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## CHAPTER V

# THE GEOGRAPHIC EXPANSION AND DISTRIBUTION OF FINANCIAL INTERMEDIARIES

### 1. *Approach*

The geographical distribution of financial intermediaries at any given time, and the process of expansion that led to it, are important factors in determining the role of financial intermediaries in the process of saving and investment. Use made of financial intermediaries as recipients and sources of funds depends to a considerable degree on the relation of the number, size and character of their offices to the distribution of population and economic activities. Other things being equal, financial intermediaries will be more closely linked to the process of production and distribution and more commonly used as depositories of peoples' funds if their offices are well adapted in location and density to the distribution of business enterprises and population.

A thorough analysis of these relationships is not possible here. Previous work in this field has not been extensive nor has it been directed toward the problems that are of interest for this study. To be satisfactory such an analysis would have to deal not only with number and size of offices of the different types of financial intermediaries, but also with number and types of personnel and methods of operation, and always from the point of view of their effect on saving and investment. Such a project is far beyond the scope of this study, which assembles—for the first time in some instances—the basic data that may be used at some later date in a study which would attempt an adequate treatment of the relationships.

The problem of geographical expansion is entirely different before and after the middle of the nineteenth century. Up to that time such financial intermediaries as there were—chiefly commercial banks—followed the territorial expansion of the United States, with time lags varying from region to region. No substantial changes in territory have occurred since the middle of the century if national boundaries are the criterion, or after the third quarter of the century if permanent settlement is the test. From then on geographical expansion could take only the form of greater density:

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that is, an increase in the number of financial institutions or their offices in relation to such relevant factors as the number of inhabitants in the various regions, states and cities. Increasing density, in turn, was the result of two types of developments—intensive increases, reflected in a larger number of financial institutions in the same locality; and extensive increases, manifested in a rise of the number of localities within a state or region which have one or more offices of a financial intermediary of a given type.

Virtually no statistics are available which would enable one to separate for the entire country intensive and extensive expansion of the various branches of financial intermediaries. Furthermore it would have been too laborious a task in relation to their importance to prepare the tabulations necessary for such a study although the basic data are at hand. In general, therefore, we have to be content with measures which combine both intensive and extensive expansion, namely the number or resources of financial intermediaries of a given type in each state divided by the population of the state or the income of its residents. Moreover, for economy of effort, calculations have been limited to the benchmark dates of 1900, 1929 and 1949, going back to 1850 only in the case of commercial banks and mutual savings banks, at that time the only financial intermediaries of substantial importance. Among groups of financial intermediaries, attention is restricted to commercial banks, mutual savings banks, the postal savings system, credit unions, savings and loan associations, personal trust departments, life insurance companies, state unemployment compensation and state and local pension and retirement funds. These groups, however, account for almost all the assets of financial intermediaries for which the problem of geographic distribution and expansion has relevance.<sup>1</sup>

The statistical analysis of the geographic expansion and distribution of financial intermediaries is based primarily on a set of nine density ratios, which result from the combination of three numerators with three denominators:

### 1. *Office Density*

$$\text{a) } \frac{\text{Number of offices}}{\text{Population}}$$

<sup>1</sup> The problem is not relevant for federal pension and trust funds and for government corporations, and is of small importance for private pension and retirement funds, which may be assumed to be distributed in approximately the same way as wage and salary income.

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$$\text{b) } \frac{\text{Number of offices}}{\text{Income payments}}$$

$$\text{c) } \frac{\text{Number of offices}}{\text{Area}}$$

2. *Enterprise Density*

$$\text{a) } \frac{\text{Number of units}}{\text{Population}}$$

$$\text{b) } \frac{\text{Number of units}}{\text{Income payments}}$$

$$\text{c) } \frac{\text{Number of units}}{\text{Area}}$$

3. *Resources Density*

$$\text{a) } \frac{\text{Assets (or deposits or premium reserves)}}{\text{Population}}$$

$$\text{b) } \frac{\text{Assets}}{\text{Income payments}}$$

$$\text{c) } \frac{\text{Assets}}{\text{Area}}$$

These ratios are shown in Appendix Tables D-1 to D-18 for each state and for the years 1900, 1929 and 1949, omitting the 1900 ratios based on income payments (for lack of income data), and the 1900 and 1929 ratios based on area (for lack of interest). The tables shown in this chapter are limited to figures for the nine census regions.

Reasons for selecting these particular ratios are both theoretical and practical. Operations of financial intermediaries have three obvious aspects. The first concerns the physical facilities in which the intermediaries' business is transacted. This is measured by the number of offices, although it must always be remembered that the term "office" ranges all the way from a one man, part-time operation in a rented room to large special-purpose buildings with thousands of employees and an elaborate complement of office machinery. The office concept is difficult to apply to some intermediaries, particularly life and property insurance companies, because of the problem of how to treat the premises of agents and salesmen.

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The second aspect concerns units or enterprises. For some financial institutions for which the office concept is reasonably clear, no adequate statistical information is available on number of branch offices, e.g. for sales and personal finance companies. If a picture covering all major types of financial intermediaries is wanted, the number of units or enterprises must be the basis of calculation. The resulting ratios will be identical, or nearly so, with those for number of offices for types of financial intermediaries that rarely if ever have branches, e.g. credit unions and investment companies. The density ratios for number of units are, however, more than a make-shift. While from the standpoint of depositors' convenience the number of offices is important, borrowers deal with financial intermediaries as enterprises.<sup>2</sup>

The third aspect concerns resource density. The wide variations in size and economic importance of an office or an enterprise both as between groups of financial intermediaries and within groups suggest the use of a measure that makes allowance for such differences. This is achieved by resources density ratios, which may be regarded as enterprise (or office) density ratios in which each enterprise (or office) is weighted in proportion to its resources. Chiefly because of easier availability of data, the amount of deposits has been used as a measure of resources for a number of groups in which deposits represent a very high proportion of total assets. For life insurance companies, policy reserves—corresponding to deposits among banks and similar credit institutions—are the only figures available by states.

Selection of the three denominators—population, income payments to individuals, and area—was governed by their probable usefulness as indicators of geographic expansion and distribution, as well as by availability of data. Magnitudes that could be regarded as determining or influencing the number of units and offices or the amounts of resources were wanted. Population and income are the first choice from both points of view, being probably the two main factors which provide the basis of operation for financial intermediaries. Population has possibly more influence on the number and location of offices, while income, in turn highly correlated with population, perhaps is more closely connected with total deposits

<sup>2</sup> Density ratios for number of enterprises are subject to a difficulty also encountered in the measurement of size distribution (Appendix C, section b), namely, the fact that some formally independent units are under common control. The problem will be disregarded in this chapter since it has relatively little bearing on problems of geographic expansion and distribution.

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or resources.<sup>3</sup> Area can be regarded as a subsidiary determinant of the number and distribution of offices. Since the area of the various states did not change during the period studied, density ratios using area as denominator were needed for only one benchmark date (1949 was selected as the most recent and with most information), with changes over time in the ratios necessarily being relatively the same as in the absolute values of the numerator.

### 2. Geographical Expansion

In 1850, when the United States had reached its present continental boundaries, there were hardly more than 1,000 financial intermediaries, mostly commercial banks. This small number was irregularly distributed over a huge territory. Of 875 banking offices—their distribution may be regarded as representative of the offices of the other financial intermediaries—70 per cent were situated in two of the present nine census regions, New England and the Middle Atlantic states. About one-eighth of the offices with approximately one-third of total resources were located in four cities, New York, Philadelphia, Boston and Providence, each of which had more than 15 offices. There were no banks whatever in 1850 in what is now the area of 19 of the 48 states. However, even at that early date most places with more than 5,000 inhabitants had at least one banking office (150 out of 233 of them); and of the approximately 530 places with less than 5,000 inhabitants, 380 had banking facilities.<sup>4</sup> This distribution is strongly influenced by the grouping of the population, but is not fully explained by it. The establishment density of banks, i.e. the number of offices per million inhabitants, is as high as 120 in New England, and 50 in the Middle Atlantic states, but as low as 20 in the rest of the country. These differences in density are obviously related to variations in income and saving (about which very little is known in quantitative terms) and to length of settlement.

By 1900, the date at which our statistical tables usually start, the number of offices of financial intermediaries was slightly in excess of 20,000. What is significant from the point of view of this study

<sup>3</sup> There may be some theoretical disagreement about the most appropriate income concept to use. The question has no practical importance since the only data available by states are the estimates of personal income by the Department of Commerce in *Survey of Current Business*, August 1952, pp. 10-18, and even these are not available before 1929.

<sup>4</sup> Number of places with over 5,000 inhabitants from *Compendium of the Seventh Census*, 1850; number of banking places derived from *The Bankers' Almanac for 1851*, pp. xvii-xxviii.

