

Epilogue

This history has been written from a 1983 perspective, and the importance given to certain earlier events might have been quite different had this been, for example, a 40-year history written in 1973. In several chapters, discussion has been divided into three periods: the Depression and post-Depression years of the 1930s; the long period of few bank failures and low unemployment running for about 30 years from the onset of World War II; and the past ten years, when banking markets have been more competitive, the economic environment has been more hostile and the number and size of bank failures have increased. These divisions require some convenient simplifications. While the number of bank failures remained high through the early 1940s, many of these resulted from problems encountered much earlier. Banking conditions had actually stabilized as early as the mid-1930s. Also, banking did not suddenly become more competitive and deregulated in 1973; that process was well underway during the 1960s.

The issues and problems faced by the FDIC today are very different from those faced 20 or 25 years ago. Many changes have occurred in the financial services industry in recent years and are continuing. In 1980 and 1982, Congress passed major legislation that has significantly affected banks and financial markets. Congress is currently considering legislation that could substantially alter the activities permitted by banks and thrift institutions and the manner in which they are to be regulated.

In 1983, loan losses at commercial banks were at their highest rate in 40 years and, for the most part, these figures did not include the enormous volume of rescheduled loans in less developed countries. Bank capital ratios, while not materially changed in recent years, were close to their lowest level since anyone started counting. Most thrifts, which have become less distinguishable from commercial banks, were seriously undercapitalized, even if one focused on book values. At the same time, competition has been increased in many areas. As entry barriers are dismantled and many banks and thrifts anticipate selling out to larger institutions, they find their franchise values have diminished.

The number of bank failures in 1983 surpassed that of any year since 1939. Even in an improving economic environment,

a more competitive banking system is likely to result in more bank failures than the FDIC was used to up until the past few years.

The FDIC has been very active in the past decade in an environment characterized by two very steep recessions, a high inflation rate and wide swings in interest rates. Failures, for the most part, have been handled smoothly and at modest cost. Confidence in the banking system has been retained.

Some argue that the FDIC has provided too much protection to large depositors, with the result that there has been insufficient depositor discipline. These issues are addressed in the FDIC deposit insurance study, which was published in the spring of 1983. If banking is to be less regulated, then *de facto* insurance coverage probably has to be reduced or some other device — perhaps more private capital — probably needs to cushion the system from loss and restrain excessive risk taking. In November 1983, the FDIC introduced legislation designed to strengthen its position as an insurer. This legislation would enable the FDIC to price insurance more in line with bank risk and would make it easier for the FDIC to pay off rather than merge failed banks, thereby reducing *de facto* insurance coverage.

In 1984, the deposit insurance and supervisory systems will be under active scrutiny. There is a general appreciation that deposit insurance as an institution is very important to our system today — ten years ago that might not have been the case. There is an increasing appreciation that it is insurance that sets depository institutions apart and affords the rationale for federal supervision.

It is not the function of this history to predict how the FDIC will evolve in the future. In periods of adversity or change, the stability provided by the FDIC has tended to gain importance, and as this 50th anniversary passes, the FDIC's importance seems greater than at any time since the 1930s.

