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CHAPTER 17

BANKING ¹

§ 17a. Sources of Information

The data for this chapter are derived mainly from the Annual Reports of the Comptroller of the Currency. Unfortunately, the reports for banks other than national are incomplete in many respects and, even in the case of national banks, we have extremely meager information concerning the number of employees. Under the circumstances, the results obtained by this study must be considered as only moderately near the truth.

§ 17b. The Composition of the Net Value Product

The value product of the banking industry is distributed in the form of dividends to stockholders, additions to surplus, interest to depositors, and wages to employees. There is also a relatively small item representing donations to the Red Cross. Most of the interest paid on deposits other than savings doubtless is paid to business enterprises and is taken into account in the study of the various fields of industry. It has been arbitrarily assumed that an increase of 20 per cent in the interest paid by savings banks will be sufficient to cover those interest payments made to individuals which are utilized to defray living expenses or which enter into their private as opposed to their business resources.

§ 17c. Net vs. Gross Dividends

A large part of the amount paid in dividends by the bank consists merely in amounts passed along which are received from other industrial fields as returns for investments therein. Since such amounts have already been counted once, they must evidently be deducted here. The manner of estimating the net dividends originating in the banking field appears in Table 17A.

§ 17d. Undivided Profits

The net gains of the banking industry have to a large extent been kept in the business as surplus or undivided profits. The amounts of these items

¹ The figures cited in this report are those given for all banks and include banks in the Island Possessions. Their business is less than half a per cent. of the whole and is probably much less than the business of non-reporting banks in the Continental U. S. Under these circumstances, it has been deemed unnecessary to take the trouble to deduct the figures for the Island banks from the summaries.

TABLE 17A

AN ESTIMATE OF THE AMOUNT OF THOSE DIVIDENDS PAID BY THE BANKS OF THE UNITED STATES WHICH ORIGINATE IN THE BANKING BUSINESS

A Calendar year	B C D Loans, discounts and rediscounts (Middle of year)			E F Dividends paid by		G Face value of cor- porate securities held by banks ^c (Millions)	H Esti- mated average yield on securities (Rate)	I Estimated income from securities (Thousands) G × H	J Estimated dividends originat- ing in banking (Thous- ands) F - I
	Of national banks ^a (Thous- ands)	Of all banks ^c (Thous- ands)	Ratio of C to B	National banks ^b (Thous- ands)	All banks ^b (Thous- ands) D × E				
1909	\$5,036	\$11,303	2.244	\$99,446	\$223,157	\$2,669	.05	\$133,455	\$39,702
1910	5,430	12,459	2.294	110,292	253,010	2,670	.05	133,481	119,529
1911	5,611	12,983	2.314	117,493	271,879	3,029	.05	151,451	120,428
1912	5,954	13,892	2.333	120,103	280,200	3,218	.05	160,907	119,293
1913	6,143	14,568	2.371	120,427	285,532	3,275	.05	163,735	121,797
1914	6,430	15,288	2.378	117,327	279,004	3,357	.05	167,869	111,135
1915	6,660	15,722	2.361	114,216	269,664	3,417	.05	170,832	98,832
1916	7,679	17,812	2.320	120,131	278,704	3,957	.05	197,855	80,849
1917	8,958	20,594	2.299	127,658	293,486	4,257	.05	212,858	80,628
1918	10,148 ^d	22,515	2.219	132,683	294,424	4,147	.05	207,349	87,075
1919	11,024 ^d	25,301	2.295	141,690	325,300	4,234	.052	220,151	105,149

^a Annual Report of the Comptroller of the Currency, 1919, Volume II, pp. 292-303.

^b Average of pairs of fiscal years; Annual Report of the Comptroller of the Currency, 1920, Volume I, p. 49.

^c This item has been estimated by a series of rather complex calculations from the various Annual Reports of the United States Comptroller of the Currency. Since 1915, the reports have been incomplete and the errors may therefore be considerable.

^d Annual Report of the Comptroller of the Currency, 1919, Volume I, p. 175.

^e *Ibid.*, p. 186.

are recorded in Table 17B as are also their approximate values at the 1913 price level, were they distributed to the stockholders.