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is not so much the twentyfold increase in offices of financial intermediaries in fifty years—the density per million inhabitants rose only sevenfold, from 40 to 280 offices—as the fact that by 1900 most of the main types of financial intermediaries (commercial banks, savings banks, life insurance, property insurance and investment bankers) were well developed, covered the entire territory of the United States, and were represented in virtually every city. This is in marked contrast to 1850, when only commercial banks were in this position. Commercial banks, accounting for approximately three-fifths of all offices of financial intermediaries, were now found in all 48 states and in virtually all places with 5,000 or more inhabitants.<sup>5</sup>

By 1949 the number of offices of financial intermediaries had risen to approximately 60,000 (without allowance for life insurance company agencies). While this is more than two and one-half times the number existing at the turn of the century, density was only 40 per cent higher. On the basis of population it had increased to 400 offices per million inhabitants as against 280 in 1900. Commercial banks were still the most ubiquitous branch of financial intermediaries, but their 19,000 offices were outnumbered by the combined total for other financial institutions, among which those having the densest net of offices (with agencies and salesmen for life insurance companies not included) were savings and loan associations, credit unions, the postal savings system, investment bankers, personal trust departments and finance companies. Commercial banks were represented in all but 76 of the 3,102 counties, and in all except six of the 2,325 counties with more than 10,000 inhabitants.<sup>6</sup> While the net of financial intermediaries was thus in

<sup>5</sup> For an idea of the numerical concentration of commercial banks in banking towns: of approximately 5,000 banking places in 1900, about 60 per cent had one bank, 20 per cent had two banks, 10 per cent had three banks, and 10 per cent had four or more banks. Conversely, of roughly 10,000 incorporated banks in the United States, approximately 30 per cent were located in one-bank towns, 20 per cent were located in two-bank towns, about 15 per cent were located in three-bank towns, and 35 per cent were located in towns having four or more banks. (Derived from a sample of banking towns from *Polks' Bankers Encyclopedia*, March 1901).

Comparative data for one-bank towns show that the share of all banks in such towns has been rising. From 30 per cent for 1900, the figure rose to 34 per cent in 1926, to 52 per cent in 1936, and increased slightly further to 53 per cent in 1949 (David A. Alhadef, "The Market Structure of Commercial Banking in the United States," in *Quarterly Journal of Economics*, February 1951, p. 64). These statistics, however, are more indicative of intra-city banking concentration than they are of geographical spread.

<sup>6</sup> From Table XXX of *Monetary Policy and the Management of the Public*

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the aggregate not much denser in 1949 than it had been half a century earlier, two important changes had taken place which will be discussed in some detail below. The first was the addition of several new groups of financial intermediaries which by 1949 covered the entire United States, viz. the Federal Reserve System, personal trust departments, investment companies, credit unions, the postal savings system, sales and personal finance companies and government and private pension funds. The second was a marked reduction in differences in the density of the net among states and regions.

### 3. *The Trend in Number Density of All Financial Intermediaries*

The over-all trend in number density of all financial intermediaries is of interest only as a background for regional differences. The main relevant ratios are shown in Table 14 for the three benchmark dates 1900, 1929 and 1949. Three facts stand out in this tabulation for the United States. First, establishment density is the same in 1949 as it was fifty years earlier with respect to population, but it is considerably smaller if real national income, which may be regarded as an indicator of the volume of output in the economy, is the basis. Second, office density per million inhabitants increased more than establishment density between 1900 and 1929 and declined less between 1929 and 1949, with the result that in 1949 it was 35 per cent above the level of 1900. Third, there are considerable differences among financial intermediaries in the movements of their density ratios.

In 1900 there were about 280 units of financial intermediaries per million inhabitants, of all types for which data are available. The ratio is only slightly higher when the number of offices rather than the number of units is used as a basis, since at that time branches were still rare among financial intermediaries.<sup>7</sup> By 1929 the density

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*Debt*, Joint Committee on the Economic Report, Part I, p. 581. The six counties are Apache, Arizona; Plaquemines, Louisiana; Sandoval, New Mexico; Henrico, Norfolk, and Spotsylvania, Virginia, the last three constituting the suburban territories of Richmond, Norfolk and Fredericksburg respectively.

In 1937, when the number of banking offices was only 5 per cent lower than in 1949, 65 per cent of all places with 1,000 to 2,500 inhabitants, 80 per cent of those with 5,000 to 10,000 inhabitants, and almost 95 per cent of all places of over 10,000 population had at least one banking office. (Based on data on bankless towns cited in *Banking Facilities for Bankless Towns*, by S. D. Southworth and J. M. Chapman, p. 14.)

<sup>7</sup> Among commercial banks, the most numerous group of financial intermediaries, branches accounted for only 1 per cent of the number of units.

TABLE 14  
Enterprise Density of Main Financial Intermediaries

TYPE	UNITS PER 100,000 SQUARE MILES		UNITS PER MILLION INHABITANTS		UNITS PER BILLION DOLLARS OF REAL NATIONAL INCOME				
	1900	1929	1949	1900	1929	1949	1900	1929	1949
	1. Commercial banks	427	805	468	168	199	94	409	284
2. Mutual savings banks	21	20	18	8	5	4	20	7	4
3. Private life insurance companies	3	14	20	1	4	4	3	5	4
4. Fraternal insurance organizations	20	14	8	8	3	2	19	5	2
5. Property insurance companies	25	46	32	10	11	7	24	16	7
6. Savings and loan associations	177	408	198	70	101	40	170	144	43
7. Credit unions	-	32	333	-	8	67	-	11	72
8. Investment companies	-	18	6	-	4	1	-	6	1
9. Investment bankers and security dealers	33	89	94	13	22	19	32	32	20
10. Sales finance companies	-	42	90	-	10	18	-	15	19
11. Personal finance companies	-	..	123	-	..	25	-	..	26
12. Personal trust departments	3	116	98	1	29	20	3	41	21
Total	708	1605	1426	279	396	286	679	566	307

Source: Number of units from Table 9 (using unrounded figures); total for 1949 roughly adjusted for inclusion of subsidiaries of finance companies. Area figures from *Statistical Abstract of the United States, 1952*, p. 5. Population from sources given in Table 8. Real national income (1929 prices) from *A Study of Saving . . .*, Vol. III, Table N-2, col. 3.

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of units had risen to nearly 400 per million inhabitants, and that of offices had increased relatively even more—to approximately 500. The 1929 density, however, was somewhat below the peak reached earlier during the twenties.<sup>8</sup> By 1949 density had fallen back to the level of 1900 if measured by the number of separate units, but only to a mark still approximately two-fifths above the 1900 level if measured by branches. Since from the point of view of accessibility the number of offices is more important than the number of units, the situation might be summarized thus: in comparison to population the net of financial institutions was slightly denser in 1949 than at the turn of the century, but the mesh had become somewhat looser than it was in the late twenties.

When the number of institutions is related to real deflated national income as a summary expression of the physical volume of economic activities, however, we find a continuous decline in density over the last fifty years. In 1900 there were over 650 financial intermediaries per billion dollars of real national income (1929 dollars). Density was slightly lower thirty years later if calculated on the basis of number of establishments, though hardly changed if allowance is made for the increasing number of branch offices. Between 1929 and 1949, however, the decline was sharp whether calculated for establishments or offices. In both cases the number of financial intermediaries per billion dollars of real national income was less than three-fifths as large as it had been two decades earlier. Compared to the density prevailing at the turn of the century, the decline amounts to slightly over 50 per cent for establishments and approximately 40 per cent for offices.

To note that the density of financial intermediaries in comparison to real national income declined by about one-half within fifty years is merely one way of indicating that the number of establishments or offices of financial intermediaries has failed by a wide margin to keep pace with the increase in real national income. This has been the result of an increase in financial intermediaries' average real resources per unit or office, particularly since the thirties. The average amount of resources per office increased from not much over \$1 million (1929 dollars) at the turn of the century to nearly \$1½ million in 1929; it then rose sharply to over \$3 million in 1949.

<sup>8</sup> Commercial banks reached their maximum density in 1921 with 285 units per million inhabitants, compared to 205 in 1929. The density of most other financial intermediaries, however, was higher in 1929 than in 1921, particularly that of security brokers and dealers, investment companies and finance companies.

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Over-all density ratios must be used with great care inasmuch as they combine the various types of financial intermediaries. Table IV-1 shows that trends in density differ considerably among the groups of intermediaries, although the tendency towards an increase in density, relative to population, between 1900 and 1929 and a decrease from 1929 to 1949 is shared by most of the groups, viz. by commercial banks, savings and loan associations, investment bankers, property insurance companies, and personal trust departments. Credit unions, which began to develop on a nationwide scale in the thirties after the enactment of legislation authorizing federally chartered unions and sales finance companies, constitute an exception.

