

Group vs. Branch Banking

A Struggle of Interests in the Ranks of the Capitalist Class

The capitalist class of the United States and its government are now debating branch and group banking while the consolidation and merger of bank capital is proceeding fast and already has the material base for executing the needs of the dominating group in law, etc. Financial capitalism dates back to the beginning of the century and this phase has been more marked since the world war.

The crisis of 1893 to 1900 and the Spanish-American War witnessed a new stage of the ushering in of financial capitalism with America playing an important role. The industrial consolidation most marked after the crisis of 1873 was at the beginning of the century transformed into a consolidation of a higher stage, of the fusion of bank capital and industry. The monopolies, trust and consolidations "organized" capitalism on a higher plane, intensifying and enlarging the basic contradictions of the capitalist mode of production.

The period following this, culminating in the crisis of 1914, followed by war and revolutions saw the process of consolidation in the world and especially in the United States move at an accelerated pace in all branches of industry toward the pivot point of financial capitalism. "Thus is competition transformed into monopolies. We see before us the giant process of socialization of production. Particularly is the process of technical inventions and improvements also being socialized."*

The controversy of the different groups of capitalists and their Washington office boys is hidden behind the discussion of branch vs. group banking. The Federal Reserve Act strengthening the financial control over the country but not an eliminator or remedy for economic cycles as claimed before the depression of 1921 and 1930, and the McFadden Bill of 1927 which sanctioned branch banking by Congress as the first step—is now being followed by more acts for the benefit of the financial groups.

The great number of bank failures in the last decade, over 5,000 mainly in the South and West, where the agrarian crisis reached its deepest points has accelerated the consolidation movement as the natural outgrowth in reorganization when the big fish eat the little. The chain bank has the outward appearance of the ordinary unit, the "independent" bank of the country, but one bank controls the major stock of the chain. The group bank is controlled by the owners of the majority stock who organize a corporation or holding company and control the resources of the group in a given area. The branch bank is the highest stage of the consolidation movement in the vertical extension.

The majority of leading banking authorities admits that the present stage of the consolidation movement in the country is only in a transition stage. Long ago a few leading banks, Chase, etc., already had control of the majority of the resources and are in a world commanding position. The branch banking system of other imperialist nations, due to their economic unit difference, developed at a faster rate than in America. Such countries as England, France and Germany with large colonial possessions before the war gave this movement impetus but the different form taken in different countries, adapted to local conditions does not alter in the least the content of the transformation to financial capitalism in these countries.

In this country with the Federal Reserve System, the higher development of the consolidation and the branch banking system will alter and create a new role for the system to cope with the changing forces. "Too many banks in the country," is the note of the financier, and "consolidate and survive" is the remedy advocated now for banks as it was the remedy after the crisis of 1873 for too many manufacturing establishments. The McFadden Bill of 1927 was to "protect" the unit bank just like the Anti-Trust Law of the '90's was to protect the lesser industrial units. Both laws proved to be stepping stones for further consolidation and now the financiers are ready for the next step.

The dominating financier and his office boys favor branch banking while the lesser financial groups of the agriculture and industrial areas favor group banking. Some of the large industrialists favor group

banking while the small fry and the petty-bourgeois elements are fighting to prevent any kind of consolidation and retain the unit bank affiliated with the Federal Reserve System or with "safe" charters.

The Comptroller of Currency, Pole, who was the first to advocate branch banking is an outstanding advocate of all measures to hurry the process. Governor Young of the Federal Reserve Board also favors branch banking. The hearing in the House Banking and Currency Committee had the following representatives favoring branch banking: Luce of Mass., Stevens of S. C., Seiberling of Ohio, Dunbar of Indiana. Branch of Georgia and Beedy of Maine favor branch banking but want trade area limitations.

E.W.Decker, Pres. N.W.Bancorporation and L.T.Wakefield, Vice-Pres., First Bank and Stock Corp., both of Minneapolis, Minn., favor group banking and say they will fight branch banking in the Minnesota territory. Robert O. Lord, Pres., Guardian Detroit Union Group, Inc., and Geo. F. Rand, Marine Midland Corp. of Buffalo, also favor group banking in opposition to branch banking. These four leaders in their areas are head of group banks and fear the further logical step of financial capitalism in consolidations.

