

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: A Program of Financial Research Vol 1: Report of the Exploratory Committee on Financial Research

Volume Author/Editor: Exploratory Committee on Financial Research

Volume Publisher: UMI

Volume ISBN: 0-870-14458-8

Volume URL: <http://www.nber.org/books/expl37-1>

Publication Date: 1937

Chapter Title: Significant Earning and Expense Relationships of a Representative Sample of Active Banks for Selected Years, 1926-1936

Chapter Author: Winfield W. Riefier, Chairman, David Friday, Walter Lichtenstein, J. H. Riddle

Chapter URL: <http://www.nber.org/chapters/c0634>

Chapter pages in book: (p. 74)

Federal and state banking authorities, it is clear that substantial collaboration would be necessary. The person conducting the study should be thoroughly informed on bank accounting practice, and possess a critical understanding of banking statistics, their defects and limitations. It would be imperative that he have ready access to pertinent unpublished statistical compilations in the hands of public agencies, and to any unpublished studies in their files. Skill in summary statistical presentation would be a far more useful asset than talent in the application of advanced statistical methods.

SIGNIFICANT EARNING AND EXPENSE
RELATIONSHIPS OF A REPRESENTATIVE
SAMPLE OF ACTIVE BANKS FOR
SELECTED YEARS, 1926-1936

General Background

Studies of bank earnings and expenses according to size of bank have been handicapped by the nature of available data and the restrictions these data have imposed on the methods applicable in analysis. In general, they have tended to show that medium size and small banks typically have had higher expenses per \$100 of loans and investments and per \$100 of invested capital than larger banks. These results are significant so far as they go, but they do not afford support for inferences concerning the net operating effectiveness of any class of bank. For this purpose, a much more intensive analysis of bank earning and expense data is required, showing, for example, the relationship of high or low net earnings and net deficits to capitalization, to composition of assets, to various items of earnings and expenses, and to losses