Appendix

THE BOARDS OF DIRECTORS FEDERAL DEPOSIT INSURANCE CORPORATION

09-11-33 to 02-01-34

Walter J. Cummings,

Chairman

Elbert G. Bennett

J. F. T. O'Connor

10-15-45 to 01-05-46

Preston Delano, Acting

Chairman

P. L. Goldsborough

Vacant

02-01-34 to 04-29-35

Leo T. Crowley, Chairman

Elbert G. Bennett

J. F. T. O'Connor

01-05-46 to 10-22-46

Maple T. Harl, Chairman

P. L. Goldsborough

Preston Delano

04-29-35 to 04-17-38

Leo T. Crowley, Chairman

P. L. Goldsborough

J. F. T. O'Connor

10-22-46 to 04-10-47

Maple T. Harl, Chairman

Vacant

Preston Delano

04-17-38 to 09-30-38

Leo T. Crowley, Chairman

P. L. Goldsborough

Marshall R. Diggs, Acting
Comptroller of the Currency

04-10-47 to 02-15-53

Maple T. Harl, Chairman

Henry E. Cook

Preston Delano

09-30-38 to 10-24-38

Leo T. Crowley, Chairman

P. L. Goldsborough

Cyril B. Upham, Acting
Comptroller of the Currency

02-15-53 to 04-16-53

Maple T. Harl, Chairman

Henry E. Cook

Lewellyn A. Jennings, Acting
Comptroller of the Currency

10-24-38 to 10-15-45

Leo T. Crowley, Chairman

P. L. Goldsborough

Preston Delano

04-16-53 to 05-10-53

Maple T. Harl, Chairman

Henry E. Cook

Ray M. Gidney

05-10-53 to 04-17-57
Henry E. Cook, Chairman
Maple T. Harl
Ray M. Gidney

04-17-57 to 08-05-57
Henry E. Cook, Chairman
Vacant
Ray M. Gidney

08-05-57 to 09-06-57
Henry E. Cook, Chairman
Erle Cocke, Sr.
Ray M. Gidney

09-06-57 to 09-17-57
Ray M. Gidney, Acting
Chairman
Erle Cocke, Sr.
Vacant

09-17-57 to 01-20-61
Jesse P. Wolcott, Chairman
Erle Cocke, Sr.
Ray M. Gidney

01-20-61 to 11-15-61
Erle Cocke, Sr., Chairman
Jesse P. Wolcott
Ray M. Gidney

11-15-61 to 08-04-63
Erle Cocke, Sr., Chairman
Jesse P. Wolcott
James J. Saxon

08-04-63 to 01-22-64
James J. Saxon, Acting
Chairman
Jesse P. Wolcott
Vacant

01-22-64 to 01-26-64
Joseph W. Barr, Chairman
Jesse P. Wolcott
James J. Saxon

01-26-64 to 03-10-64
Joseph W. Barr, Chairman
Vacant
James J. Saxon

03-10-64 to 04-21-65
Joseph W. Barr, Chairman
Kenneth A. Randall
James J. Saxon

04-21-65 to 04-28-65
Kenneth A. Randall, Chairman
Joseph W. Barr
James J. Saxon

04-28-65 to 03-04-66
Kenneth A. Randall, Chairman
Vacant
James J. Saxon

03-04-66 to 11-15-66
Kenneth A. Randall, Chairman
William W. Sherrill
James J. Saxon

11-15-66 to 04-30-67
Kenneth A. Randall, Chairman
William W. Sherrill
William B. Camp

04-30-67 to 09-27-68
Kenneth A. Randall, Chairman
Vacant
William B. Camp

09-27-68 to 03-09-70
Kenneth A. Randall, Chairman
Irvine H. Sprague
William B. Camp

03-09-70 to 04-01-70
William B. Camp, Acting
Chairman
Irvine H. Sprague
Vacant

04-01-70 to 02-15-73
Frank Wille, Chairman
Irvine H. Sprague
William B. Camp

02-15-73 to 03-23-73
Frank Wille, Chairman
Vacant
William B. Camp

03-23-73 to 07-05-73
Frank Wille, Chairman
Vacant
Justin T. Watson, Acting
Comptroller of the Currency

07-05-73 to 08-01-73
Frank Wille, Chairman
Vacant
James E. Smith

08-01-73 to 03-16-76
Frank Wille, Chairman
George A. LeMaistre
James E. Smith

03-16-76 to 03-18-76
James E. Smith, Acting
Chairman
George A. LeMaistre
Vacant

03-18-76 to 07-30-76
Robert E. Barnett, Chairman
George A. LeMaistre
James E. Smith

07-30-76 to 06-01-77
Robert E. Barnett, Chairman
George A. LeMaistre
Robert Bloom, Acting
Comptroller of the Currency

06-01-77 to 07-12-77
George A. LeMaistre,
Chairman
Vacant
Robert Bloom, Acting
Comptroller of the Currency

07-12-77 to 03-30-78
George A. LeMaistre,
Chairman
Vacant
John G. Heimann

03-30-78 to 08-16-78
George A. LeMaistre,
Chairman
William M. Isaac
John G. Heimann

08-16-78 to 02-07-79
John G. Heimann, Acting
Chairman
William M. Isaac
Vacant

02-07-79 to 05-15-81
Irvine H. Sprague, Chairman
William M. Isaac
John G. Heimann

05-16-81 to 08-02-81
Irvine H. Sprague, Chairman
William M. Isaac
Charles E. Lord, Acting
Comptroller of the Currency

08-03-81 to 12-15-81

William M. Isaac, Chairman
Irvine H. Sprague
Charles E. Lord, Acting
Comptroller of the Currency

12-16-81 to

William M. Isaac, Chairman
Irvine H. Sprague
C. T. Conover

Bibliography

Auerbach, Ronald P. *An Appraisal of Bank Failures in the Great Depression*. Washington, D.C.: Federal Deposit Insurance Corporation, 1979.

"Bank Bill Debate to Open in Senate." *New York Times*, 19 May 1933, p. 4.

"Bankers Meet: Deposit Insurance a Thorn, but They Look to Postal Savings Deposits." *The News-Week in Business*, 16 September 1933.

"Biggest Liquidator of Them All." *Forbes*, 15 February 1977.

Bremer, C. D. *American Bank Failures*. New York: Columbia University Press, 1935.

Burns, Helen M. *The American Banking Community and New Deal Banking Reforms, 1933-1935*. Westport, CT.: Greenwood Press, 1974.

"Deposit Insurance." *Business Week*, 12 April 1933.

"Early Claim Agents Had Key Role in Payoff of Insured Deposits." *FDIC News*, August 1983.

Early, John. Former Director, Division of Bank Supervision, Federal Deposit Insurance Corporation. Washington, D.C. Interview, 31 August 1983.

"FDIC Pioneer Recalls 'Early Days'." *FDIC News*, June 1983.

