LONGEVITY AND THE LAW: A CASE STUDY OF NEW ENGLAND FINANCIAL INSTITUTIONS

The stringency level of legal regulation has varied inversely with failures of financial institutions. In those states which have provided for adequate inspection, detailed reporting procedures, limitation upon investments and some control over other management decisions, failures have been fewer in number than in other states which have not so closely circumscribed the activities of financial institutions.[1] To observe that statutory enactments have, in fact, contributed to financial institutional longevity is not to say that such regulatory codes evolved specifically to promote longevity. It is the purpose of this paper to suggest that in the case of New England financial institutions, longevity producing laws resulted from the attempt to develop a regulatory framework reflecting basic values held by a majority of New Englanders. In an abstract or broadly representational way a legal code mirrors the values of the society which produces it. But the legal system is not a perfect image of the value system. Molded as it is by the hammers of debate, formed of diverse opinions, and usually melded into a compromise formulation, an adopted regulatory code is seldom completely satisfactory to anyone. An analysis of the changing legal framework by which financial institutions in New England have been regulated should prove conclusively that the legal code has evolved upon a base of value compromise made by the various components of New England society.

Legislation concerning New England financial institutions, then, reflects values which a majority of legislators have been willing to accept in the name of the electorate. The regulatory code has constantly shifted over the years and these shifts represent an ever present conflict of values within the society. The legal system is a product of factionalism, partisanship, and compromise. Partisanship and factionalism reflect differing group values. The willingness to compromise and the fact of compromise represent a fundamental value of New England society.

Fortunately, there is another level at which the regulatory effort of New England states is even more importantly related to the values of New England society. Shifts in the regulatory system reflect some shifts in the value systems of the political alliances promoting any specific legislation. More significantly, certain fundamental value concepts were responsible for early

regulatory effort, much of the change in the legal framework, and remain an integral part of the regulatory system. It is these basic value concepts which this chapter examines.

The stringency of state regulation has affected the longevity pattern of financial institutions. The time at which restrictive, and sometimes permissive, statutes have been written has had comparable effect. Thus, rigidly restrictive regulation of Massachusetts life insurance company investments, as in the Berkshire Life's charter of 1841,[2] profoundly affected the survival-failure pattern until such requirements were relaxed in 1883. The significance of the time factor is illustrated by an attempt by the Connecticut legislature to correct weaknesses in life insurance investment laws, for general legislation was not passed until after the failure of the Charter Oak Insurance Company in the 1880's.[3]

The New England state governments have given special guardianship to their financial institutions. The Massachusetts bank commissioners succinctly stated this concept in their report of 1860. Institutions for savings, the report affirmed, "need also the vigilant eye and the fostering hand of the legislature, not to embarrass their progress by too many enactments, but to watch the successive steps of their development, and help it onward.[4] Time and again this theme is repeated. The Massachusetts insurance commissioners in 1865 spoke of "wise preventive law" and of "the absolute necessity of some such supervision as is here exercised."[5] Perhaps, the concept is best illustrated by a Massachsetts legislative committee's report of 1903 which absolved the state from responsibility for corporations, their solvency, their stockholders, or their customers, but which specifically excluded all financial institutions from its conclusions.[6]

Three basic value concepts have been fundamental to the evolution of the legal code regulating New England financial institutions. First, and of primary importance in the development of regulation for some institutional types, has been the concept of the state as an instrument to encourage thrift, particularly among persons of small means. Second, and at the heart of most legislation, has been the concept of the state as a guardian of property. It is a value judgement to attempt to conserve capital. It is equally a value judgement to assign to the state a large measure of responsibility for the guarding of and the protection of that capital. Third, of lesser importance during most of the past one hundred years but none the less a recurrent

theme, has been the belief that the state or regional economy should be developed through the accumulation and utilization of capital.

Encouragement of thrift as an underlying principle in the legislative control of banking is most obvious in the chartering of savings banks and in regulations intended to safeguard their depositors. This value concept seems to be implicit in the very fact that savings banks in New England, with the exception of a few in New Hampshire, were mutual banks. Profits would not go to enrichen stockholders, rather they would be shared by the bank's depositors. In most other states there have been few mutual savings banks established.