The striking fact brought out by Table 17B is the very rapid gain in bank surplus during the latter part of the decade, this gain being accompanied by a considerable decline in the purchasing power of the net dividends disbursed and of the interest paid on savings deposits.¹ Obviously, this increase in surplus account has materially strengthened the financial situation of the banks.

¹ See Table 17C.

TABLE 17B

THE GROWTH IN SURPLUS AND UNDIVIDED PROFITS AND THE TOTAL ANNUAL GAIN OF THE STOCKHOLDERS OF ALL BANKS IN THE UNITED STATES

A Year	B Business savings			E Dividends originating in the banking busi- ness ^c (Thousands)	F Total share of stockholders, including business savings (Thousands) B + E
	Thousands of dollars ^a	Index of wholesale prices ^b	Value at prices of 1913 $\frac{B}{C}$		
1909.....	\$ 95,500	.97	\$ 98,453	\$ 89,702	\$185,202
1910.....	115,500	.99	116,666	119,529	235,029
1911.....	106,850	.95	112,474	120,428	227,278
1912.....	92,100	1.01	91,188	119,293	211,393
1913.....	55,150	1.00	55,150	121,797	176,947
1914.....	61,450	1.00	61,450	111,135	172,585
1915.....	68,750	1.01	68,069	98,832	167,582
1916.....	123,500	1.24	99,596	80,849	204,349
1917.....	152,550	1.76	86,676	80,628	233,178
1918.....	194,100	1.96	99,031	87,075	281,175
1919.....	333,600	2.12	157,358	105,149	438,749

^a Annual Report of the Comptroller of the Currency, 1919, Vol. I, p. 18.

^b See p. 15 of *Bulletin 269*, of the U. S. Bureau of Labor Statistics.

^c See Table 17A, Column J.

§ 17e. The Purchasing Power of Dividends and Interest

The next step necessary is to measure the purchasing power at a constant price level of the dividends originating in banking and of the interest paid on savings accounts. This computation appears in Table 17C.

TABLE 17C

AN ESTIMATE OF THE PURCHASING POWER OF DIVIDENDS ORIGINATING IN THE BUSINESS AND INTEREST PAID ON SAVINGS DEPOSITS BY THE BANKS OF THE UNITED STATES

A	B	C	D	E	F	G
Cal- en- dar year	Dividends originating in banking ^a (Thou- sands)	Index of prices of goods con- sumed by wealthier classes ^b	Purchasing power of dividends at prices of 1913 $\frac{B}{C}$	Interest on savings deposits ^c (Thou- sands)	Index of prices of goods con- sumed by working classes ^d	Purchasing power of interest on savings deposits at prices of 1913 $\frac{E}{F}$
1909	\$ 89,702	.965	\$ 92,955	\$133,680	.955	\$139,979
1910	119,529	.983	121,596	146,568	.978	149,865
1911	120,428	.990	121,644	151,920	.984	154,390
1912	119,293	1.000	119,293	160,660	.994	161,630
1913	121,797	1.000	121,797	170,749	1.000	170,749
1914	111,135	1.011	109,926	178,441	1.01	176,674
1915	98,332	.999	98,931	181,133	1.03	175,857
1916	80,849	1.081	74,791	185,070	1.10	168,245
1917	80,628	1.225	65,819	197,600	1.29	153,178
1918	87,075	1.406	61,931	199,191	1.58	126,070
1919	105,149	1.648	63,894	214,747	1.773	121,121

^a See Table 17A, Column J.

^b Average of indices for classes spending annually for consumption goods \$5,000 and \$25,000 respectively.

^c The amounts in this column are derived from the *Annual Reports* of the Comptroller of the Currency by multiplying the reported deposits in savings banks by 1.2, in order to allow for savings in other banks, and by assuming that the interest paid amounted to 3 per cent of these deposits. To this sum has been added the interest on postal savings deposits. The last named quantity is reported for 1920 and estimated for earlier years on the basis of deposits. Colonel M. C. Rorty suggests that the ratio of 1.2 is low for recent years as savings in other banks have been increasing rapidly of late.