### 4. *Regional Differences in Number and Resource Density of Financial Intermediaries in 1949*

#### a. ALL FINANCIAL INTERMEDIARIES

In 1949 there were in the United States approximately 33 offices of financial intermediaries for every 100,000 inhabitants, and 16 offices for every thousand square miles (not including branch offices or agents of insurance companies). At the same time the average assets (or deposits or life insurance reserves) of the main types of financial intermediaries were equal to more than \$1,300 for every \$1,000 of income payments to individuals. These ratios are composites of similar figures for the 48 states and the District of Columbia, based on data in Appendix D (Tables D-16, D-2 and D-10 respectively). Interstate differences are considerable in all three ratios. Explanation of these differences could proceed in two ways: through correlation analysis of independent variables that affect the ratios; or by a close study of local peculiarities, particularly the financial history and legislation of the various states. Both would involve more labor than is justified by the importance of the subject for this study, and in the first case it is not evident which simple independent variables should be used. All that was done, therefore, was to arrange the figures into regional averages and to make such comments on them as seemed warranted without detailed statistical analysis or study of special local features. Regional averages were used in preference to figures for individual states since they show major differences with greater clarity and offer greater promise of smoothing out local peculiarities.

The density measures differ greatly in range of regional variation. The ratios of offices per 100,000 inhabitants and of assets to

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income payments (Tables 15 and 16) contrast sharply with the ratio of offices per thousand square miles shown in Table D-2. For the first two ratios, respectively, the highest density is approximately 2.3 and 2.5 times the lowest. The ratio of offices per area, on the other hand, shows a range of nearly 50 to 1.<sup>9</sup> It is therefore obvious, if quantitative confirmation were needed, that the distribution of the number of offices, and their economic importance as measured by their assets or similar aggregates, are much more closely connected with the number of inhabitants and the aggregate income of a region than with its size. We therefore limit attention to the first two measures.

One of the two South Central regions shows the lowest density of offices per inhabitants, and the other, of assets in relation to income payments. The highest density of offices per inhabitants is in the West North Central states, but of assets in relation to income payments, in the Middle Atlantic group.

For the nine regions considered simultaneously a definite positive correlation exists between the two measures of density, with two exceptions. The ratio of assets to income payments is unusually high for the Middle Atlantic states in comparison to offices per population, and the opposite relationship prevails in the West North Central states. The ratios for the Middle Atlantic states, however, fall into line if New York State is eliminated. This realignment reflects the fact that New York State, and particularly New York City, has a very large share of the assets of financial intermediaries as compared with either population or income. This will be discussed in section 8 below. The high office density in the West North Central states results primarily from the extraordinarily high density of commercial bank offices in that region, which in turn may be associated with the prevalence of small independent banks.

Excluding any allowance at this point for differences among the various types of financial intermediaries, the summary statement appears justified that substantial regional differences in density exist, and that density is considerably higher in the New England and Middle Atlantic states than in the rest of the country and is lowest in the South (the South Atlantic, East South Central and West South Central states).

<sup>9</sup> Similarly, among ratios of offices to income payments, shown in Table D-18, the range of regional variation is low (from highest to lowest, about  $2\frac{1}{2}$  to 1), but among ratios of assets to area, shown in Table D-1, the range is very high (about 150 to 1).

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Since differences not only in the distribution of the population but also in income per head have already been taken into account in the two ratios, the question arises; what causes the remaining differences that are shown in Tables 15 and 16? One simple factor which suggests itself is the economic age of the regions, which varies from 300 years in parts of New England, to 150 years in the East North Central states, and to less than a century in the West North Central, West South Central, Mountain and Pacific states. The only exception appears to be the South Atlantic region. Its economic age is not substantially different from that of the Middle Atlantic states, and is higher than that of the East North Central region, yet it shows a considerably lower density of financial intermediaries than either region. This exception can be explained in part, though not entirely, by the effects of the Civil War.<sup>10</sup> The second factor, connected with the first but not identical with it, is the existence of financial centers, particularly of the national center in New York, which raises the ratio of assets to income, though not of offices to population, in their region.

### b. MAIN FINANCIAL INTERMEDIARIES

Interregional variations in office density are, as Table 15 shows, greater for most of the main classes of financial intermediaries than for all taken together.<sup>11</sup> This is reflected most clearly in the standard deviation of the ratios for individual regions from the national average. The only major group varying about as much as the combined groups do is the banking system (commercial and mutual savings banks). Regions where office density for the combined groups is considerably above the national average also have more banking offices per 100,000 inhabitants, and regions with low density for all financial intermediaries show less than average density of banking offices. This correlation is not surprising, as banks account for almost one-third of the offices of all financial intermediaries. That the correlation is not evident in the Middle Atlantic states may be due to the low density of banking offices in this very highly urbanized region, since there is a general tendency for office density to be negatively correlated with urbanization.

<sup>10</sup> In 1850 the density of commercial banking offices, at that time the only financial intermediary of substantial importance, per 100,000 inhabitants was higher in the South Atlantic than in the East North Central states—then very young territory—but was substantially below the density in the Middle Atlantic and New England states. The differences would be probably smaller if density could be calculated on the basis of income.

<sup>11</sup> Office and enterprise density ratios by population are given in Table D-16.

TABLE 15  
Regional Differences in Office Density of Main Financial Intermediaries, 1949

Region	Commercial and Savings Banks		Savings and Loan Associations		Credit Unions		Investment Bankers		Personal Trust Departments		Total, excluding cols. 2 and 4 cols. 1-6
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)			
1. New England	13.8	4.1	3.6	10.2	4.7	3.8	25.9	40.2			
2. Middle Atlantic	11.0	2.7	5.4	5.7	5.0	3.1	24.5	32.9			
3. East North Central	12.3	4.6	5.4	8.9	2.2	1.8	21.7	35.2			
4. West North Central	25.1	10.3	3.6	9.1	2.2	2.4	33.3	52.7			
5. South Atlantic	10.7	3.6	4.3	4.7	1.6	1.7	18.3	26.6			
6. East South Central	11.5	3.2	1.9	3.4	1.0	2.1	16.5	23.1			
7. West South Central	12.3	5.4	2.2	5.0	1.4	1.1	17.0	27.4			
8. Mountain	12.6	10.3	2.7	7.1	2.3	2.0	19.6	37.0			
9. Pacific	10.9	4.2	1.9	5.6	3.7	0.5	17.0	26.8			
10. United States	12.9	4.7	4.0	6.6	2.8	2.1	21.8	33.1			

A. Offices per 100,000 inhabitants

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				<i>B. Index (U.S. average = 100)</i>				
1. New England	107	87	90	155	168	181	119	121
2. Middle Atlantic	85	57	135	86	179	148	112	99
3. East North Central	95	98	135	135	79	86	100	106
4. West North Central	195	219	90	138	79	114	153	159
5. South Atlantic	83	77	108	71	57	81	84	80
6. East South Central	89	68	48	52	36	100	76	70
7. West South Central	95	115	55	76	50	52	78	83
8. Mountain	98	219	68	108	82	95	90	112
9. Pacific	84	89	48	85	132	24	78	81
10. United States	100	100	100	100	100	100	100	100
Standard deviation	33	60	35	34	49	44	24	26

Source: Table D-16 (Appendix Supplement).

TABLE 16  
Regional Differences in Resource Density of Main Financial Intermediaries, 1949

REGION	BANKS <sup>a</sup>		SAVINGS AND LOAN ASSOCIATION ASSETS (3)	LIFE INSURANCE RESERVES (4)	PERSONAL <sup>c</sup> EMPLOYMENT		STATE AND LOCAL UN- EMPLOYMENT	TOTAL, EXCL. COLS. 5 AND 6 (7)	TOTAL (8)
	Demand <sup>b</sup> Deposits (1)	Other Deposits (2)			TRUST DEPART- MENT ASSETS (5)	COMPENSA- TION AND RETIREMENT FUND ASSETS (6)			
<i>A. Dollars per \$100 of income payments to individuals</i>									
1. New England	34.0	57.2	9.6	29.5	23.0	4.5	130.3	157.8	
2. Middle Atlantic	60.8	47.2	5.9	31.7	43.2	8.1	145.6	196.9	
3. East North Central	37.8	26.6	9.8	23.7	13.1	5.4	97.9	116.4	
4. West North Central	49.7	19.9	6.5	22.6	12.8	3.5	98.7	115.0	
5. South Atlantic	34.4	16.7	8.5	18.0	14.1	4.5	77.6	96.2	
6. East South Central	40.1	13.6	5.2	15.9	7.3	4.1	74.8	86.2	
7. West South Central	48.5	9.2	5.0	11.8	2.4	3.4	74.5	80.3	
8. Mountain	41.6	15.9	5.6	15.5	4.1	4.2	78.6	86.9	
9. Pacific	36.7	32.7	7.3	17.0	10.8	5.6	93.7	110.1	
10. United States	44.7	30.3	7.4	23.0	19.5	5.5	105.4	130.4	