In the first half-century of their existence savings banks were not greatly unlike the modern credit union. They were managed exclusively for the benefit of their clientele. Looked upon as philanthropies, a community's most prominent and respectable business leaders frequently devoted time and energy to their management.

After the first fifty years the place of savings banks in the institutional scheme changed and they emerged as major financial institutions. The acceleration of industrialization in the New England states during the Civil War was a contributing factor. With the growing number of wage earners who regularly deposited their savings in the banks, total deposits in savings banks expanded rapidly. In the process savings banks lost a part of their philanthropic character, but the concept of the savings bank as a service structure, geared to the needs of the small depositor, remains.[7]

The first savings bank incorporated by a governmental agency was chartered in 1816. In its petition to the General Court requesting a charter the organizers of the Provident Institution for Savings of Boston stated that all classes should be "exercised to the practice of frugality." Industrial mechanics, seamen, laborers, men of small capital, and widows were specifically mentioned as potential beneficiaries of the savings institution. These groups would receive from their savings of wages or profits, "regularly deposited and sytematically invested in public stocks or otherwise, a profit proportional to the success of the institution and prosperity of the country. . . ."[8]

There is little reason to question the motives of the vast majority of persons instrumental in the establishment of savings banks nor of the legislatures in their encouragement of thrift. It

should be noted, however, that the unscrupulous may have expressed comparable noble sentiments in the attempt to gain their ends. In Massachusetts in 1854, for example, there was a movement to charter "five-cent" savings banks that would accept deposits of that amount. Previously chartered savings banks accepted deposits of one dollar or more. The banking commissioners advised against chartering of new institutions, insisting that there were sufficient savings banks in existence and that the older institutions could more readily bear the cost of handling such small deposits than could newly created ones.

In tracing the ubiquitous concept of state guardianship four regulatory areas of banking legislation require attention: (1) organization and management of banking institutions, including requirements regarding capitalization and reserve funds; (2) state supervision; (3) barriers against fraud, or against merely unwise or unsafe practices on the part of bank officials; (4) investment restrictions for savings and trust deposits. A brief survey will indicate that in each of these vital areas the concept of the state as the guardian of property is also clearly reflected in insurance legislation.

The earliest banks were chartered by special acts of the state legislatures. In Massachusetts, even after general laws relating to banking were enacted, the actual charter of each bank was granted by the General Court. A law regulating savings banks was passed in 1834;[9] the first board of bank commissioners was established in 1838;[10] but not until 1908 could savings banks be incorporated without the benefit of special legislation. Trust companies began activities under Massachusetts charters in the 1860's.[11] A general law for their regulation was passed in 1888[12] providing uniform terms of incorporation, but until 1904 each one received its charter by special act of the General Court.[13]

In Maine there was no general law for trust companies until 1907, when the bank commissioners were authorized to incorporate them under uniform charters. The bank commissioners had been supervising them, however, since 1895.[14]

When the Massachusetts General Court finally relinquished the responsibility of chartering individual banks, the reason, aside from the mere matter of convenience, was in the widely expressed conviction that too many banking institutions were opening and that the bank commissioners were better qualified to determine the public need for a bank in a particular place.

In 1906, a Board of Bank Incorporation was created. In 1908 the chartering of savings banks was placed in its hands.[15]

This clearly was a recognition of bank institutions as a distinct type of enterprise. Other corporations for manufacturing or retailing were permitted to exist on the principle of the survival of the fittest, but corporations that dealt in the funds of a trusting citizenry were not to jostle each other out of a competitive existence.

The general laws that set forth uniform conditions of incorporation were concerned with the amount of capital stock and the proportion to be paid in before operations could begin. The number and qualifications of trustees or directors was also included.

