

Joseph R. Mason is an economist at the Office of the Comptroller of the Currency.

With financial assistance from the National Science Foundation, the National Bureau of Economic Research, the University of Illinois at Urbana-Champaign, and the Federal Reserve Bank of St. Louis, Professor Charles W. Calomiris of Columbia University and Joseph R. Mason are nearing the completion of a significant compilation of individual commercial bank records from the 1930s. Mason described the project and some of their research findings at the conference. The following is a summary of his remarks.

American Banks During the Great Depression: A New Research Agenda

Joseph R. Mason

Professor Charles Calomiris and I have been working for some time now on a project, entitled *Assistance to Banks During the Great Depression*, made up of two data-coding endeavors. The first involves the encoding of data from original bank *Reports of Condition* and *Reports of Earnings, Expenses, and Dividends* (i.e., *Call Reports*) of about 6,500 state- and nationally chartered Federal Reserve member banks in existence between 1929 and 1935. The second involves the collection of bank-structure data, including mergers, acquisitions, and failures, for this same time period.

All *Call Report* data came from microfilm archived at the Board of Governors of the Federal Reserve System, the result of a 1947 initiative to preserve data that had been collected on Federal Reserve member banks since 1916. The original *Call Reports* of individual member banks were supplied by the Federal Reserve Banks and microfilmed by the Board of Governors.

Table 1 summarizes the data microfilmed by the Board of Governors covering the period from 1929 to 1935. The Fed focused its filming effort on the *Call Reports* of state Federal Reserve member banks, filming semiannual data from these banks (except the balance sheets of June 1934 and June 1935). For national banks, only the December 1929, 1931, and 1933-35 *Reports of Condition*

Table 1

Availability of Data from Board Micro Im, 1929-35

	State Member Banks		National Banks	
	Balance sheets	Income statements	Balance sheets	Income statements
Dec. 1929	X	X	X	X
June 1930	X	X		
Dec. 1930	X	X		
June 1931	X	X		X
Dec. 1931	X	X	X	X
June 1932	X	X		
Dec. 1932	X	X		
June 1933	X	X		X
Dec. 1933	X	X	X	X
June 1934		X		X
Dec. 1934	X	X	X	X
June 1935		X		X
Dec. 1935	X	X	X	X

and *Reports of Earnings* and the June 1931 and 1933-35 *Reports of Earnings* were transferred to microfilm. At each Reserve Bank's discretion, the original records were destroyed after filming and, apparently, few of these records have survived. The microfilm held by the Board of Governors is the only known comprehensive collection of the reports of individual banks before the use of magnetic tape beginning in 1961.

From the *Reports of Condition*, we encoded balance-sheet data from the main schedule, as well as information from various supplementary schedules. For example, we encoded information on bank loans and discounts, including such items as real estate loans (farm and nonfarm), loans on securities, etc. We also encoded data on bills payable and rediscounts with Federal Reserve Banks and the Reconstruction Finance Corporation, the distribution of cash and amounts due from other banks, a detailed breakdown of demand and time

deposits, and the liabilities to each bank of its officers and directors. The *Reports* also list the Federal Reserve district, state, county, and city in which each bank is located, and the number of its branch offices.

We also encoded data from the *Reports of Earnings, Income, and Expenses* of each bank. Specifically, we encoded each bank's current earnings, expenses, chargeoffs, and recoveries. One of the first results to emerge from these data concerns the relationship between deposit interest rates and bank risk. Subsequent to the Depository Institutions Deregulation and Monetary Control Act of 1980, most banking experts believed that risky banks could attract deposits by increasing interest rates, thereby placing undue burden on the safety net. Calomiris and Mason (1997) found that during the Great Depression, interest paid as a percent of demand deposits was, on average, lowest at high-risk banks. This finding confirmed a weak relationship, as indicated by aggregated data (Benston 1964). On first glance, this finding appears paradoxical, though Gorton and Pennacchi (1990) suggest that some bank depositors may be very unwilling to accept increased risk on their accounts, even if offered higher interest rates. Risk-intolerant depositors may prefer to adjust to changes in a bank's riskiness by adjusting the quantity of their balances with the bank (see also Calomiris and Wilson 1996). Our research, which found large deposit outflows from high-risk banks, confirms this assertion.

The final phase of the project involved the collection of merger, acquisition, and failure information for the member banks whose *Call Reports* were encoded. These data were obtained from *Rand McNally Bankers Directory*. We are currently building usable structure databases to link banks across time and to explain disruptions in individual bank histories. We anticipate that our project will be completed within the next year, at which time the data will be made available to researchers through the Inter-university Consortium for Political and Social Research and the Federal Reserve Bank of St. Louis.

REFERENCES

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