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PART TWO

*Types of Suggested Research Project
Tentatively Drafted in Connection with
The Committee's Exploratory Work*

IN PART ONE the early launching of several major research projects is urgently commended to the attention of the central staff in charge of the financial research program which the Committee proposes. These endorsed projects comprise:

1. A Comprehensive Survey of the Financial Structure
2. An Investigation of the Effects of Legislation and of Public Supervision of Credit
3. A Review of Credit Standards of Financial Institutions in the fields of: (a) Consumer Credit; (b) Real Estate Credit; (c) Investment Credit
4. A Study of the Composition and Behavior of Bank Deposits

Comprehensive in scope, each of these major research projects presents manifold aspects and problems demanding special inquiry and detailed investigation. Indeed, the accomplishment of the research objectives provisionally conceived by the Committee and expressed in its specific recommendations, requires the breaking down of each major research proposal into as many well defined and workable patterns as are expedient for assignment to the competent investigators who may be selected to undertake them and assume responsibility for their completion. This procedure, in fact, may be laid down as prerequisite to the fruitful execution of each of the Committee's research proposals and the successful consummation of the entire plan of financial research it recommends. Only upon the basis of the findings of many subordinate and

correlative investigations, paralleling or following one another in orderly sequence, can we adequately reveal the anatomy of the whole financial structure and gain the comprehensive picture of financial organization that is so imperative. Only from many complementary inquiries, too, can the precise effects of financial legislation and public supervision upon credit facilities and the character of credit be finally ascertained; can the study of the credit experiences of financial institutions give rise to better credit procedures and standards and a body of generally applicable credit principles; can the further analysis of the composition and behavior of bank deposits lead to a deeper understanding of the significance of changes and variations in deposit data. Summary and synthetic studies, building upon and drawing from these partial investigations, must ultimately take form, but they must await the availability of a rich and adequate body of basic research materials.

Taking for granted the inherent nature of the research process, the Committee has properly assumed that it is not bound by its special endorsement of a definite program of financial research to do more than indicate in its report the broad outlines of the research areas it considers highly important. The Committee, however, is fully conscious of the need for careful and painstaking planning of all phases of a given project recommended before any work is started. It has deliberately recognized this need by providing in its recommendations for the organization of a central staff on financial research under the National Bureau of Economic Research, whose primary function would be to formulate detailed research plans, including the determination of appropriate methods and techniques as well as the selection of qualified personnel. Greater elaboration of its proposals for the imminent launching of an active research program, the Committee believes,

might hamper unduly the initiative and freedom of action which it is convinced the central staff must have.

In addition, the Committee wishes to reiterate that its program is continuing and hence much broader than its suggestions for immediate research might convey. If the entire program advocated by the Committee is to prove fertile and productive, it must be flexible and responsive to changing economic conditions and problems. It must be endowed with reserve capacity to initiate and undertake new projects in line with altered needs and changing problems. The Committee views the research proposals it recommends as meeting essential requirements for information in the current financial setting, but it also feels that they may serve to provide a foundation for later research that will inevitably build upon their data. In any case, the Committee is convinced that both the full development of its program and the requisite adaptations of its urgent research proposals must be assigned as a major mandate to the central staff.

In the course of its exploratory work the Committee received many suggestions of investigations that might be sponsored in conjunction with its scheme of financial research. Preliminary descriptions of several of the proposed projects were drafted for the Committee as examples of the type of inquiry falling within the compass of its program. Since these were originally prepared purely for its own use, the Committee hesitated to incorporate them in its report lest their inclusion be regarded as a commitment binding on the central staff. However, as they are strikingly effective for purposes of illustration, it has been deemed appropriate to present them here, with the reminder that they do not bear the stamp of the Committee's approval.

The particular purposes served by their presentation

as a supplement to the main report merit brief enumeration. First, they exemplify one sort of activity to which the central staff would devote itself, namely, the formulation of well defined research projects and the outlining of definite research procedures. Second, the Committee's proposals of larger scope, as those calling for a comprehensive survey of the financial structure and for an exhaustive study of the composition and behavior of bank deposits, could be effectuated only by a series of smaller, complementary studies, dealing with special phases of these broad subjects. The project entitled, 'Changes in the Capital Requirements of Business Enterprise and the Decline of the Commercial Loan', for instance, is but an essential fragment of any far reaching survey of the anatomy of financial organization. Again, the project 'Major Factors in Fluctuations in Bank Deposits, 1929-1936' is merely a fragmentary study pertinent to the more exhaustive investigation of the composition and behavior of bank deposits. Other projects are listed that relate similarly to this recommendation of the Committee. Third, the project sketches dealing respectively with the consumer, investment and mortgage credit experience of banking institutions amplify in certain particulars the Committee's recommendations for a searching review of prevailing credit procedures and practices in these fields. Finally, several additional projects were drafted to illustrate other types of inquiry that might appropriately be sponsored under the Committee's program. These tentative project sketches are arranged in accordance with their relevance to the research plans advocated by the Committee.