All savings banks in Massachusetts, and in the other New England states except New Hampshire, were "mutual" corporations without capital stock. The capital of state banks in 1860, and of trust companies when they came under general legislation in 1888, was required to be not less than $100,000 and not more than $1,000,000. By 1909, the trust company minimum was increased to $200,000 for cities or towns with 50,000 population, or over, and there was apparently no maximum.[16]

Some of the New England states were slower to set minimums of capital. Maine was the only other one which set a maximum, also at $1,000,000, in 1907.

State supervision of banking began with state charters, but more direct control was soon exercised. A Massachusetts law, effective in 1803, required bank directors to make semi-annual reports to the governor, to be laid before the legislature; they were to show the amount of capital paid in, debts due the bank, deposits, notes in circulation, specie on hand, and notes of other banks on hand.[17] Many of these items did not apply to savings banks and they were not called upon to report regularly until 1834. At that time there were in the state 22 such banks with aggregate deposits amounting to nearly $3,500,000 and 24,256 depositors.[18]

Probably as a result of the financial debacle of the previous year, Massachusetts in 1838 created a three-man board of bank commissioners whose chief duty was to examine every bank in the state at least once a year, and oftener if the governor so requested. When a majority of this board were of the opinion that a banking institution had exceeded its powers, had failed to comply with the law, was not in a satisfactory state of solvency,

or even that its further operation was hazardous to the public interest, the commissioners could apply to the courts for an injunction restraining it from carrying on its business.[19] These powers are the basis of the present law governing the commissioner of banks.

Supervision by this means has not been continuous. In 1843, the office of bank commissioner was abolished in Massachusetts, and was not re-established until 1851. Again in 1865 the legislature dissolved the board of bank commissioners, this time because all except one of the state banks had become national banks under the federal banking law of 1863. The board went out of existence on January 1, 1866, and on January 6, the governor's inaugural address to the General Court contained an earnest plea for the restoration of control by examination because the savings banks of the state were left unsupervised.[20] He pointed out that although the law had built strong safeguards around them, there was no one to know and report when bank officials broke these laws. On April 30, accordingly, the legislature provided for a Commissioner of Savings Banks, to be appointed by the governor. This title persisted even after trust companies and other financial enterprises had come under the control of the commissioner.

Ten years later a second commissioner was appointed because the burdens of office were increasing, and in 1889 a three-man Board of Commissioners of Savings Banks was created, to be appointed by the governor who also designated the chairman.

This board was superseded in 1906 by one Bank Commissioner, who had the privilege of appointing a deputy, and the Board of Bank Incorporation. In 1920 the legislature set up the Department of Banking and Insurance, and under it the Division of Banks and Loan Agencies headed by a Bank Commissioner. As of 1962, the organization remains the same, with numerous bank examiners functioning under the commissioner.

In 1910, upon the recommendation of the bank commissioner, and with general public approval, a law strengthened the power of the commissioner to act when a banking institution appeared to be improperly managed. The change was based on the assumption that if some failed banks had been earlier placed in receivership, assets for distribution to depositors and stockholders would have been available. Previously the commissioner might apply to the courts for an injunction against the opera-

tion of a savings bank if its condition appeared hazardous to public interest.[21] By the 1910 amendment, if any bank under his supervision had violated the law, or its charter, or was "conducting its business in an unsafe or unauthorized manner," or if its capital was impaired or any of its officials refused information, etc., or if the commissioner concluded that it was "unsafe and inexpedient for it to continue business," he could "take possession forthwith of the property and business of such bank" and hold it until it could safely resume business or be liquidated.[22]

In 1908, the Rhode Island General Assembly passed an act regulating banks, savings banks, and trust companies. It was modeled, according to comment of the day, upon the "best laws of Massachusetts and New York," and provided for adequate supervision, cash reserves, and examinations and reports. "Prior to this enactment Rhode Island had no adequate State supervision and the laws applying to incorporation offered no adequate protection to the public or properly established banks and trust companies. The experiences of last fall hastened reformatory legislation...."[23]

In Maine, after several bank failures, the powers of the Bank Commissioners were broadened in 1841 to allow them to apply to the courts for injunctions against banks which were being operated improperly. Savings banks were placed under the supervision of the Commissioners in 1855, although no general laws regulating savings banks were passed until 1869.[24]

To avoid the potential danger of close institutional connections, in 1860 no one could be a director of two state banks at once. The 1888 trust company law stated that no more than one-third of the directors of one company could be directors of any other trust company. In 1961, a director or officer may be director or officer of another trust company or national bank if the Bank Commissioner approves.

