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D. INTERRELATIONSHIPS AMONG FINANCIAL INSTITUTIONS

I. FEDERAL DEPOSIT INSURANCE CORPORATION, DIVISION OF RESEARCH AND STATISTICS

Effects of Federal Deposit Insurance Corporation policies on banks and other financial institutions

Insured banks compete with other types of financial institutions for the custody of savings and idle funds of individuals and business and public enterprises. In addition, they compete with other financial institutions for the privilege of making loans to private and public borrowers. Accordingly, every decision made by the Federal Deposit Insurance Corporation with respect to deposit insurance or the activities of insured banks affects in some way their competitive position with other financial institutions. In view of these circumstances, this project is to summarize in considerable detail the various aspects of competition between banks and other types of financial institution. The effects of various policies and regulations of the Corporation on competitive relationships, such as those dealing with maximum interest rates, are to be carefully traced.

In preparation under the direction of Donald S. Thompson as a Research Bureau project. Much of the background of this study is to be provided by a related study, Survey of Financial Institutions, described below.

It is therefore in a preliminary stage. When completed, the findings will be published in the *Annual Reports* of the Corporation.

2. FEDERAL DEPOSIT INSURANCE CORPORATION, DIVISION OF RESEARCH AND STATISTICS

The structure of financial organization and the relation of deposit insurance to different financial institutions

This investigation has been projected with the object of obtaining a more adequate fund of information bearing upon the competitive and functional conditions under which insured banking institutions operate. Necessarily broad in scope, it involves a careful survey of the various types of financial institution operating in the United States, and also of the functions they perform as reflected in the composition of their assets and liabilities. Institutions covered in the survey include commercial banks as ordinarily defined, mutual and other savings banks, building and loan associations, insurance companies, cooperative credit associations, credit unions, finance companies of various kinds, etc. Materials for the basis of analysis embrace: (a) studies of reports of state supervisors of banks and other financial institutions; (b) summaries of state laws authorizing the activities of different financial institutions; (c) statistical summaries of various types of assets and liabilities held by financial institutions other than insured banks; (d) statistical summaries of assets and liabilities of insured banks to isolate banks doing a savings banking business primarily from those doing a demand deposit business and those doing a business of mixed character. Special effort is being made to separate those financial functions which are specialized and therefore unique from those that are duplicative and

competitive. Comparisons of distinctive functions performed by different types of financial institution will be undertaken by states and regions, particularly as between insured banks and other institutions.

In preparation under the direction of Clark Warburton as a Research Division project. Findings will be published as available in the *Annual Reports* of the Corporation.

3. UNIVERSITY OF PITTSBURGH, BUREAU OF BUSINESS RESEARCH

The growth of Pittsburgh as a financial center

The various phases of the financial development of Pittsburgh are being traced from 1911 to 1936. Specifically the study deals in some detail with: (a) changes in the institutional organization of the Pittsburgh financial structure; (b) tendencies in bank assets and liabilities; (c) the growth and movement of clearings; (d) the turnover of bank credit as reflected in bank debits; (e) regional interest rates; (f) predominant types of bank loan. Some use is to be made of state and national data for comparative analysis, but the primary interest is with data that reflect local financial conditions.

In preparation under the direction of Wilbert G. Fritz, as one section of a larger Research Bureau project devoted to a comprehensive survey of the economic development of Pittsburgh. The entire survey is to be completed about June 1937.

4. ABBOT, C. C.

[HARVARD UNIVERSITY]

The New York bond market, 1920-1930

The object of this study is to describe the New York bond market as an economic institution, and to give some indication of the factors affecting its operation during 1920-30. The first part of the study is concerned with the features of the market as an institutional entity, and a general analysis of the forces conditioning its development as an institution. The main section of the study is concerned with the internal aspects of the market, including its activity, and the relations of bond market activity with other important economic elements, such as profits of industry, the construction of capital equipment, banking and credit changes. The treatment in this section is almost exclusively statistical and proceeds by periods selected on the basis of the internal features of the statistics used. The final part attempts to summarize the principal movements of the market in this period and to point out those movements which seem to have particular interest because of their relationships with other economic developments.

This study has been completed and is to be published in 1937.

See also IIA₁₃ and 16; IIB(c)₅; IIC₁ and 4

5. CHANDLER, L. V.

[PRINCETON UNIVERSITY]

Monopolistic competition in commercial banking

This study seeks to determine the economic effects of such monopolistic elements in banking as customer preference for particular banks, the fewness of banks in particular centers and areas, clearing association agreements.

