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Statement No. 63

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Statement of the Shadow Financial Regulatory Committee

on

National Branching

December 10, 1990

The United States has perhaps one of the most inefficient banking structures among developed countries. In particular, we do not permit our banking institutions to branch nationwide. Our atomistic banking system is prone to excessive failures when local economies deteriorate. Because of inadequate geographical diversification bank failures were unnecessarily high in Texas when oil and real estate prices declined and in the Midwest when agricultural incomes went down. Similar problems threaten banks in the Northeast because of the collapse in the real estate market. This condition is

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