In 1876 no one could be an officer of two savings banks at once, but savings banks and national banks apparently shared not only officials, but business premises as well. In 1889, Governor Oliver Ames declared in his inaugural address that the time had come for complete seraration of management of savings banks and national banks. He admitted it was convenient to have officers in common, but added: "While the opportunities for dishonest dealing thus afforded are seldom employed, they

are a source of temptation to use the funds of one institution for the benefit of the other or for personal ends."[25]

It had happened, apparently, that when institutions occupied the same rooms, cash or other assets were shifted from the vaults of one to the other and back again when bank examiners came around. To check this there was enacted a law that when a savings bank and national bank occupied the same building, the savings bank examiner should arrange with the national examiner to act simultaneously.

In 1898 the circumstances under which savings banks and national banks could occupy the same room were regulated. In 1902 that was forbidden under all circumstances, and no president, vice president, or treasurer of a savings bank could be president, vice president, treasurer, or cashier of a national bank or trust company. In 1961 no trustees or officer of a savings bank may be a director or officer of a cooperative bank or a federal savings and loan association.

The governor's message of 1888 urged legislation to force savings banks to verify all deposit books at stated intervals. Comparison of the books with the bank records would, he said, circumvent "one means of fraud." Such a law was eventually passed in all the New England states. The interval for verification varied, with the state and with changes of the laws within states, from two to five years.

Further supporting the assertion that the states of New England have consciously served as protectors and guardians of the accumulated funds of the citizenry, laws have prescribed in detail the manner in which deposits in savings banks or savings and trust departments may be invested. The Massachusetts savings bank law of 1834 listed permissible investments. Connecticut passed its first investment law in 1843. Maine put its first restrictions into a savings bank charter in 1856. The limitations seem to have been copied largely from the Massachusetts list of permissible investments.

The criteria for acceptable investment under the laws of New England states have been: (1) safety of principal; (2) liquidity, so that potential withdrawal demands could be met; and (3) a reasonable rate of return. These concepts of the purpose of legislation were concisely stated by the chairman of the savings bank committee in 1898:

> It is the first duty of the trustees of these savings banks to see that the principal of the money committed to their

charge remains intact; the question of the amount of interest or dividends on an investment is, or ought to be, a secondary consideration, as compared with the safety of the principal, and it is for that reason that the statutes of Massachusetts have wisely limited the range of investments.[26]

As early as 1834, the first Massachusetts law had reflected the safety concept by prescribing a narrow field of investment for savings banks. These institutions could place their funds in the stock of banks incorporated by Massachusetts or by the government of the United States, but no more than fifty per cent of the capital of any one bank could be owned by a savings bank. Additionally, savings banks could purchase real estate mortgages to a maximum of seventy-five per cent of deposits, bond issues of Massachusetts, its counties, cities, and towns, and of the national government. Only if deposits could not "conveniently" be invested in this manner was the bank authorized to loan up to twenty-five per cent of deposits on personal security with at least one principal and two surety promissors, all of whom had to be citizens of Massachusetts.[27] Obviously, conservation of principal through "safe" investments was a value highly emphasized by legislators in 1834.