^d Bureau of Labor Statistics index carried back for earlier years—see Table 2C.

§ 17f. Employees, Salaries, and Wages

According to a special report made in 1918, the National banks of the United States employed in that year 86,845 persons. If the employees in other banks were as numerous in proportion to the volume of loans and discounts, it follows that all banks gave employment to about 192,500 persons in 1918 or about 6.66 employees per bank. The estimates of the numbers employed in the other years are made on the basis that in each year the average bank employed 6.66 persons, that being the case in 1918.

Presumably, unemployment is not an important factor in the banking

field, hence no distinction has been made between the number of employees actually at work and the number attached to the industry.

The total amounts paid for salaries and wages by National banks have been reported by the Comptroller of the Currency since 1917. It has been assumed that, previous to that date, these payments varied in proportion to the total expenses of the same class of banks. It has further been assumed that the ratio of salary and wage payments to the volume of combined loans and discounts was the same for other banks as for National banks. The figures resulting from these assumptions and calculations appear in Table 17D.

TABLE 17D

AN ESTIMATE FOR THE BANKS OF THE UNITED STATES OF THE NUMBER OF EMPLOYEES AND THE WAGES AND SALARIES PAID

A	B	C	D	E	F
Calendar year	Salaries and wages paid by all banks ^a (Thousands)	Number of employees attached to industry ^a	Average annual earnings per employee $\frac{B}{C}$	Index of prices of articles consumed by manual and clerical workers	Purchasing power of annual earnings at prices of 1913 $\frac{D}{E}$
1909.....	\$115,400	149,900	\$ 770	.955	\$ 807
1910.....	122,700	153,900	797	.978	815
1911.....	136,900	162,300	843	.984	857
1912.....	148,900	167,860	887	.994	892
1913.....	160,900	173,000	930	1.00	930
1914.....	164,100	178,150	921	1.01	912
1915.....	183,400	180,300	1,017	1.03	987
1916.....	214,300	183,200	1,170	1.10	1,064
1917.....	230,200	186,000	1,238	1.29	959
1918.....	281,300	192,500	1,461	1.58	925
1919.....	361,650	194,000	1,864	1.773	1,051

^a For mode of derivation, see the text.

The figures in Column F of Table 17D indicate that the economic condition of the employees has improved noticeably during the decade. However, the reader is warned against attaching great importance thereto, as the assumptions made are too numerous to permit of the results being anything more than rough approximations to the truth.

§ 17g. The Share of Salaries and Wages in the Value Product

It is now possible for us to estimate the fraction of the value product of the banking industry going to the employees. This is done in Table 17E.

TABLE 17E

AN ESTIMATE OF THE DIVISION OF THE NET VALUE PRODUCT ARISING FROM BANKING

A	B	C	D	E	F	G
Calendar year	Share of stock-holders ^a (Millions)	Share of holders of savings accounts ^b (Millions)	Share of Red Cross ^c (Millions)	Share of employees ^d (Millions)	Total net value product (Millions) B+C+D+E	Per cent of value product going to employees $\frac{100E}{F}$
1909.....	\$185	\$134	\$0	\$115	\$ 434	26.6
1910.....	235	147	0	123	504	24.3
1911.....	227	152	0	137	516	26.5
1912.....	211	161	0	149	521	28.6
1913.....	177	171	0	161	509	31.6
1914.....	173	179	0	164	515	31.9
1915.....	168	181	0	183	532	34.5
1916.....	204	185	0	214	604	35.5
1917.....	233	198	0	230	661	34.8
1918.....	281	199	5	281	767	36.7
1919.....	439	215	3	362	1,018	35.5

^a See Column F of Table 17B.

^b See Column E of Table 17C.

^c Estimated from the *Annual Reports* of the U. S. Comptroller of the Currency; averages for pairs of fiscal years.

^d See Column B of Table 17D; comprises wages and salaries only.

It is clear that not only did the value product of the industry nearly double during the decade, but apparently the per cent of that product going to the employees increased steadily throughout the period. Again, however, it must be kept in mind that information concerning the employees is too scanty to justify laying much stress on this tentative conclusion. It is certain, however, that the relative share of the employees in the net value product is much smaller than in the fields of manufacturing or transportation.

