Q. And maintain the gold standard?—A. And maintain the gold standard. I know it did have this result, and you can quote me in this; the Bank of England had a 4½ per cent rate, while our Federal Banks in the United States had a 3½ per cent rate. This differential was reflected in the bill market. Before the establishment of the Federal Reserve Act, every time a shipment of grain went out of Canada or the United States, it had to be financed in London. The Federal Reserve Act allowed the American banks to accept, and we have developed an important acceptance market. Until last year, we never went over $700,000,000 of American bills; that was the maximum amount outstanding at any one time. Due to the spread or difference in the rate between New York and Boston and London, and to the natural desire of people to do their financing where money is cheapest, American bills attained a volume last fall during the crop movement, of over one billion dollars, an increase of three hundred millions, which presumably reflects the measure of relief to the English market. In other words, we took that much pressure off the London market and assumed it ourselves.

By the Chairman:

Q. Will you complete what you were going to say about the bank failures? —A. I will quote from the Federal Reserve Board report, which is just out.

By Sir Henry Drayton:

Q. Did you finish what you were going to tell us about the bank failures? —A. I am going into that now. In addition to the failures, there has been a very marked tendency in recent years in the United States towards mergers and consolidations. It was noticeable first in the matter of the railroads. Fifty years ago we had a great many independent short lines in the United States running from 50 miles up to 300 miles in length. I remember the first time I went to Washington from my home in Alabama. I rode 150 miles, changed cars at Chatanooga, waited there a few hours, then took another train on another railway and rode 200 miles to Bristol, Tennessee, where I had another wait and another change of cars; then I rode 200 miles more from Bristol, Tennessee, to Lynchburg, Virginia, on another road, where I had another change of cars to still another road; I then rode about 125 miles to Washington, where I took a train for New York. That made three changes of cars between my home town in Alabama and Washington, whereas now I can take a sleeping car at my old home and get out of it in New York without any changes. Congress has before it now the Parker Bill, which seeks to force the consolidation of railroads still farther, the idea being to have about 20 independent railways in the United States, so as to equalize earnings and get down to a more consolidated system.

The same thing has been going on in the banking field. The State of Illinois does not allow branch banks. The majority of States do allow branch banks. California is pretty strong on it; you have heard of the Bank of Italy of California. Recently there have been several mergers in New York, Philadelphia, and other cities. Public sentiment in the United States is rather divided on the branch banking question. Twenty years ago there was almost an unanimous sentiment against branch banking but there has been a strong shift of opinion. It is coming around more and more to branch banks and mergers. Here is what the Federal Reserve Board has to say about it. It says that the active member banks on January 1, 1927, numbered 9,260, that is, out of a total of 27,000 banks in the United States, only about one-third of them are members of the Federal Reserve System. On December 31, 1927, the active

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