Attitudes of legislators on this point had changed little by the time of the Civil War. In 1860 the list was practically the same; savings banks could then invest in the public funds of any New England state and, with certain qualifications, accept the stock of Massachusetts railroads as collateral.[28] The report of the Massachusetts bank commissioners in 1961 reiterated the safety and conservation concepts:

> It is to be borne in mind, in the first place that *safety* and not *profit* is the consideration mainly to be regarded in the investment of trust funds. There must be no ambition to make large dividends . . . . The location of a savings bank is not selected with reference to the opportunities for investment, but solely with a view to facilitate and encourage the savings of those earnings, which might otherwise be wasted.[29]

Next to safety, the report said, convertibility was of the highest consequence. In order of their degree of convertibility it listed types of investments permitted savings banks as follows: public funds of the United States or state government, bank stocks, loans on stock as collateral, loans on the credit of individual names, loans to cities, counties and towns, and mortgage loans. Loans to cities, counties, and towns, the report noted,

were safe but not easily convertible, and mortgage loans, while "securities of the highest order," were the least convertible loans which could be made.[30]

Adhering to the requisites of safety and convertibility, legislators and administrators made only a few changes in the investment rules for savings banks. The scope of investments permitted by law broadened geographically as public funds and railroad securities of more westerly states were added to the list. Types of securities increased also as public utilities and other corporations became more stable and better known from the investment point of view. Bank stocks, which had early been a favored security, dropped in the esteem of bank commissioners, but were never forbidden.

As time went on, to assure safety and convertibility, the bank commissioners adopted additional regulatory provisions. For example, by 1909, stipulations had to be observed in the following areas: the percentage of total deposits which might be invested in a given type of security; the percentage of capital stock or of funded debt of any one corporation which a bank could hold; the relation of market value to the amount of the loan on securities held as collateral; the percentage of value of real estate upon which mortgage loans could be made, varying for improved and unimproved land; the population of cities, towns, and counties and the amount of their bonded indebtedness; the earnings and dividend records of corporate securities held, and a variety of other evaluative criteria.[31] Clearly the state assumed responsibility for ensuring the safety of deposited funds.

Massachusetts legislators applied the same values to investments of trust deposits as they had to savings banks. The general trust company law of 1888 outlined the legal requirements, which were in general like the savings bank requirements of the time. In addition, trust deposits could be invested in the notes, with two sureties, of manufacturing corporations in Massachusetts. This early list was not changed materially over the years, although the tendency was toward modifying and liberalizing investment requirements. For certain classes of investments, railroad issues for example, fewer restrictions were placed on trust companies than on savings banks.

The role of the state as guardian of property was complicated by 1908 Massachusetts legislation which permitted the establishment of savings departments by trust companies. In 1921, after several Boston trust companies had failed, the Special

Commission on Revision of Banking Laws took a dim view of the combination of savings and commercial banking functions. Having finished its investigation the commission said of the 1908 legislation: "The enactment of this law marked the first radical departure from the theretofore established banking system of the Commonwealth. Up to this time, as the development of the life of the community demanded certain kinds of banking, various institutions were authorized, each designed to meet and fill a certain need and place in the commercial and economic life of the Commonwealth, and each limited in its sphere of action and in the functions given it in the particular field which it was designed to fill." The commission concluded that combined management for savings departments, "designed primarily and principally for the encouragement of small savings, and having the matter of the security of the deposits as its basic principle," and commercial institutions "whose chief object is and always must be to make a profit" was "an unwise departure" from sound banking principles of prior legislation.

The commission pointed out, however, that savings departments in trust companies had grown. Out of 104 trust companies in the state, 82 had savings departments with total deposits of $130,848,550. It concluded that the recent trust company failures had not been caused by the presence of savings departments in the closed companies, and, more in sorrow than anger, said the time had gone by when closing out such savings departments was feasible.[32]

It might be argued that legislators merely wrote into a legal code their conviction that institutional managers could more wisely evaluate investment opportunities and administer those loans made if operational limits were imposed, and certainly this was a factor in producing geographical limitations. But in such legislative disputes as whether to require that savings banks furnish home mortgage loans or be permitted to purchase corporate securities, discussed above, there is the implied motive of aiding local development, as well as serving the needs of depositors. Additionally, investment restrictions, by their very wording, clearly indicate that preference should be shown state and regional investors. For example, a Connecticut law of 1867 required savings banks to invest at least fifty per cent of their reserves in Connecticut real estate and while the remaining fifty per cent could be invested in public securities and bank stocks, special consideration for Connecticut issues and for Connecticut

bank stocks were written into the law.[33] Such examples could be cited at length.