Federal Deposit Insurance Corporation. *Annual Reports*. Washington, D.C.: Federal Deposit Insurance Corporation, 1934-1982.

Federal Deposit Insurance Corporation. *Deposit Insurance in a Changing Environment*. Washington, D.C.: Federal Deposit Insurance Corporation, 1983.

- Friedman, Milton, and Schwartz, Anna J. *A Monetary History of the United States, 1867-1960*. Princeton, New Jersey: National Bureau of Economic Research, 1963.
- Golembe, Carter H. *Golembe Reports*. Vol. 1974-8: *Memorandum re: Bank Failures and All That*. Washington, D.C.: Carter H. Golembe Associates, Inc., 1974.
- Golembe, Carter H. "Origins of Deposit Insurance in the Middle West, 1834-1866." *The Indiana Magazine of History*, Vol. LI (June 1955).
- Golembe, Carter H. "The Deposit Insurance Legislation of 1933: An Examination of Its Antecedents and Its Purposes." *Political Science Quarterly*, Vol. LXXV (June 1960).
- Golembe, Carter H., and Warburton, Clark. *Insurance of Bank Obligations in Six States*. Washington, D.C.: Federal Deposit Insurance Corporation, 1958.
- Greensides, Neil. Former Chief, Division of Examinations, Federal Deposit Insurance Corporation. Washington, D.C. Interview, 16 August 1983.
- Horvitz, Paul M. "Failures of Large Banks: Implications for Banking Supervision and Deposit Insurance." *Journal of Financial and Quantitative Analysis* (November 1975).
- Jones, Homer. "Insurance of Bank Deposits in the United States of America." *The Economic Journal*, Vol. XLVIII (December 1938).
- Jones, Homer. "Some Problems of Bank Supervision." *Journal of the American Statistical Association*, Vol. 33 (June 1938).
- Jones, Jesse H. *Fifty Billion Dollars: My Thirteen Years with the RFC, 1933-1945*. New York: The Macmillan Company, 1951.
- Kennedy, Susan Estabrook. *The Banking Crisis of 1933*. Lexington, KY.: University Press of Kentucky, 1973.
- Klebaner, Benjamin J. *Commercial Banking in the United States: A History*. Hinsdale, Illinois: The Dryden Press, 1974.

Krooss, Herman E., ed. *Documentary History of Banking and Currency in the United States*, Vol. IV. New York: Chelsea House Publishers, 1969.

Moley, Raymond. *The First New Deal*. New York: Harcourt, Brace & World, Inc., 1966.

New York, General Assembly. *Letter from Joshua Forman*. Assembly Journal, 1829.

Schisgall, Oscar. *Out of One Small Chest*. New York: AMACOM, 1975.

Silverberg, Stanley C. "Implications of Changes in the Effective Level of Deposit Insurance Coverage." *Proceedings of a Conference on Bank Structure and Competition*. Chicago, Ill.: Federal Reserve Bank of Chicago, 1980.

Sinkey, Joseph F., Jr. "Problem and Failed Institutions in the Commercial Banking Industry." *Contemporary Studies in Economic and Financial Analysis*, Vol. 4. Greenwich, CT.: JAI Press, Inc., 1979.

"The Cabinet." *Time*, 20 March 1933.

U.S. Comptroller of the Currency. *Annual Reports*. Washington, D.C.: Government Printing Office, 1864, 1895, 1933.

U.S. Congress. House. Committee on Banking and Currency. *Hearings before the House Committee on Banking and Currency on H.R. (10241) 11362*, 72d Cong., 1st sess., 1932.

U.S. Congress. House. Committee on Banking and Currency. *Hearings before the House Committee on Banking and Currency on S. 3025*, 73rd Cong., 2d sess., 1934.

U.S. Congress. House. Dedication of the Federal Deposit Insurance Corporation Building. 88th Cong., 1st sess., 18 June 1963. *Congressional Record*, Vol. 109, part 8.

U.S. Congress. Senate. Committee on Banking and Currency. *Hearings before a subcommittee of the Senate Committee on Banking and Currency on Bills to Amend the Federal Deposit Insurance Act*, 81st Cong., 2d sess., 1950.

- U.S. Congress. Senate. Committee on Banking and Currency. *Hearings before a subcommittee of the Senate Committee on Banking and Currency on the Nominations of H. Earl Cook and Maple T. Harl to be Members of the Board of Directors of the Federal Deposit Insurance Corporation*, 82d Cong., 1st sess., 1951.
- Vedder, Richard Kent. "History of the Federal Deposit Insurance Corporation, 1934-1964." Ph.D. dissertation, University of Illinois, 1965.
- Warburton, Clark. *Deposit Insurance in Eight States During the Period 1908-1930*. Washington, D.C.: Federal Deposit Insurance Corporation, 1959.
- Upham, Cyril B., and Lamke, Edwin. *Closed and Distressed Banks — A Study in Public Administration*. Washington, D.C.: The Brookings Institution, 1934.