Inquiry is directed especially to the effects of monopolistic elements on prices for banking services and to the consequent deviation of interest on customers' loans and time deposits from competitive levels. Their influence in retarding the elimination of excess banking capacity is also investigated. By way of illustrating the possible room for play of local monopolistic elements in American banking organization, the distribution of banks by size of town is being compiled.

The study will be published in a professional journal when completed, probably in 1937.

6. GUROCK, LOUIS [THE CONTINENTAL BANK AND TRUST COMPANY, NEW YORK, N. Y.]

*Brokers' loans and the stock market, 1926-1936*¹

The purposes of this study are: (a) to trace the origin of brokers' loans, 1926-36; (b) to describe in detail the mechanism of making and handling brokers' loans; (c) to assess the effectiveness of various regulations that have been applied to them; (d) to determine the safety of brokers' loans. Fluctuations in brokers' loans, stock prices and money rates are intensively studied.

¹ Thesis, Graduate School of Banking, American Institute of Banking, Section American Bankers Association.

7. HOFFMAN, G. WRIGHT [UNIVERSITY OF PENNSYLVANIA]

Credit aspects of commodity speculation, 1924-1936

The effects of organized commodity speculation on the credit structure are investigated in this project. As presently planned, it is to treat the following phases of the problem: (a) changes in trade practices affecting organized commodity speculation over the last twelve years;

(b) the relation of financial practices in primary commodity markets to the volume of commercial loans by banks based on primary commodities; (c) the extent to which present methods of financing commodity trade result in private rather than bank extensions of credit; (d) seasonal and cyclical variations in production and marketing of staple commodities and their effects on demands for bank credit; (e) the extent of the shifting of bank deposits from individual speculative accounts to hedging accounts, and vice versa, accompanying broad swings in the market price of primary commodities.

This project is at present in a preliminary stage of preparation. It is expected that materials assembled in conjunction with the activities of the Commodity Exchange Administration of the United States Department of Agriculture will be extensively used in the analysis.

See also IIB(a) 1

8. PALYI, MELCHIOR [THE UNIVERSITY OF CHICAGO]

The financial structure of the Chicago area

This project is being developed in two integrated parts. The first is devoted to the structure of the organized credit market in the Chicago area, the second to the functioning of the Chicago credit market. The study of the structure of the organized credit market in Chicago is concerned with: (a) the size, comparative importance and development of Chicago as a financial center as reflected in available financial data; (b) the organization of the Chicago capital market, including on the one hand a study of savings institutions of various types, and on the other, an analysis of the Chicago security market and its relations with the national security market; (c) the money market and the characteristics of different types

of institutions associated with it; (d) unit banking in the Chicago area, related to unit banking in other parts of the country and the country as a whole; (e) concentration of financial facilities in the Chicago area, tracing the distinctive aspects of the concentration movement in this center. The second half of the project, dealing with the functioning of the Chicago credit market, is investigating: (a) the deposit and asset structure of banks in the Chicago area as compared with that of banks in other areas and for the country as a whole; (b) secular and cyclical changes in bank assets and liabilities; (c) tendencies in Chicago interest rates over the last two decades; (d) the development of mortgage financing in Chicago; (e) municipal credit and its financing by the local market; (f) the financial history of 100 to 200 industrial units and the influence of industrial finance on the functioning of Chicago financial institutions; (g) the impact of inflationary and deflationary developments on the functions and organization of the local financial system.

Originally launched in 1934, the first half of this project has already been completed. The second half is expected to be finished by June 1937. The Social Science Research Committee of the University of Chicago has provided financial assistance for the project. D. M. Dailey is assisting in the collection and analysis of materials.

See also IC(a)11 and (e)4

9. WALK, E. C.

*Loans of Federal agencies and their relation
to the capital market*¹

To ascertain the effects of Federal lending activities on the capital market since 1933, a detailed survey is made

of the functions, organization and loan operations of all Federal lending agencies. As a setting for the study, the organization and functions of the American capital market are analyzed, and its conspicuous defects, particularly as they manifested themselves in the years of acute depression, 1930-33, reviewed critically. Each Federal lending agency is then intensively studied in order to: (a) distinguish between emergency functions performed and those meeting deficiencies in capital market organization of a more fundamental sort; (b) evaluate its effectiveness in performing the functions for which it was established; (c) determine the repercussions from its operations felt by private financial agencies and institutions. A final section analyzes the effects of the activities of Federal lending agencies on: (a) the redistribution of the capital supply during the recovery; (b) the functional aspects of the banking mechanism; (c) the structural aspects of financial organization.

This study will be completed and published in 1937.

See also IC(h) 1 and 4

¹ Ph.D. thesis, University of Pennsylvania.