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		<i>B. Index (U.S. average = 100)</i>					
1. New England	76	130	128	118	82	124	121
2. Middle Atlantic	136	80	138	222	147	138	151
3. East North Central	85	132	103	67	98	93	89
4. West North Central	111	88	98	66	64	94	88
5. South Atlantic	77	55	78	72	82	74	74
6. East South Central	90	45	69	37	75	71	66
7. West South Central	108	30	51	12	62	71	62
8. Mountain	93	76	67	21	76	69	62
9. Pacific	82	99	74	55	102	89	84
10. United States	100	100	100	100	100	100	100
Standard deviation	19	24	30	65	27	25	30

(continued on next page)

TABLE 16 (continued)

New Jersey	3.0	4.3
New York	37.3	19.5
Ohio	5.2	4.9
Pennsylvania	13.1	8.9
Texas	0.5	5.0
Other states	22.1	31.9
United States	100.0	100.0

Except for Massachusetts, the considerable differences which exist between these two sets of data are not readily explainable. The greater share of Massachusetts derived from *Statistics of Income* probably reflects the relatively large importance in Massachusetts of personal trust funds administered by nonbank fiduciaries, which are not included in Stephenson's data. Other substantial differences—the share of New York in Stephenson's estimate is nearly double that obtained from *Statistics of Income*, while his estimate for Texas is only one-tenth of the latter—probably are due to trust funds administered for out-of-state beneficiaries, variations in coverage and other defects in data, but may also reflect differences in the average rate of return earned on personal trust funds.

Source: Table D-10 (Appendix Supplement).

<sup>a</sup> Includes postal savings system and credit unions.  
<sup>b</sup> In commercial banks only.  
<sup>c</sup> Represents distribution of trust department assets for 1947, as shown by Gilbert Stephenson in "Trust Business in the United States," *Trust Bulletin*, April 1948, p. 21. While this source has generally been used throughout this study because it is the only one giving absolute figures on a regional basis, attention is called to a distribution by states of the income of personal trust funds, derived from taxable fiduciary returns and shown in *Statistics of Income for 1947*, Part I. The following table compares percentage shares of the leading states as obtained from the two sources:

	PERCENTAGE DISTRIBUTION OF PERSONAL TRUST FUNDS	
	<i>Assets of Personal Trust Departments</i> (Stephenson)	<i>Income from Personal Trust Funds</i> (Statistics of Income)
California	5.6	6.1
Illinois	6.3	9.1
Massachusetts	4.5	7.0
Michigan	2.4	3.3

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Variations in office density as between regions are considerably more pronounced for the other main groups of financial intermediaries for which it can be studied—savings and loan associations, credit unions, the postal savings system, personal trust departments, and investment bankers and security dealers. Their patterns of regional variation naturally differ; but one trait is common to all, namely, low density in the three southern regions.<sup>12</sup> The other variations still show traces of the history of the several groups. Even in the middle of the twentieth century density ratios are often markedly higher in regions where certain types of financial intermediaries originated. Such vestiges may be seen in the high density of savings and loan associations in the Middle Atlantic and East North Central regions, or in that of personal trust departments and credit unions in New England.

Of greater interest, from an economic point of view, are differences in the resources of financial intermediaries in relation to the region's income, since this relation indicates, though it does not directly measure, the preferences of the population for certain forms of saving, or the preference of some types of financial intermediaries for operation in a given region. Here it is possible to include life insurance companies, which could not be discussed as to office density. It is appropriate to combine all financial intermediaries accepting deposits (commercial banks, mutual savings banks, the postal savings system, and credit unions) in one category, but to segregate demand deposits in commercial banks.

Table 16 indicates substantial variations among regions in resource density.<sup>13</sup> The variations are lowest for demand deposits in commercial banks.<sup>14</sup> They are also fairly low for shares in savings and loan associations and for premium reserves of life insurance companies. Interregional variations are markedly higher for deposits other than demand deposits in commercial banks (primarily, time deposits in commercial and savings banks), and for assets of personal trust departments. Demand deposits in commercial banks

<sup>12</sup> One of the two cases in which office density in these regions is above national average is that of savings and loan associations in the South Atlantic region. This is due to the high ratios for Delaware and Maryland, two states which, although they belong to this census region, are financially closer to the Middle Atlantic states.

<sup>13</sup> Data by states are given in Table D-10.

<sup>14</sup> If individuals' demand deposits are taken alone (which can be done only approximately, since the ready information is for Federal Reserve districts that do not coincide with census regions), variations are higher, but still well below those of time deposits, which are attributable predominantly to individuals.

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and life insurance reserves are relatively evenly distributed geographically in relation to income. Demand deposits constitute the bulk of people's ready cash; and cash holdings, on the average, are primarily determined by income, as monetary theory assumes. The relatively even distribution of life insurance reserves in relation to income is probably connected with the large proportion of the business done by a few companies operating in like fashion throughout the nation; in addition, the need for life insurance protection is universal and fairly uniform. The markedly higher density of personal trust departments in New England and Middle Atlantic states reflects both a higher ratio of wealth to income in these regions—in turn traceable to their greater economic age and their creditor status in relation to other regions—and to the earlier beginnings of trust institutions in the eastern financial centers, which administer many estates originating outside the region.<sup>15</sup> Equally pronounced regional differences in the density of time deposits are more difficult to explain since the effects of income variation are already eliminated. These differences constitute possibly the most noticeable aspect of Table 16. One factor involved may be the lesser competition from investment in agriculture in the highly urbanized regions (New England, Middle Atlantic, East North Central) which show particularly high density ratios for time deposits. It is not, however, a sufficient explanation of the differences, and to explain them properly, as well as many of the interregional differences of other types of financial intermediaries, one would have to investigate regional differences in saving and placement habits much more closely than has been done heretofore.

### 5. *Changes in Density Differences*

The only branches of financial intermediaries for which changes in density in the various regions can be followed over a long period of time are the commercial and savings banks. For them the record can be reconstructed back to the middle of the nineteenth century. Since for some types of intermediaries branches were not important until the 1920's, and for some others, earlier data are lacking, the trend of regional differentials for the main types combined can only be traced since 1929.<sup>16</sup>

<sup>15</sup> That the density is considerably lower for New England than for the Middle Atlantic region is due, at least in part, to the larger importance of non-corporate trustees in New England.

<sup>16</sup> Even this limited comparison is incomplete because of lack of data for personal trust departments on regional distribution before 1947.

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a. ALL FINANCIAL INTERMEDIARIES 1929-1949

Comparison of resource density ratios in 1929 and 1949 shows an over-all decline in differences among regions and states for all intermediaries that can be included in the calculation (Tables 16 and 17). The decline is less pronounced for the main branches of financial intermediaries individually than for the groups in combination. Indeed, regional variation in density ratios declines in

TABLE 17

Regional Differences in Resource Density of Main Financial Intermediaries, 1929

REGION	BANKS <sup>a</sup>		SAVINGS AND LOAN ASSOCIATION		LIFE INSURANCE	TOTAL (5)
	<i>Demand<sup>b</sup> Deposits</i>	<i>Other Deposits</i>	ASSETS	RESERVES		
	(1)	(2)	(3)	(4)		
<i>A. Dollars per \$100 of income payments</i>						
1. New England	25.5	70.4	9.4	18.8		124.1
2. Middle Atlantic	43.6	45.6	11.8	19.2		120.2
3. East North Central	25.0	26.6	12.9	15.5		80.0
4. West North Central	27.3	25.9	8.2	16.7		78.1
5. South Atlantic	21.5	24.1	8.0	15.6		69.2
6. East South Central	21.5	19.6	5.5	15.6		62.2
7. West South Central	28.3	11.4	9.9	8.8		58.4
8. Mountain	23.3	20.4	7.2	12.1		63.0
9. Pacific	23.2	34.9	8.8	11.6		78.5
10. United States	30.5	35.0	10.5	16.2		92.2
<i>B. Index (U.S. average = 100)</i>						
1. New England	84	201	90	116		135
2. Middle Atlantic	143	130	112	119		130
3. East North Central	82	76	123	96		87
4. West North Central	90	74	78	103		85
5. South Atlantic	70	69	76	96		75
6. East South Central	70	56	52	96		67
7. West South Central	93	33	94	54		63
8. Mountain	76	58	69	75		68
9. Pacific	76	100	84	72		85
10. United States	100	100	100	100		100
Standard deviation	25	49	24	22		28

<sup>a</sup> Includes postal savings system and credit unions.

<sup>b</sup> In commercial banks only.

Source: Table D-9 (Appendix Supplement).

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only one case (demand deposits in commercial banks), but increases or remains the same in three others (time deposits, savings and loan shares, and life insurance reserves). It declines, however, though only by a small amount, for those groups combined.

