a fuller participation of many small banks.

The change in state bank members from 87 in 1921 to 51 in 1930 and to 65 in 1935 is indicative of this unstable condition. From the high to the low this represents a variation of almost one-third. Particularly in the towns of 500 to 1,999 population have the variations in state bank membership been erratic. Other sizes of town also showed wide variations. The same situation was found in Chicago.

## V. CONCLUSIONS

A thorough study of all aspects of banking in Illinois would develop into several volumes. So broad a subject as banking, with all its economic and financial ramifications, cannot be divorced from the many related fields of enterprise, government policy, and institutions influencing banking. Although this bulletin makes no pretence of being a complete and exhaustive study, it does show in considerable detail what has taken place over a period of years in the number of Illinois banks. From this study of limited scope it is feasible to make certain inferences which are undoubtedly valid.

The three main headings of the sections of the bulletin are suggestive of the broad inferences which may be made. The first section dealt with private banks, the conditions under which they entered the incorporated banking system, and the related statutes for capital requirements. The second section was concerned with banking turnover, instability, and consolidations, and with the chartering policies of state and national banking departments. The third section examined changes in banking facilities in various sizes of Illinois towns.

It is proposed now to relate these three sections and to find in them suggestions for the avoidance of future difficulties. There can be no question that many factors besides those here mentioned should be carefully weighed and considered, but the fact remains that these too must be taken into account; indeed, they have already been recognized by many students, bankers, and legislators. The economic conditions of recent years are one of the important factors accounting for bank difficulties, but they merely aggravated rather than caused the trouble.

The act prohibiting private banks in Illinois after January 1, 1921, and the acts reducing capital requirements for new banks from November, 1918, to December, 1924, paved the way for a great influx of small incorporated state banks. Approximately 600 state charters were granted in this period, most of them to former private banks, and most of them with capital of less than \$25,000. Even among the new banks which had not been private banks in 1918, capital was small.

Although this influx of new banks of small stature cannot be given primary blame for later bank failures, it undoubtedly represented an unwise granting of corporate powers. Even though those state banks which had their roots in former private banks showed a survival power almost as great as other banks operating prior to 1922, there can be no doubt that the low capital requirements, which admitted small banks, provided an element of instability in the entire banking structure.

Obviously a bank of \$10,000 or even \$20,000 capital is not inherently different in size, management, policies, success, operations, profitability, and mortality from the common run of small retailing and manufacturing establishments, which are usually individual or family enterprises. Only in the respect that such small banks are regulated and supervised do they differ from other types of enterprises, and even here the difference is merely one of degree. And it is a foregone conclusion that governmental control and supervision, no matter how adequate, can never hope to take the place of proper management. Consequently the inability of small bank enterprises to command the requisite management and the lack of a satisfactory economic environment to support them will operate to face the small bank with a none too happy future.

The admission of 590 banks to the state system in the three years 1919 to 1921 represented an increase by two-thirds. There were also increases in national banks, but since most private banks did not seek to obtain national charters because of larger capital requirements, the increase among nationals was far less pronounced. This unwarranted increase in a very short time in incorporated banking facilities resulted in unnecessary competition and excessive duplication in many communities. Although there was an abatement in banks organized after 1921, there was, nevertheless, a continual succession of new banks with little regard to existing facilities and needs.

For a number of years new charters were granted as fast or faster than old banks failed or consolidated. In Chicago the number of banks increased, whereas in the remainder of the state it was already declining. Only as failures and absorptions became more frequent toward 1927 and 1928 did the number of banks operating show significant net declines from year to year.

The pressure for new bank charters had greater success among national banks than state banks. The new national charters granted were relatively larger in number as compared with losses of national banks than among the state banks. Perhaps in part this may be explained in terms of the vast increase in state charters which had taken place prior to 1922 and which precluded the continued issuance of new state charters to the same extent as national charters.

Even more significant than the issuance of new charters was the instability of these new banks, which were, on the whole, less stable than the old. This condition continued to manifest itself even after 1924, when the capital requirements of new state banks were raised to a minimum of \$25,000.



The continued granting of new charters by both state and national authorities in the face of a continual loss in banks must be construed as an unsound procedure. The economic environment was inadequate to support the banks already in operation, and yet new enterprises were permitted to start. Furthermore these new enterprises, although not handicapped by the deficiencies that the older banks had accumulated, were soon bogged in the same entanglements and difficulties.