§ 17h. Banking Facilities Compared to Population and Income

It is a matter of interest to note whether or not the people of the United States are becoming increasingly dependent upon banking facilities in the conduct of their business. Table 17F presents certain facts that bear upon this problem.

TABLE 17F

A COMPARISON OF COMBINED LOANS AND DEPOSITS WITH THE POPULATION OF THE UNITED STATES AND WITH THE TOTAL INCOME OF THE PEOPLE

A	B	C	D	E	F	G	H
Middle of year	Sum of loans and individual deposits ^a (Millions)	Estimated population of the U. S. ^b (Thousands)	Per capita combined loans and deposits $\frac{B}{C}$	Index of wholesale prices ^c	Purchasing power of per capita loans and deposits at prices of 1913 $\frac{D}{E}$	Estimated income of the people of the United States ^d (Millions)	Ratio of combined loans and deposits to the national income $\frac{B}{G}$
1909.....	\$25,338	90,370	\$280	.97	\$289	\$28,775	.8805
1910.....	27,742	92,229	301	.99	304	31,766	.8733
1911.....	28,889	93,811	308	.95	324	31,188	.9263
1912.....	30,916	95,338	324	1.01	321	33,554	.9214
1913.....	32,044	97,278	329	1.00	329	35,580	.9006
1914.....	33,806	99,194	341	1.00	341	33,936	.9962
1915.....	34,857	100,428	347	1.01	344	36,109	.9653
1916.....	40,585	101,722	399	1.24	322	45,418	.8936
1917.....	46,884	103,059	455	1.76	259	53,860	.8705
1918.....	50,322	104,182	483	1.96	246	60,366	.8336
1919.....	58,366	104,847	557	2.12	264		

^a Annual Report of the Comptroller of the Currency, 1919, Vol. I, p. 186.

^b Estimated by means of a special study recorded in § 2a.

^c U. S. Bureau of Labor Statistics, *Bulletin 269*, p. 15.

^d See Volume I, Table 2.

Column F of Table 17F makes it clear that bank accommodation is just about keeping pace with population, but that it is not growing quite as rapidly as the total income of the people of the nation.

§ 17i. Changes in the Volume of Business per Bank

It is also worth while to ascertain whether or not there is a tendency for banks to grow larger on the average. If so, it should be apparent in the average of loans and deposits per bank. The facts are set forth in Table 17G.

TABLE 17G

THE AVERAGE VOLUME OF COMBINED LOANS AND INDIVIDUAL DEPOSITS IN THE BANKS OF THE UNITED STATES					
A	B	C	D	E	F
Middle of year	Sum of loans and individual deposits ^a (Millions)	Number of banks ^a	Loans and deposits per bank (Millions) $\frac{B}{C}$	Index of wholesale prices ^b	Purchasing power of loans and deposits per bank at prices of 1913 (Millions) $D \div E$
1909....	\$25,338	22,491	\$1.13	.97	\$1.17
1910....	27,742	23,095	1.20	.99	1.21
1911....	28,889	24,392	1.18	.95	1.24
1912....	30,916	25,195	1.23	1.01	1.22
1913....	32,044	25,993	1.23	1.00	1.23
1914....	33,806	26,765	1.26	1.00	1.26
1915....	34,857	27,062	1.29	1.01	1.28
1916....	40,585	27,513	1.48	1.24	1.19
1917....	46,884	27,923	1.68	1.76	.95
1918....	50,322	28,880	1.74	1.96	.89
1919....	58,366	29,123	2.00	2.12	.94

^a Annual Report of U. S. Comptroller of the Currency, 1919, Volume I, p. 186.

^b U. S. Bureau of Labor Statistics, *Bulletin* 269, p. 15.

It is clear that, on the average, a bank could finance less business at the end of the decade than in the earlier years. If, as is sometimes asserted, there is increasing concentration in the banking business, it must then lie in greater control of some banks by others and not in the growth in the size of the average bank, since this still remains a relatively small concern.