When the different regions are compared as to the relation between resources of the combined financial intermediaries and personal income, it appears that the density ratios for the three southern regions are considerably below the national average and the ratio for the Pacific region is a little below it, both for 1929 and 1949. The ratios for New England and the Middle Atlantic states are high, and that for the East North Central states is low, for both dates. Thus, substantial changes in density relative to the national average are rare, and the pattern of regional density differentials has not changed much in the two decades between 1929 and 1949.

The significance of the changes observed can be assessed only as records are available for a much longer period. Apart from the long record for commercial and savings banks to be discussed below, we can trace back to the turn of the century the interregional density differentials for ordinary life insurance in force (which may be assumed to be distributed similarly to reserves), and for savings and loan associations. In both cases a sharp decline in the regional differentials (for reserves or assets per 100,000 inhabitants) occurred between 1900 and 1929, a decline considerably more pronounced than that between 1929 and 1949.

### b. BANKS 1850-1949

The trend of interregional density differentials in banks, at least as measured by the ratio of offices to population, is clear. The variation of density ratios among regions at a given date has declined continuously; that is, a tendency toward equalization of office density ratios throughout the country has been at work during all or most of the last century.

The decline in interregional density differentials is sharpest between 1850 and 1900 and least noticeable between 1929 and 1949, if measured by the ratio of bank offices to population. If, however, density is measured by the ratio of deposits to population, the decline in interregional differentials is as pronounced for the last twenty years as for the period from 1900 to 1929. Density ratios using income payments as denominator are not available before 1929, but the substantial decline in interregional variations between

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1929 and 1949 suggests that the movement was as pronounced in that period as in the preceding three decades. The tendency toward equalization in density within the banking system may therefore be considered a trend which has been at work throughout the last fifty years at an approximately uniform rate. The sharper decline of interregional density differentials in the second half of the nineteenth century than in the first half of the twentieth, a decline which can be measured only in terms of the ratio of offices or deposits to population, is not unexpected. In 1850 there were virtually no banking offices in two of the nine regions (Mountain and Pacific), and there were only a few in two newly settled regions (West North Central and West South Central). By 1900, on the other hand, the web of banking offices covered the entire country.

Level and trends of density in the various regions offer interesting subjects for special studies, but are not within the scope of this investigation. It may suffice to point out some of the outstanding movements in the ratio of deposits to inhabitants—the best measure that can be prepared for long periods of time. There is the pattern peculiar to the South, i.e. the South Atlantic and East South Central census regions, in which density declined sharply compared to the national average between 1850 and 1900, thus reflecting the effect of the Civil War, but increased over the first half of this century. There is the decline in relative density in the two old regions, New England and the Middle Atlantic, which begins with 1900; in the case of the Middle Atlantic states, the decline follows a sharp increase in the second half of the nineteenth century which may be connected with the growth of large financial centers in the East, particularly with New York City's becoming the national money market. There is the continuous increase in relative density in the East North Central, West North Central and West South Central regions, all rapidly developing regions compared to the rest of the country during the past century. There is, finally—and this may be the only unexpected movement—the slow decline in relative density in the Pacific region since 1900.

Some of these trends are modified if use is made of different measures of density such as the ratio of offices to income payments, as in Table 18, or of deposits to income payments as in Table 19, both of which can be calculated beginning with 1929.<sup>17</sup> The only substantial difference, however, concerns the West North Central states. While the ratio of deposits to population for that region has

<sup>17</sup> The underlying data are given in Tables D-9, D-10, D-17 and D-18.

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TABLE 18

Establishment Density of Banking System (Commercial and Savings Banks) by Region

REGION	OFFICES PER 100,000 INHABITANTS				OFFICES PER \$100 MILLION INCOME PAYMENTS TO INDIVIDUALS	
	1850	1900	1929	1949	1929	1949
	<i>A. Ratio</i>					
1. New England	15.1	20.0	16.6	13.8	20.0	9.7
2. Middle Atlantic	5.4	12.2	16.3	11.0	17.1	7.0
3. East North Central	1.7	20.0	25.2	12.3	33.1	8.5
4. West North Central	0.8	35.5	49.4	25.1	90.0	20.4
5. South Atlantic	2.6	9.6	18.4	10.7	42.6	10.5
6. East South Central	1.5	9.7	18.9	11.5	58.1	14.8
7. West South Central	0.5	11.5	23.2	12.3	54.5	11.4
8. Mountain	..	19.3	26.1	12.6	46.2	10.4
9. Pacific	..	18.9	23.2	10.9	27.4	7.0
10. United States	4.3	17.1	23.7	12.9	35.1	9.9
<i>B. Index (U.S. average = 100)</i>						
1. New England	351	117	70	107	57	98
2. Middle Atlantic	126	71	69	85	49	71
3. East North Central	40	117	106	95	94	86
4. West North Central	19	208	208	195	256	206
5. South Atlantic	60	56	78	83	121	106
6. East South Central	35	57	80	89	166	149
7. West South Central	12	67	98	95	155	115
8. Mountain	..	113	110	98	132	105
9. Pacific	..	111	98	84	78	71
10. United States	100	100	100	100	100	100
Standard deviation	118	45	40	33	65	42

Source: For offices per 100,000 inhabitants, the 1850 data, referring to commercial bank offices and to mutual savings banks (the latter assumed not to have had branches in 1850) are from Table 9, lines 1 and 2, divided by population from *Statistical Abstract of the United States*, 1952, p. 12. The later figures are from Tables D-14 to D-16 (Appendix Supplement).

Offices per \$100 million income payments are from Tables D-17 and D-18.

increased considerably between 1929 and 1949 compared with the average for United States,<sup>18</sup> the ratio of offices to population as well as that of offices to income payments has declined. This discrepancy may be explained by the particularly heavy rate of

<sup>18</sup> The ratio of deposits to income payments shows the same movement.



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bank failure during the late twenties and early thirties in this region of small unit banks, which led to an increase in the concentration of the region's rapidly growing banking resources in a smaller number of banks.

### 6. *Distribution of Offices and Resources among States and Regions*

The geographic expansion and distribution of financial intermediaries have up to this point been investigated solely on the basis of density ratios. Another aspect of the same process is the share of the different parts of the country in total number of offices or in total resources.<sup>19</sup> Figures for the share of each of the states in the number of offices and in the resources of the groups of financial intermediaries for which the information is available are given in Appendix D (Tables D-3 to D-5 and D-11 to D-13) for the three benchmark dates 1900, 1929 and 1949. The tables in this chapter present only regional totals (and data for New York City, especially in section 8, below); and the discussion is focused on shares in resources, rather than in number of offices.

At the end of 1949 almost two-fifths of the resources of financial intermediaries for which distribution by states is known were accounted for by the three Middle Atlantic states, and more than one-fourth by New York City alone.<sup>20, 21</sup> The East North Central states were next with a share of approximately one-fifth. Four regions (New England, West North Central, South Atlantic, and Pacific) each accounted for less than one-tenth of the national total, and the remaining three (East South Central, West South Central, and Mountain) for still smaller shares (Table 20).

Changes in the shares of the different regions in the resources of four main financial intermediaries may be followed in Table 21—for commercial and mutual savings banks for a full century, and for savings and loan associations and life insurance companies for the last fifty years. The ratios of commercial banks show some

<sup>19</sup> The two measures are, of course, arithmetically related. For instance, the ratio between the office densities of two states and their shares in the national total of offices is linked by the ratio of the population of the two states.

<sup>20</sup> The term "resources" is used to designate deposits in banks and in the postal savings system; assets in savings and loan associations, credit unions, and personal trust departments; and reserves of life insurance companies (distributed on the basis of policyholders' residence).

<sup>21</sup> The institutions for which distribution by state is available account for almost 70 per cent of the assets of all financial intermediaries, as shown in Table 11.

TABLE 20  
 Percentage Distribution of Resources of Main Financial Intermediaries by Region, 1949

Region	Commercial Bank Deposits	Mutual Savings Bank Deposits	Postal Savings System Deposits	Credit Union Assets	Personal Trust Department Assets	Savings and Loan Association Assets	Life Insurance Reserves	Retirement Fund Assets	Investment Companies	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. New England	5.0	28.8	2.6	14.6	8.1	8.7	8.5	5.5	12.1	7.9
2. Middle Atlantic	31.9	65.4	11.7	15.6	53.4	19.3	33.4	35.5	28.2	36.7
3. East North Central	21.1	1.5	32.4	30.9	15.1	29.6	23.1	22.1	18.7	19.8
4. West North Central	9.2	0.8	17.5	9.5	5.8	7.8	8.6	5.7	9.4	7.9
5. South Atlantic	7.9	2.6	9.7	7.3	7.8	12.6	8.6	9.0	8.2	8.0
6. East South Central	3.6	—	3.8	3.6	1.7	3.2	3.1	3.4	2.1	3.0
7. West South Central	7.1	—	7.5	5.9	0.9	5.4	4.1	4.9	3.4	5.1
8. Mountain	2.7	—	4.0	2.4	0.7	2.4	2.3	2.4	2.5	2.1
9. Pacific	11.4	1.1	10.8	10.1	6.5	11.2	8.4	11.5	15.3	9.5
10. United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> Distribution of number of shareholders.  
 Source: Table D-5 (Appendix Supplement).

