Chairman PATMAN. When you say loans you mean loans and investments?

Mr. ECCLES. I mean loans. Investments are aside from that. The branch banks generally are loaned up, much heavier than the unit banks. Local unit banks carry larger amounts of Government securities for the very reason that most of them are nonmembers of the Federal Reserve and they do not have the spread that a branch banking system has and therefore need more liquidity.

Your branch banking systems are today loaned up 60 percent, many of them, and some over 60 percent, whereas you will find your local bank loans are down around 45 or 50 percent. Your large branch banking system takes care of the loans of the communities very much better than the average small banks do.

First, because they are departmentalized; they have real estate departments; they have consumer credit departments; they are better qualified; they can also take care of much larger loans and a person or a business in a community does not have to go outside of that community to finance their needs.

Chairman PATMAN. Getting back to my observation, which you dispute, the Federal Reserve Bulletin shows for June 27, all commercial banks' loans, $129.2 billion; investments in U.S. Government obligations, $64.2 billion; in other securities, $30 billion, or a total investment in securities of $94.2 billion. In other words, investments in securities are about 42 percent of total loans and investments.

I am very familiar with your arguments for branch banking, which I oppose, and though you say local people don't have to go outside the community to get a loan they have to go outside to get decisions made.

Mr. ECCLES. No, they don't have to.

Chairman PATMAN. The important ones?

Mr. ECCLES. If it is a large loan, yes. The limits are very substantial. I am sure you will find that the branch banking system has served the public well.

It is the unit bank that doesn't like the competition, that is against the branch system. It is not the public that is against it.

I think the branch banking system has better served the country as the chainstore has better served it. You can't say that Safeway or Penney, or other chainstores, are so successful because they have failed to better serve the public interest.

Chairman PATMAN. I do not agree with you on that. I think one of the reasons is because the banks would not furnish the local merchants credit for the purpose of competing with the chains. Otherwise, the local merchants would never have gotten in the predicament they are in now. I think the local banks are largely responsible for that.

I think they were going into investments in Government bonds, and things like that, and not paying enough attention to local loans.

Mr. ECCLES. Bank holdings of Government bonds have not gone up. The Government bond holdings have gone down generally.

Chairman PATMAN. But municipals have gone up considerably?

Mr. ECCLES. That is right. I will tell you why the municipal holdings have gone up. When the rate on savings went to 4 percent, it was necessary, in order for banks to pay that kind of rate, to buy