Several of the largest banks of the country, dealing in international loans, are reaping big profits in their present role in world exploitation and although not openly leading the movement are, nevertheless, playing their usual sly game. The Chase National Bank is the largest in the world. The December 31, 1929 report gives the following figures: Total Deposits, \$2,673,645,000. Total resources, \$2,814,536,000. Capital surplus and undivided profits, \$368,000,000. Their control, industrially and politically in the deciding affairs, combined with the other financiers is being questioned less each day.

Lenin, in "Imperialism", says, "Monopoly is an outgrowth of banks. From modest intermediaries they have been transformed into monopolies of finance capital. Some three to five of the largest banks of any of the most developed capitalist nations have realized a 'personal union' between industrial and banking capital; they have concentrated into their hands the control of many billions, which make up the greatest part of capital and money of the whole nation. A financial oligarchy spreads a thick network of dependencies over the economic and political institutions of modern capitalist society without exception—this is the most glaring consequence of monopoly."

Branch or group banking gives the financier greater industrial and political control in the areas. These sectional groups will have their inner-class struggle for the spoils but unity on all issues against the industrialists, the farmers and petty-bourgeoisie is assured when determining factors are at stake. And unity against the proletariat cannot be questioned.

The number of banks in the United States have diminished with consolidation but we still have 24,695 banks. 21,824 are unit banks and 6,353 are branch or group banks. According to these figures the unit bank is still far in the lead but according to control of the resources the unit bank is already a back number. Gov. Young of the Federal Reserve Board informs us, "that all the banks had total loans and investments of \$58,500,000,000, of which the group and branch system held \$30,000,000,000 or more than half."** This small group controlling over half of the resources is further narrowed when we consider that 269 groups with 1,922 banks have \$15,285,100,000 resources considering the period of October 1929 to June 1930 and this is further narrowed when we consider the several large banks of the nation showing concentration of the majority of wealth in the hands of a few.

The process is at work in all nations and especially since the beginning of the century. Lenin, in Imperialism giving Shilder's figures, says, "In 1904 England had 50 colonial banks with 2,279 branches (in 1910—72 colonial banks with 5,449 branches); France had 20 colonial banks with 136 branches; Holland 16, with 68 branches; Germany 'only' 13 with 70 branches."

Today, the "Big Five" in England, Midland Bank, Lloyds Bank, Barclay Bank, Westminster Bank and National Provincial Bank control almost 10 billions in assets and have over 8,000 branches. Prof.F.E.Lee of the University of Illinois says, "Between 1880-1924 the Midland Bank absorbed 31 other banks many of which were virtually banking systems in themselves with numerous branches." Between 1900 and 1922, moreover, many additional absorptions took place which have raised this bank (Barclay—Ed.) with more than 2,000 branches in England and Wales to the position in point of view of resources among the "Big Five". Each of these banks (Big Five—Ed.) for the last four years have maintained profits well exceeding £2,000,000 (appr. \$10,000,000) per year, which serves to furnish conclusive evidence of their importance in the banking world."

The strong position the United States financier holds on the international market will enable him to organize his home base as fast as the changes seem necessary. No matter how capable they are in organizing their financial structure, the bourgeois theory, that it will eliminate the economic cycles has already been disproven by life itself. These theories will take new form with the ebb and flows but the transformation of these conjunctural crises to revolutionary crises will sweep the material foundation away, and consequently the stack of cards built upon it. —H.

*** Am. Banker, April, 1930

Where Does the Italian Opposition Stand?

Writing about the crisis in the Italian Communist Party, the last issue of Revolutionary Age declares: "Not only has comrade Amadeo Bordiga been expelled as a Trotskyite but there is a new wave of the so-called 'right opposition' which was supposed to have been destroyed with the expulsion of comrade Serra (Tasca). The emergence of this Communist Opposition is one of the most hopeful signs in the Italian Communist movement." The rest of the article continues in the same vein, that is, it deliberately attempts to create the impression that the new Opposition in the Italian C.P. is of a piece with the international Right wing of Brandier, Lovestone, Hais and Co.

Nothing could be further from the truth, as is quite well known to the editors of Revolutionary Age! The comrades of the new Italian Opposition, as Lovestone is well aware from the foreign press, have constantly fought against the opportunist policies of the expelled head (and body, one might add) of the Italian Right wing, Tasca. In an Open Letter to the members of the Italian Party recently issued for the Opposition by comrades Santini, Elasco and Feroci expelled from the Political Bureau and the Party, and Teresa R. of the Central Committee, we read:

"Our Opposition, developing to its consequences the criticism it had undertaken under the pressure of events in Italy and internationally, when we wanted to trace the complex international questions, as is the task of every proletarian current, was bound to orientate itself towards the international Left Opposition which has for many years been conducting a campaign of clarification and orientation with which our Opposition emphasizes its accord... All the facts that have been proved within the International and Soviet Russia have confirmed that the international Left Opposition is the only one that saw correctly, that posed and solved in a Bolshevik manner the problems of the revolution in the course of these last years, and struggled with great energy against the errors of the International, on the theory of socialism in one country, and the industrialization plan of Soviet Russia as well as on the Communist policy towards the peasants, or the questions of the revolution in Orient, and all the fundamental questions of the international movement."