TABLE 21  
Percentage Distribution of Resources of Four Main Financial Intermediaries by Region

REGION	COMMERCIAL BANK				MUTUAL SAVINGS BANK				LIFE INSURANCE				SAVINGS AND LOAN			
	DEPOSITS				DEPOSITS				COMPANY RESERVES <sup>b</sup>				ASSOCIATION ASSETS			
	1850 <sup>a</sup>	1900	1929	1949	1850	1900	1929	1949	1850	1900	1929	1949	1850	1900	1929	1949
1. New England	27.2	9.1	7.1	5.0	49.6	43.7	36.4	28.1	..	12.2	9.6	8.5	..	6.6	7.3	8.7
2. Middle Atlantic	32.6	43.9	39.1	31.9	50.4	50.6	58.2	65.9	..	37.1	36.0	33.4	..	33.7	34.2	19.3
a. Excluding																
New York City	21.4	18.5	18.2	14.2	11.8	18.3	20.0	19.7	..	..	..	..	..	..	27.0	14.8
3. East North Central	7.3	19.4	21.2	21.1	..	2.2	1.6	1.5	..	20.5	22.3	23.1	..	34.5	28.6	29.6
4. West North Central	1.1	10.7	8.5	9.2	..	0.5	0.8	0.8	..	8.7	9.0	8.6	..	4.5	6.9	7.8
5. South Atlantic	18.7	5.0	6.3	7.9	..	2.9	2.5	2.6	..	8.0	7.9	8.6	..	6.8	6.3	12.6
6. East South Central	7.8	2.5	2.7	3.6	—	—	—	—	..	4.7	3.7	3.1	..	2.5	2.0	3.2
7. West South Central	5.3	1.9	4.6	7.1	—	—	—	—	..	3.8	3.4	4.1	..	4.7	5.9	5.4
8. Mountain	—	2.2	1.9	2.7	—	—	—	—	..	2.0	2.0	2.3	..	1.6	1.7	2.4
9. Pacific	—	5.3	8.7	11.4	—	—	0.6	1.1	..	3.0	6.1	8.4	..	5.1	7.0	11.2
10. United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	..	100.0	100.0	100.0	..	100.0	100.0	100.0

<sup>a</sup> Based on capital plus circulation, instead of deposits.

<sup>b</sup> Figures for 1900 based on distribution of insurance in force.

Source: For 1850, based on data derived from sources given in Table 25.

For later years, from Tables D-3 to D-5 (Appendix Supplement). New York City is excluded (line 2.a) on the basis of data obtained from sources given in Table 25.

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spectacular shifts reflecting for the most part changes in the distribution of the population over the territory of the United States and changes in relative average incomes. Examples are the declines in the shares of the New England and southern states, and the increases in the shares of the North Central and western regions, some of which, however, stop in 1900 or 1929. Changes have been less pronounced for the two groups which can be followed since the turn of the century, and there are some differences in detail between them.

The picture is clarified when the four main financial intermediaries are combined as in Table 22. A contrast then emerges between the decline in the shares of the New England and Middle Atlantic states between 1900 and 1949, the rapid relative advance in the shares of the South Atlantic, East South Central, West South Central, and Pacific states, and the relative stability in the shares of the East North Central, West North Central and Mountain states. These differences are in accord with geographic shifts in the United States over the last fifty years—from the regions of oldest settlement to the growth areas of the Far West and Southwest and to

TABLE 22  
Percentage Distribution of Combined Resources of Four Main  
Financial Intermediaries by Region

<i>Region</i>	<i>1850</i>	<i>1900</i>	<i>1929</i>	<i>1949</i>
1. New England	29.7	16.1	10.7	8.1
2. Middle Atlantic	34.6	43.8	40.1	34.4
3. East North Central	6.5	17.1	20.0	20.3
4. West North Central	0.9	8.1	7.6	8.3
5. South Atlantic	16.6	5.0	6.1	7.9
6. East South Central	6.9	2.3	2.6	3.2
7. West South Central	4.7	2.0	4.0	5.7
8. Mountain	—	1.7	1.7	2.3
9. Pacific	—	4.0	7.1	9.8
10. United States	100.0	100.0	100.0	100.0

Source: For 1850, includes capital and circulation of commercial banks (which at that time represented approximately the same share of total resources as deposits did in 1900) and deposits of mutual savings banks. To include also savings and loan associations and life insurance companies—groups still very small at that time—would not change the distribution substantially. Based on data derived from sources given in Table 25. For later years, includes deposits in commercial and savings banks, savings and loan association assets, and life insurance reserves; based on data derived from sources given in Tables D-3 to D-5 (Appendix Supplement).

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the Old South. In the latter case growth represented only a recovery from the extraordinary decline in the preceding half century. The Old Midwest, from the Alleghenies to the Great Plains (East North Central and West North Central census regions), the typical growth area of the nineteenth century, continued to advance just enough to hold its own.

### *7. Share of Various Intermediaries in Different Regions*

Interregional differences in the expansion and distribution of financial intermediaries can be studied by a third and final device, namely the distribution of the total resources of financial intermediaries of a region among the various financial intermediaries operating within it, as presented in Table 23 for 1949, and in Table 24 for a limited group of financial intermediaries for 1900, 1929 and 1949.

The most noticeable characteristic again is the substantial degree of uniformity, i.e. of similarity in the percentages for the same type of financial intermediaries for different regions, if commercial banks and mutual savings banks are combined for the reason that the former in most regions perform the functions of the latter. It is evident that, measured by resources, banks are by far the most important type of financial intermediaries. This statement would not change if the groups of financial intermediaries not covered in Table 23 (particularly private pension and retirement funds, investment companies, finance companies, and investment bankers) could have been included.

The banks' share in the 1949 total for the groups covered fluctuates between 54 per cent in the South Atlantic states and 72 per cent in the West South Central states, but among seven of the nine regions, including the largest ones, the range is limited to between 55 and 63 per cent. The share of life insurance reserves ranges from 14 to 20 per cent of the regional totals; that of savings and loan association assets accounts for 5 to 9 per cent, except in the Middle Atlantic states (with 3 per cent). Personal trust department assets and deposits in the postal savings system show larger regional differences.<sup>22</sup> The share of personal trust departments varies from less than 5 per cent in the West South Central and Mountain states to 20 per cent in the Middle Atlantic states, and is relatively high in

<sup>22</sup> The regional differences in the share of personal trust departments are probably exaggerated in the source used (see footnote c, Table 16).

TABLE 23

Percentage Distribution of Combined Resources among Main Financial Intermediaries  
within Region, 1949

Region	Commercial Bank Deposits (1)	Mutual Savings Bank Deposits (2)	Postal Savings System Deposits (3)	Credit Union Assets (4)	Savings and Loan Association Assets (5)	Life Insurance Reserves (6)	Personal Trust De- partment Assets (7)	State and Local Un- employment Compen- sation and Retirement Fund Assets (8)	Total Resources (9)
1. New England	32.7	25.5	0.4	0.6	6.0	18.4	13.7	2.8	100.0
2. Middle Atlantic	44.7	13.0	0.4	0.1	2.9	15.4	19.7	3.9	100.0
3. East North Central	54.4	0.5	2.0	0.5	8.1	19.7	10.3	4.5	100.0
4. West North Central	59.6	0.7	2.7	0.4	5.3	18.5	10.0	2.9	100.0
5. South Atlantic	51.4	2.3	1.5	0.3	8.6	18.1	13.3	4.5	100.0
6. East South Central	62.7	—	1.5	0.4	5.7	17.5	7.8	4.5	100.0
7. West South Central	72.1	—	1.8	0.4	5.8	13.6	2.4	3.9	100.0
8. Mountain	64.8	—	2.4	0.3	6.2	17.3	4.3	4.6	100.0
9. Pacific	61.9	0.8	1.4	0.3	6.4	15.0	9.2	4.9	100.0
10. United States	51.4	7.2	1.2	0.3	5.5	16.9	13.5	4.0	100.0

Source: Based on data derived from sources given in Table D-5 (Appendix Supplement).