There have been two general types of investment restrictions. The first, previously discussed, is designed to protect the depositor. The second was designed to aid borrowers within a state, or within New England, rather than the depositors. Both types have been characteristic of New England laws. Local borrowers have been aided by approval of certain types of investments only in home state enterprises, by approving poorer home state credit risks than foreign ones, and by taxing investments made outside of the state while exempting from taxation comparable home state investments. This type investment restriction, it was argued, would help "to develop resources, to aid manufacturing, to provide farmers with cheaper capital, and to provide jobs for the class of people for whom the banks were established."

The years of the nineteenth century, and the first decade of the twentieth were, in New England, years of oft-reiterated pleas for capital retention. Home state investment, it was argued, "should be given a marked preference and, occasionally, those within New England a lesser preference."[34]

In an 1870 message to the Massachusetts General Court, for example, the Governor recommended an increase in allowable deposits for savings bank patrons. While pointing out that local investment could be better supervised, he also argued that capital in Massachusetts was needed for an increase in manufacturing. Investment in the state, he continued, might "furnish employment for a whole village." Since the national banking system would not permit an increased number of institutions the public could turn only to private bankers "unless the larger savings banks are open to them." The governor's motives were simply stated: "Every facility should be afforded our merchants and manufacturers to obtain the use of active capital ...." He also argued that it was safe, profitable, and of great service to business men to have savings banks discount mercantile paper.[35] Funds of savings banks and trust companies lent themselves more readily to regulation than did the resources of other financial institutions, and, consequently, most of the agitation was aimed at promoting greater home investments by savings banks and trust companies. Objections to such policies were generally based on the fear that such limitations might force more risky investments and ultimately increase the number of savings banks and trust company failures. Since 1910 there

has been little discussion of extended restrictions designed to promote this end, but in modified form many of these earlier investment restrictions remain in force.

For a variety of reasons, but particularly because of the tremendous growth of savings deposits necessitating a broadening of investment eligibility, investment restrictions have been modified. But forty years after the period of greatest agitation for capital retention, Massachsetts still limited real estate loans to Massachusetts property and the purchase of bank stock of only Massachusetts banks. "Similar illustrations could be given for each of the five other New England states."

Another method by which New England states have attempted capital retention remains. Before 1893 taxes on savings banks were levied on total deposits. Maine, in that year, "altered the principal purpose of its tax from that of raising revenue to that of encouraging the banks to make investments within the state." The other New England states quickly followed suit. While the statutes vary from state to state they have in common the deduction of part or all of home state investments from the tax base. A one-half per cent exemption for home state investment has been common. Consequently a four per cent home state investment is as attractive as a four and one-half per cent foreign investment. Naturally the effectiveness of the one-half per cent differential is much greater during periods of low interest rates.

One further argument indeed reflects the value concept, as written into law, that New England capital should be used for New England development. Wesley C. Ballaine wrote:

> There is no question about the fact that New England municipal bodies have been (and still are) able to borrow for less because of the preferences for local investments. This has reduced property taxes and increased property values, results which have been of little benefit to the lower income groups. Thus, to some extent, public improvements in New England have been financed by lowering savings bank dividends to depositors.[36]

These three value concepts, the encouragement of thrift, the special guardianship of capital, and the use of savings for the development of the region, were crystallized by their incorporation into the regulatory laws of the New England states. The time, degree, and stringency of governmental supervision and regulation have significantly influenced the longevity pattern of New England financial institutions. The New England states

have had good regulatory statutes. But good laws have not proved an impenetrable barrier to failure-prone firms.