It seems likely that this heavy mortality rate among new banks chartered after 1921 was due in part to the fact that some of them were not new in fact, but only in name. Some of these new banks represented new corporations that succeeded old ones or that retained some of the same officers and at times some of the same assets and liabilities. Occasionally the demise of one bank led to the establishment of a new enterprise to take its place with little or no prospect of a better future.

Although the turnover of banks was due in part to consolidations and absorptions, by far the largest losses in numbers were attributable to receiverships, involuntary liquidations, and suspensions. In Chicago the consolidations and absorptions were relatively more numerous in explaining losses of facilities than in the other areas of the state. About one out of each four bank closings in Chicago was due to absorption or consolidation.

Nevertheless the actual turnover of banks was very rapid and of large proportions. The more than average increase in number of banks in Chicago was accompanied by and followed by a greater than average number of losses.

Even though consolidations and absorptions were relatively more important in Chicago, losses due to receivership and liquidations were not relatively less important. Bank turnover, irrespective of the cause, was far greater in Chicago than in the rest of the state.

The cycle of bank growth and shrinkage from 1921 did not follow the same pattern in communities of various sizes. The lower capital requirements in effect prior to 1924 made it particularly easy to organize small banks in small communities. It was in small towns and villages that the greatest growth in new banks occurred in these earlier years. Consequently when the mortality of banks became high, it was but natural to find that the greatest relative losses in bank facilities also took place in smaller towns.

Although there is a distinct tendency for fewer of the small towns to have banks than the large towns, the actual percentage of banks in the small towns which went out of business was not so very much larger relative to the number in small towns than was the case in larger



towns. One significant difference is found, however, in the fact that a bank loss in a small community often deprived the town or village of its facilities since there was frequently but one bank in small communities. Even though bank losses were heavy among larger towns and cities, the failure of some of their banks did not always deprive them of banking facilities.

In another respect the losses of banks in larger communities were not so serious. If there are several banks in a community there is always opportunity for consolidations, absorptions, or assumption of the assets and liabilities of one bank by another. Such changes were relatively more common in larger towns and cities, and hence losses to depositors were frequently avoided by a method less feasible in the small towns.

In another respect the banks in larger towns and cities have improved their status whereas those in smaller communities have failed to do so, or have failed to do as well. The consolidations, failures, and other reductions in numbers of banks have markedly increased the population per bank or the potential customers per bank.

The population per bank doubled and tripled between 1920 and 1935 in the larger towns and cities, but did not show an equally significant improvement in the small communities. These changes have been due to the dual movements in banks and population. While population was declining or just holding its own in small towns and country areas, it was growing in the cities. Furthermore, the losses in bank outlets, particularly in multiple-bank towns, gave a much greater population per bank in the larger towns and cities.

In other ways the larger towns have gained at the expense of the small. The loss of the town bank frequently drove the town merchants and farmer customers to seek banking facilities elsewhere. But instead of going to another small town that has a bank they are now more likely to go to a larger town, even though it may be somewhat farther away. Not only do they take their bank trade with them, but quite frequently this new town becomes their headquarters for general trade and shopping purposes as well.

Although not pronounced, there was a definite tendency for the number of banks lost to decrease according to the size of the town. Thus in towns of less than 2,000 population, by 1935 the number of banks operating was somewhat less than half of the number operating in 1921. For towns of 2,000 population or more, the banks operating by the end of 1935 were somewhat more than half of the 1921 total. Chicago, which was an important exception, had only 30.2 per cent as many banks in 1935 as it had in 1921.

Because of the fact that many larger towns and cities that in 1921 had several banks by 1935 frequently had only one or two banks, there was an actual increase in the aggregate number of banks in the larger one-bank towns and in the larger two-bank towns.

There is a marked tendency for the national banks to constitute a relatively larger portion of the total number of banks as the size of city increases, indicating in part the inability of small towns to support national banks, which for the most part have had a higher minimum capital during the years studied than the state banks.

Not only are national banks a larger percentage of the banks as size of town increases, but in the period 1921 to 1935 they constituted an increased proportion of the entire number for virtually every size of town. This was due not only to the relatively larger number of new national banks chartered during these years, but also to the better survival record of the national banks. With the present apparent advantages of national charters over state charters, due to elimination of double liability, exemption from social security taxes, and the fact that federal insurance does not relieve state-bank shareholders of assessments on their stock in case of failure, the new charters of the last two years have bolstered the national system instead of the state banks. Thus the trend towards a greater relative number of national banks in Illinois has been further accentuated.

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