TABLE 24  
 Percentage Distribution of Combined Resources among  
 Four Main Financial Intermediaries within Region

REGION	COMMERCIAL BANK DEPOSITS			MUTUAL SAVINGS BANK DEPOSITS			SAVINGS AND LOAN ASSOCIATION ASSETS			LIFE INSURANCE COMPANY RESERVES		
	1900	1929	1949	1900	1929	1949	1900	1929	1949	1900	1929	1949
1. New England	35.0	40.3	39.6	52.9	37.5	30.9	2.2	7.4	7.3	9.8	14.8	22.3
2. Middle Atlantic	62.4	59.8	58.9	22.5	16.0	17.1	4.0	9.2	3.8	11.0	14.9	20.3
3. East North Central	71.2	65.1	65.8	2.5	0.9	0.7	10.6	15.5	9.8	15.6	18.5	23.7
4. West North Central	81.9	68.9	70.8	1.2	1.2	0.9	2.8	9.8	6.3	14.0	20.1	22.0
5. South Atlantic	60.3	62.8	64.0	11.6	4.5	2.8	7.0	11.1	10.7	21.0	21.6	22.5
6. East South Central	67.6	67.2	73.0	—	—	—	5.6	8.6	6.7	26.8	24.3	20.3
7. West South Central	62.7	70.1	78.8	—	—	—	12.4	15.8	6.3	24.9	14.0	14.9
8. Mountain	79.6	70.1	73.4	—	—	—	5.0	11.2	7.0	15.5	18.7	19.6
9. Pacific	83.5	74.4	73.5	—	0.8	1.0	6.7	10.6	7.6	9.9	14.0	17.8
10. United States	62.2	61.5	63.5	19.5	11.1	8.9	5.2	10.8	6.7	13.0	16.6	20.9

Source: Based on data derived from sources given in Tables D-3 to D-5 (Appendix Supplement).

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New England and the South Atlantic states.<sup>23</sup> These last three regions are almost entirely within the territory of the original 13 states, a characteristic which is worth notice only because it points to the possible connection between the relative importance of personal trust departments, accumulation of wealth, and length of settlement. The share of the postal savings system varies from less than one-half to nearly 3 per cent. It is considerably above the national average in the East North Central, West North Central and Mountain states, and is apparently still connected with the severity of bank failures during the Great Depression, the period in which deposits in the postal savings system for the first time acquired substantial importance on a national scale.

Changes in the distribution over time are fairly uniform among regions, at least in the direction of change. When the national share of a given intermediary rises between two benchmark dates, its share also rises in all or most of the regions. Between 1900 and 1949, for instance, the share of life insurance reserves and of savings and loan association assets rose for the United States as a whole, and rose also for seven and six respectively of the regions. The share of deposits of commercial banks, on the other hand, which increased only insignificantly for the United States as a whole, rose in four but fell in five regions.

### 8. *The Position of New York City*

The rise of New York City to financial primacy, and the existence of a national money and capital market in New York deserve study beyond what can be done here.<sup>24</sup> All that is undertaken is a statistical illustration of the importance of institutions with headquarters in New York City within the different branches of financial intermediaries.

By number, institutions located in New York City form generally a moderate share of the total, indeed often below New York City's share of 5 per cent in population (Table 25). This is the case for commercial banks, all banks together, savings and loan associations, credit unions and even life insurance companies. The share is considerably above that level only among mutual savings banks (a type

<sup>23</sup> The relative position of New England would be improved if account could be taken of the fact that unincorporated trustees appear to be of relatively larger importance in that region than in other regions.

<sup>24</sup> No up-to-date adequate treatment is available. For the period to 1930 the main authority is still *The New York Money Market* by Beckhart, Smith, Brown, and Myers, 1931, four volumes.

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TABLE 25

Share of New York City Institutions in Number and Resources  
of Main Financial Intermediaries  
(per cent)

INTERMEDIARIES	NUMBER OF ENTERPRISES				RESOURCES			
	1850 (1)	1900 (2)	1929 (3)	1949 (4)	1850 (5)	1900 (6)	1929 (7)	1949 (8)
1. Commercial banks	5.1	1.2	0.5	0.5	11.2	25.4	22.6	18.4
2. Mutual savings banks	8.5	7.8	10.7	10.2	38.6	32.3	38.2	46.2
3. All banks	5.6	1.5	0.8	0.9	14.1	27.0	24.9	21.7
4. Savings and loan associations	..	2.4	0.7	1.0	..	6.7	2.3	4.5
5. Credit unions	—	—	11.1	3.6	—	—	30.2	4.8
6. Postal savings system	—	—	—	—	—	—	..	3.7
7. Personal trust departments	..	..	..	..	..	..	..	18-35
8. Life insurance companies	12.5	16.7	3.7	3.6	52.9	66.3	56.6	54.1
9. Fraternal insurance organizations	..	3.7	5.9	7.4	..	7.1	2.3	1.9
10. Fire and marine insurance companies	..	9.3	10.4	13.5	..	20.3	33.9	29.4
11. Casualty and miscellan- eous insurance companies	..	..	12.7	11.5	..	27.4	20.7	16.5
12. Investment bankers	..	..	28.6	24.3	..	..	..	61.7
13. Share in population	3.0	4.5	5.6	5.2	—	—	—	—
14. Share in income payments	—	—	—	—	..	..	..	8.5

Line	Column	Source
1	1,5	Compiled from data in <i>The Bankers' Almanac for 1851</i> , I. Smith Homans. Resources (col. 5) are based on circulation plus capital.
	2-4	Table C-9 (Appendix Supplement).
	6-8	
2	1,5	Number and deposit figures derived from <i>A History of Savings Banks in the United States</i> , E. W. Keyes, New York, 1876, for Connecticut, Massachusetts, New York, Maine, New Hampshire, Vermont, Rhode Island, New Jersey and Pennsylvania. Mutual savings banks in other states are assumed negligible. Data for New York City and New York State were compiled on the basis of statistics for individual savings banks.
	2-4	Table C-10.
	6-8	
3	1-8	Percentages from absolute totals of line 1 plus line 2.
4	2-4	Table C-11.
	6-8	
5	3,7	Number and asset data for denominator from Table C-18. Number and asset data for numerator derived from figures on individual credit unions from <i>Report on</i>

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Line	Column	Source
		<i>Savings and Loan Banks of State of New York and Credit Unions</i> , Superintendent of Banks, State of New York, 1929.
4, 8		Number and asset data for denominator from Table C-18. Number and asset data for numerator derived (1) from figures on individual state-chartered credit unions in the <i>Report</i> just cited, and (2) from unpublished figures on federal credit unions estimated by New York State Credit Union League, Inc.
6	8	Deposit data from <i>Report of Operations of the Postal Savings System</i> , Office of Postmaster General, 1949.
7	8	Estimated on the basis of the share of New York State, New York City being roughly estimated at 95 per cent of the latter (see footnote c to Table 16 for further explanation).
8	1	Number of companies in United States from <i>Marketing Life Insurance</i> , J. O. Stalson, Harvard University Press, 1942, p. 750. Number of companies in New York City and Newark from <i>First Report</i> , State of New York, Insurance Department, 1860, p. 380.
	2-4	Table C-12.
	6-8	
5		Data on insurance in force for 1860 derived from Stalson, <i>op. cit.</i> , p. 794. No other resources figures were available. For 1900 the share of New York City and Newark life insurance companies in the United States total of insurance in force is 66.4 per cent ( <i>Insurance Yearbook</i> , Spectator Company, 1901), i.e. nearly identical with the ratio based on assets.
9	2-4	Number and asset data for denominator from Table C-13. Number and asset data for numerator from <i>Annual Report</i> , Assessment or Cooperative and Fraternal Insurance Volume, State of New York, Superintendent of Insurance, various issues. Since only reporting orders are included in the denominator for 1929 and 1949, the percentage figure for col. 4 (number) is overstated, while that for col. 8 (assets) would probably decrease only negligibly.
	6-8	
10	2-4	Number and asset data for denominator from Table C-14. Number and asset data for numerator from <i>Annual Report</i> , Fire and Marine Volume, State of New York, Superintendent of Insurance, various issues. Since only reporting companies are included in the denominator for 1949, the percentage figure for col. 4 (number) is overstated, while that for col. 8 (assets) would probably decrease only negligibly.
	6-8	
11	3-4	Number data for denominator from Table C-15 (the figure for 1900 is unavailable); asset data for denominator for 1900 from Table C-16, and for 1929 and 1949 from Table C-15. Number data for numerator for 1929 and 1949 and asset data for numerator for 1900, 1929 and 1949 from <i>Annual Report</i> , Casualty and Miscellaneous Volume, State of New York, Superintendent of Insurance, various issues, and Spectator Company <i>Insurance Yearbook</i> 1950, Casualty and Surety Volume. Since only reporting companies are included in the denominator for 1929 and 1949, the percentage figures are probably overstated to the same extent as the data of line 10.
	6-8	
12	3-4	Derived from sources given in Tables D-12 and D-13 (Appendix Supplement).
	8	Equity of investment bankers derived from a tabulation in <i>Finance</i> , March 15, 1950, pp. 31-33; 74-80. The ratio based on resources may differ considerably from this figure.
13	1	Derived from <i>Seventh Census of the United States</i> , 1850.
	2-4	Derived from <i>Statistical Abstract of the United States</i> , 1952, pp. 14, 20. Figures for 1930 and 1950 are used in cols. 3 and 4.
14	8	Numerator based on estimate of income payments in New York City prepared by New York State Department of Commerce for 1948 and shown in <i>Commerce Review</i> , August 1951; denominator equals estimate of total income payments in the United States prepared by U.S. Department of Commerce and shown in <i>Survey of Current Business</i> , August 1952, p. 16.