This hardly looks like accord with Lovestone and his international allies! It seems that the latter, who so systematically lose their troops to the social democracy, are continuing desperately to show a good front of strength, even if it has to be manufactured out of the growing ranks of the international Left Opposition! But though Lovestone is an old hand at fabrications against "Trotskyism", his game is becoming ever more transparent.

Stalinists Lose Their Heads in Boston

The Party is breaking up the New International Hall; it is hard to say whether they are doing it consciously or unconsciously. The N.I.H. is one of the finest institutions in the country. It belonged to the Left wing movement. The building was bought when the Left wing movement began to develop in this country. The two branches, the John Reed Branch, 718, Workmen's Circle, and Branch 18, Independent Workmen's Circle were the two largest branches in Boston, and also the stronghold of the Left wing movement. These two branches with a membership of 400 bought many shares and certificates, and practically all the income for the New International Hall came from them. The New International Hall was not only the center of the Left wing, but it was also considered more as a home for the working class.

New Crimes on Stalinism's Law Books

The first crime of the John Reed branch, 718, Workmen's Circle, was that with a majority of the branch membership they decided to invite comrade Cannon to speak at their meeting, and then the branch did not obey the orders of the Party to leave the Workmen's Circle. (Seems that the branch did not believe in the 3rd period.) For their crimes they were thrown out of their own building and became, by the new vocabulary, counter-revolutionists, Trotskyites, enemies of the Soviet Union, etc.

Now comes Branch 18, Independent Workmen's Circle which committed similar "crimes": 1. Branch 18, I.W.C., did not obey the splitting policy of the Stalinists and remained in the I.W.C. 2. The branch invited the following "counter-revolutionists" to speak at their meetings: A.F. Konikov, one of the founders of the C.P. and well known as an active member of the Communist League of Boston. Also the Party feels especially rotten because comrade Shachtman was invited to speak at the branch while he was in Boston.

The handful of Stalinists decided to throw out Branch 18, I.W.C., also. They first tried the diplomatic way of raising their rent; but when they found that this maneuver would not work, they called a meeting of their own boys and "unanimously" voted that Branch 18, I.W.C. also be expelled as a member of the Institute. Accordingly notice was sent to Branch 18, I.W.C. to move from the N.I.H. not later than August 1, 1930 (The registered letter was received, Monday, July 7, 1930). It should be especially interesting to read the following paragraph of the letter which shows how low the Stalinist sank:

"Also Branch 18, I.W.C. invites speakers that are openly against the policy of the Workingmen's Educational Institute and against the Left wing labor movement in general to speak, lecture and slander the principles that this institute stands for; speakers like Dr. A. F. Konikov, and M. Shachtman, etc., whose policy is to attack the Soviet and to disrupt the activity of the workingclass movement."

Splitters of the Left wing movement, you are not ashamed to state that the policies of comrades Shachtman and Konikov, etc., are to attack the Soviet Union and to disrupt the activity of the workingclass movement! The workers in Boston do not believe you any more!

The Party's Progress...

Yes, the Party in Boston is making progress.... Let us state the last victory, which concerns the Chelsea Labor Lyceum. The Labor Lyceum was in the hands of the Left wing movement, but since the Party began the discrimination of the Left wingers to their rotten policies, the Right wing controls the Labor Lyceum. Now the New International Hall is in a deficit of \$3,000. If the Party will continue its rotten policy the N.I.H. will swing over to the mortgagers.

We are calling upon the Left wingers not to let the Stalinists break up the New of Boston, Roxbury and Dorchester, etc., International Hall as they have done with the Chelsea Labor Lyceum. These two institutions have a Communist history. For the consequences they will afterwards blame the Trotskyites, renegades, counter-revolutionists, etc....

This is the 3rd period! Long live Stalin! We are progressing! We gain one victory after another.

But a few more victories like these will be more than even the Party can stand.

—L. SCHLOSSBERG

* Lenin, Imperialism.

** Am. Banker, June, 1930