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FOOTNOTES

[1] *This point will be demonstrated in another place in a study made possible by the Harvard University Graduate School of Business Administration through funds provided by the John Hancock Life Insurance Company. The author expresses his appreciation to both the School and the Company.*

[2] *"Charter of the Berkshire Life Insurance Company," 1841, Section 5.*

[3] *Lester W. Zartman, The Investments of Life Insurance Companies (New York, 1906), 178.*

[4] *Massachusetts Bank Commissioners, Annual Report, 1860, 170.*

[5] *Massachusetts Insurance Commissioners, Massachsetts Reports on Life Insurance, 1859-1865, 1865, 344-345.*

[6] *The Commercial and Financial Chronicle, LXXVI, January 31, 1903, 235.*

[7] *Frank P. Bennett, The Story of Mutual Savings Banks (Boston, 1924), Chapters I, V.*

[8] *Massachusetts, Special Commission on Revision of the Banking Laws, Report, 1922, 12.*

[9] *Massachusetts, Laws of the Commonwealth of Massachusetts, 1834 (Boston, 1834), Ch. 190.*

[10] *Massachusetts, General Statutes of Massachsetts, 1860 (Boston, 1860), Ch. 57.*

[11] *Massachusetts, Special Commission on Revision of Banking Laws, Report (Boston, 1922), 12-13.*

[12] *Massachusetts, Acts and Resolves of the General Court, 1888 (Boston, 1888), Ch. 40.*

[13] *National Monetary Commission, Digest of State Banking Laws (Washington, 1911), 274-275.*

[14] *Walter W. Chadbourne, A History of Banking in Maine, 1799-1930, University of Maine Studies, 2nd Series, No. 37 (Orono, Maine, 1936), 155, 162.*

[15] *Massachusetts, Special Commission on Revision of Banking Laws, Report (Boston, 1922), 11-12, 14-15.*

[16] *Massachusetts, General Statutes of Massachusetts, 1860 (Boston, 1860), Ch. 57; Massachusetts, Acts of 1888 (Boston, 1889), Ch. 413, sec. 2,3,4,19. National Monetary Commission, Digest of State Banking Laws (Washington, 1911), 274. Massachusetts, General Statutes, 1959, With Amendments through 1961 (Boston, 1962), Ch. 172, sec. 2,21, and others.*

[17] *Massachusetts, Acts and Laws, 1802 (Boston, 1803), Ch. 132.*

[18] *Massachusetts, Bank Commissioners' Report, 1861 (Boston, 1862), 154.*

[19] *Massachusetts, Special Commission on Revision of Banking Laws, Report (Boston, 1922), 11-13.*

[20] *Massachusetts, Acts and Resolves, 1866-67 (Boston, 1867), 334.*

[21] *Massachusetts, Revised Laws (1905), Ch. 113, Sec. 6.*

[22] *Massachusetts, Acts of 1910, Ch. 399, Sec. 2.*

[23] *Trust Companies (New York), June, 1908, 377.*

[24] *Chadbourne, A History of Banking in Maine, 1799-1930, 57, 133.*

[25] *Massachusetts, Acts and Resolves, 1888-89 (Boston, 1889), 1277.*

[26] *Quoted in The Bankers' Magazine, November, 1898, 833.*

[27] *Massachusetts, Acts and Resolves, 1834 (Boston, 1834), Ch. 190.*

[28] *Massachusetts, Acts and Resolves, 1841, Ch. 44; 1860, Ch. 57.*

[29] *Massachusetts, Bank Commissioners' Report, 1961, 164-165.*

[30] *Ibid.*

[31] *National Monetary Commission, Digest of State Banking Laws (Washington, 1911), 254-55.*

[32] *Massachusetts, Special Commission on Revision of Banking Laws, Report (Boston, 1922), 19.*

[33] *Connecticut, Special Bank Commissioners, 1873, Report, 179.*

[34] *Wesley C. Ballaine, "New England Mutual Savings Bank Laws as Interstate Barriers to the Flow of Capital," American Economic Review, XXXV (March, 1945), 155-156.*

[35] *Massachusetts, Acts and Resolves, 1870, 357-58.*

[36] *Ballaine, Barriers to the Flow of Capital, 157-159. Typical discussions of the use of bank funds for the development of the local area are in: New Hampshire, Bank Commissioners' Annual Report, 1874, 120; Ibid., 1878-79, 166-67; Connecticut, Report of Bank Commissioners, 1862, 19.*