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of financial intermediary limited to a few eastern states) and among investment bankers and security dealers.

Measured by resources (total assets, deposits or reserves), however, New York City's share is high, except in the case of fraternal order life insurance, and usually much higher than its corresponding share in the number of enterprises or offices. This means simply that in any given branch of financial intermediaries the size of the average New York City unit or office is above the national average. Among institutions that operate chiefly on a local basis, such as savings and loan associations and credit unions, the share of New York City is not much above the 5 per cent level corresponding to its population ratio. Commercial banks and personal trust departments occupy an intermediate position with a share for New York City between one-sixth and one-fourth of the national total. Investment bankers belong to the same category if the share is calculated on the basis of participations in publicly offered issues. Among types of financial intermediaries operating predominantly on a nationwide scale, the share of institutions with headquarters in New York City is considerably larger, and generally is approximately one-half of the national total. Such ratios are shown for investment bankers, life insurance companies, property insurance companies, investment companies, sales finance companies, and personal finance companies.<sup>25</sup>

Probably more significant than differences in the present level of the share of New York City institutions are the changes it has undergone for various groups since 1900. For groups that have been important only since the 1920's, such as investment and finance companies, of course the question is not relevant. Table 25 shows the changes for other groups so far as data permit.<sup>26</sup>

<sup>25</sup> The distinction between financial institutions operating on a nationwide scale and those primarily limited to local operations is, like all such classifications, relative rather than absolute. It also is much more closely applicable to the sources of funds of the different types of institutions than to the uses of their funds. Finally, the distinction is subject to less qualification in the first two decades of this century than since the Great Depression. In particular, the increasing importance of federal securities among assets by now has considerably blurred the distinction between institutions using most of their funds locally and those making them available throughout the country. The practice of making mortgage loans on properties far from the home office, greatly fostered by federal mortgage insurance, has also blurred the distinction. From the standpoint of use of funds only savings and loan associations and credit unions can still be regarded as essentially, though not exclusively, localized. The distinction, however, remains fairly pronounced with reference to the geographic origin of funds.

<sup>26</sup> In considering these trends it is well to keep in mind that the share of

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The outstanding change in New York City's position since 1900 is the decline in its share both as to number of institutions and as to resources.<sup>27</sup> On the basis of resources the share of New York City institutions has declined from 27 to 22 per cent for all banks, from 6½ to 4½ per cent for savings and loan associations, and from 66 to 54 per cent for life insurance companies. Although for investment bankers adequate documentation is not possible, there is little doubt that the share of New York City institutions has declined markedly since the turn of the century. This probably holds for personal trust departments also, though in the almost complete absence of statistical information any statement is hazardous.

It is thus evident that whatever the causes or the interpretation of the changes, the share of institutions with headquarters in New York City has declined considerably and for the most part continuously since the turn of the twentieth century. This is in contrast to developments during the preceding fifty years, when the share increased markedly for the only institutions for which data are available—commercial banks—and probably rose also for most other types of financial intermediaries. Even after the decline of the last half century, concentration of resources in institutions with headquarters in New York City is still pronounced for virtually all branches of financial intermediaries which operate on a nationwide scale, viz. insurance companies, investment companies and finance companies, as well as for commercial banks and personal trust departments.

### 9. *The Position of Other Major Financial Centers*

Indication of the share of other large cities in the resources and number of three groups of financial intermediaries—commercial banks, mutual savings banks and savings and loan associations—is given in Table 26. Shown for the three benchmark dates 1900, 1929 and 1949 are the percentage shares of 18 large cities,<sup>28</sup> including New York City. Discussion is limited to the following few observations:

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New York City in the total population of the United States increased considerably from 3 per cent in 1850 to 4½ per cent in 1900, but has risen only slightly since then and actually declined a little between 1929 and 1949.

<sup>27</sup> Mutual savings banks constitute an apparent exception. The explanation is that the only other part of the country in which mutual savings banks have been of substantial importance is the New England region, which in general has shown a declining share in the national totals for the various branches of financial intermediaries.

<sup>28</sup> Those having over 500,000 inhabitants in early 1950.

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TABLE 26  
Shares of 18 Major Cities<sup>a</sup> in Resources of Banks and Savings and Loan Associations  
(per cent)

CITIES	COMMERCIAL BANK DEPOSITS			MUTUAL SAVINGS BANK DEPOSITS			SAVINGS AND LOAN ASSOCIATION ASSETS		
	1900	1929	1949	1900	1929	1949	1900	1929	1949
	1. New York	25.4	22.6	18.4	32.3	38.2	46.2	6.7	2.3
2. Chicago	5.7	5.5	5.9	—	—	—	3.3	1.3	4.3
3. Philadelphia	4.8	2.9	2.1	3.7	4.6	5.0	7.7	10.2	2.1
4. Los Angeles	0.4	2.8	3.4	—	—	—	0.5	1.5	3.0
5. Detroit	1.0	1.9	1.9	—	—	—	0.7	0.4	0.8
6. Baltimore	0.9	0.8	0.7	2.7	2.1	2.0	..	..	1.6
7. Cleveland	1.5	1.8	1.5	1.6	1.1	1.1	4.6	1.9	2.0
8. St. Louis	2.2	1.2	1.2	—	—	—	0.7	0.3	0.6
9. Washington	0.4	0.5	0.7	—	—	—	..	0.8	2.4
10. Boston	4.2	2.5	1.7	7.5	6.5	4.6	1.1	1.6	1.6
11. San Francisco	1.9	2.0	2.9	—	—	—	1.9	0.9	0.6
12. Pittsburgh	2.3	1.8	1.5	0.9	0.5	0.5	2.1	1.2	1.1
13. Milwaukee	0.6	0.5	0.7	—	0.0	0.0	0.2	2.3	1.1
14. Houston	0.1	0.3	0.8	—	—	—	..	0.2	0.2
15. Buffalo	0.7	0.9	0.5	2.2	1.6	2.4	0.7	0.3	0.2
16. New Orleans	0.5	0.5	0.5	—	—	—	..	0.7	0.8
17. Minneapolis	0.4	0.5	0.6	0.4	0.7	0.8	0.4	..	1.2
18. Cincinnati	0.9	0.6	0.6	0.1	—	—	3.0	1.6	1.9
All 18 cities	54.0	49.8	45.8	51.4	55.3	62.7	33.6	27.5	30.3
17 cities excluding New York	28.6	27.2	27.4	19.1	17.1	16.5	26.9	25.2	25.6
United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
U.S. resources (billions of dollars)	7.3	50.9	144.9	2.2	8.8	19.3	0.6	8.7	14.6

<sup>a</sup> Cities with 500,000 or more inhabitants in April 1950.

Source: City data (numerator) derived from Table C-23 (Appendix Supplement); national data (denominator) derived from Tables C-9 to C-11.

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1. Whereas New York City's share in commercial bank deposits has declined substantially since 1900, the aggregate share of the other 17 large cities has remained almost stationary. The rising share of such new centers as Los Angeles, Detroit, and Houston, and of such established centers as Chicago and San Francisco, sufficed to offset declines in the share of Philadelphia, St. Louis, Boston, and Pittsburgh. A different pattern appears if commercial bank deposits are split into time, demand and interbank deposits. In that case New York City's share rises for time deposits, but falls for demand and interbank deposits; the over-all decline results from the heavier weight of the latter two types of deposits combined.

2. Against the increase from about one-third in 1900 to nearly one-half in 1950 in New York City's share in total mutual savings deposits (funds which are largely local in character like commercial bank time deposits), the total portion of the other large cities has declined from about 19 to 16 per cent. Philadelphia is the notable exception, its share having risen from less than 4 to 5 per cent.

3. Among savings and loan associations the movement has varied between large cities, but the trend has in general been a slightly declining one for New York City as well as for the other large cities. The outstanding exceptions are Los Angeles, with an increase between 1900 and 1949 from  $\frac{1}{2}$  to 3 per cent, and Washington, D.C., with an increase from less than 1 per cent to about  $2\frac{1}{2}$  per cent.

4. When the resources of the three types of intermediaries are considered together, the combined share of the large cities declines from about 52 to 46 per cent. Excluding New York, on the other hand, their share has remained stable at approximately 26 per cent, though in population they increased from  $10\frac{1}{2}$  to 13 per cent of the national total.

5. The shares of all the 18 large cities in the total number of institutions have declined for each type of intermediary between 1900 and 1949. The only exception is the increase in New York City's share in the number of mutual savings banks. The declines are the result of a rather sharp fall in the last twenty years in the number of mutual savings banks and savings and loan associations, which more than offset the increase in the preceding three decades.