people would take a chance, and when they began to withdraw their deposits the little banks would close. A hundred and forty-two banks failed in towns of less than one thousand people. In towns of 2,500 and over, there were 128 which closed last year.

The Federal Reserve Board also discussed bank mergers. There seems to be a growing tendency towards getting together.

By Mr. Hanson:

Q. What is the policy of the Board with respect to mergers?—A. I do not think the Board has announced a policy. They are watching the situation closely. It has no control over mergers. Legislation by Congress last year has facilitated mergers.

Q. Are they opposed to it?—A. I do not know that they are. I know that at least one member of the Board is in favour of a more unified system of banks with branches. He is a strong believer in the Canadian system. I will not give his name, but he is outspoken in his views.

By Mr. Woodsworth:

Q. Would you say there was any period of credit difficulty in the United States comparable to the post-war period, or that the Federal reserve system did not substantially reduce the credit strain from which bank failures result? —A. Well, I think the credit strain in 1893 is comparable—I remember that— I do not remember 1857, as I was not here then—but 1893, I remember very well and that was a pretty strenuous year. We did not have as many banks in those days, of course. The population was not as great. You have to get a proper proportion on these things. Mere numbers do not convey the idea.

Q. Would the existence of a Federal reserve system not tend to ease the strain and thus make the tendency to bank failure less?—A. It does with member banks. I do not know that it has much effect on the non-member banks. A Federal Reserve Bank cannot do anything for a non-member bank. A Federal Reserve Bank can discount eligible paper and good paper for member banks only in its own district. It cannot do anything for a member bank in another district except indirectly, by rediscounting for a Federal Reserve Bank. Furthermore, a Federal Reserve Bank is not allowed, except by special permission of the Federal Reserve Board, which has rarely been given, to rediscount for a member bank eligible paper which bears the endorsement of a non-member bank, on the theory perhaps that the non-member is not a member of the club, and not entitled to the privileges of the club.

By Hon. Mr. Stevens:

Q. Mr. Chairman, I have prepared a number of questions I wanted to ask Mr. Harding, but his most excellent outline of the system I think, has answered a great many questions.—A. If you will let me interrupt for just one moment, I have just one more statement to make, and then I am through and will be ready for questions. I was talking of the tendency toward consolidations and mergers in the United States. There the Board has some very interesting figures: In 1915, there were 55; in 1916, 56; in 1917, 35; in 1918, 36; in 1919, 80; in 1920, 77; in 1921, 104; in 1922, 125; in 1923, 120; in 1924, 124; in 1925, 120; in 1926, 154; in 1927, there were 259.

By Mr. Hanson:

Q. Do they have to have any governmental sanction of any sort, or are they purely voluntary on the part of the banks?—A. In the case of a National bank and State bank merging, if they are going to take the National bank charter, the government has a look in. If it is the other way round, it has not.

Q. If State banks are merged?—A. Not if they are non-member banks.

[Mr. W. P. G. Harding.]