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

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## D. GENERAL EFFECTIVENESS OF PUBLIC CONTROL AND SUPERVISION

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

#### *History of insurance of bank obligations in the United States*

This historical study of deposit guaranty systems that have been attempted in various states is divided into two main parts. The first part consists of a series of studies of experiments in the guaranty of obligations of banks and other financial institutions in states where they have been tried. The second part consists of a broader study of the history of deposit and other guaranty systems in the United States since 1800, and is designed to relate the three main waves of legislation dealing with the guaranty of bank obligations to the development of the banking and monetary system and to other social movements intent on remedying elements of financial insecurity. The object of the study as a whole is to describe and evaluate experience with the guaranty of bank obligations, both as a method of insuring the safety of the circulating media and as a method of protecting the savings of people of small means.

Under the direction of Clark Warburton as a Research Division project, it has been in process for two

years, but because of its scope and the difficulties of assembling adequate materials on individual state experiments, early completion is not expected. When available, publication is planned in the *Annual Reports* of the Corporation.

## 2. SOCIAL SECURITY BOARD, BUREAU OF RESEARCH AND STATISTICS

### *The insurability of unemployment and the actuarial soundness of state unemployment compensation plans*

The objective of this project is to assemble more precise information concerning the financial adequacy and soundness of the unemployment compensation program provided for in the Social Security Act. The intention is to analyze unemployment experience, so far as records are available on an industrial, state and national basis, and to estimate the income and financial reserves necessary to meet arbitrary minimum compensation requirements growing out of irregularities in production. It is also planned to test on a sample basis the actuarial soundness of certain types of state unemployment plan, taking into account the particular contingent obligations assumed (size and duration of benefits, etc.) in relation to actual and prospective receipts from taxes.

In preparation under the direction of Eleanor L. Dulles as a Research Bureau project, this investigation is planned as a long range undertaking. At present, it is in a preliminary stage. Methods used in the study will be more clearly defined as materials are assembled and new data become available in connection with the administration of the Act.

See also IIB<sub>3</sub>

3. SOCIAL SCIENCE RESEARCH COUNCIL, COMMITTEE ON  
SOCIAL SECURITY*Public financing of old age security*

The research problem of this project, briefly stated, is the apportioning and financing of old age security programs in foreign countries, the effects such security programs have had on governmental fiscal policies and tax structures and on financial organization generally. The ultimate objective is to appraise the American old age security program in the light of foreign experience. In the first section of the study the effects and costs of non-contributory old age insurance schemes in the various countries in which they have been applied are surveyed in detail. It includes such aspects of old age security programs of foreign countries as: (a) coverage of pension plans; (b) pensions paid, including variations in pensions due to political pressures, social changes, and inflationary or deflationary monetary developments; (c) administrative costs; (d) sources of funds and the allocation of costs among various governmental units or contributory groups as insured persons, employers and the government; (e) changes in policies; (f) the role of reserve funds where used and their repercussions on the structure and functioning of financial organization. The second part of the investigation is concerned with the total cost of old age security in relation to such elements as the national income, costs of government, and income distribution. A final section deals with trends in old age security systems, and entails a comparative analysis of different systems and the adjustments to which they have been subject from time to time to meet changing conditions and to modify their

effects on economic and social organization. The significance of underlying trends in terms of national income, consumer purchasing power and standards of living, capital formation and the institutional organization of the capital market is appraised critically.

In preparation under the direction of Margaret Grant Schneider of the staff of the Committee on Social Security. Completion and publication of this project is not expected before late 1937.

See also IIB(f)<sub>1</sub>; IIIB<sub>1</sub>

#### 4. COLLEGE OF THE CITY OF NEW YORK

##### *Railroad financial reorganization*

In conjunction with an intensive investigation of railroad financial reorganizations during the depression, and their effects on the standing of various classes of railroad securities, legal requirements of different states limiting the investment of savings and trust funds in railroad securities are critically examined. Typical minimum standards found in state laws to govern the eligibility of railroad bonds for the investment of savings and trustee funds are tested by the performance of different railroads during the depression, arbitrarily classed either as good or bad railroads in conformity with accepted financial standards. Alternative standards, paralleling but modifying materially those commonly applied, are also tested for the depression. From the results of the analysis, it is expected that more effective legal standards to govern the investment of savings and trustee funds may be formulated and recommended for the revision of present laws.

G. W. Edwards is directing the study, which is

financed by WPA funds. It is to be completed by fall 1937.

For a supplementary description of this project, see also IVC<sub>3</sub>

5. COLLEGE OF THE CITY OF NEW YORK

*The securities of large corporations*

Largely statistical, this project has reanalyzed relevant data available in public documents and publications of financial agencies in order to determine what particular information it is essential to provide the investor to enable him to appraise fairly the investment securities of large corporations. The object has been to organize and systematize existing investment security information, and to point out its gaps, so that a more effective public policy in regulating security issues and requiring publication of more complete reports may be worked out in the investor's interest.

Prepared under the direction of G. W. Edwards and financed by WPA funds, the project is completed but definite publication plans have not been made.

For a supplementary description of this project, see also IVC<sub>4</sub>

6. RUSSELL SAGE FOUNDATION, DEPARTMENT OF REMEDIAL LOANS

*Social consequences of consumer debt*

This study, which constitutes the second part of a broad program of research in the field of consumer debt, will analyze the social consequences of the rapid increase in consumer obligations that occurred during the 1920's. It will draw its material from the records of (a) actions

for debt in the courts; (b) employers concerning wage attachments; (c) wage-earner bankruptcies; (d) family welfare agencies; and it will discuss the impact of business cycles upon indebted families.

The results of the investigation of wage attachments, which was undertaken jointly by the Federal Bureau of Labor Statistics and the Russell Sage Foundation, have been published.<sup>1</sup>

For another part of this project see IIB(b)1

<sup>1</sup> *Wage Executions for Debt* by Rolf Nugent, J. E. Hamm and F. M. Jones (Bulletin No. 622, United States Department of Labor, 1936).

#### 7. RUSSELL SAGE FOUNDATION, DEPARTMENT OF REMEDIAL LOANS

##### *Control of consumer debt*

This third part of the consumer debt study will analyze state laws governing the collection of consumer debt and will appraise their responsibility for anti-social credit-granting practices and for family distress resulting from credit commitments. It will investigate experiments with devices for the control of consumer credit and with agencies for adjusting debts and will recommend legal and institutional reforms that might afford better regulation and control. An analysis of devices for liquidating consumer debt in Detroit has been published.<sup>1</sup>

In preparation under the direction of Rolf Nugent, publication will probably be delayed until 1938 owing to the scope of the investigation and the collection of primary materials required for it.

For another part of this project see IB(b)1

<sup>1</sup> *Devices for Liquidating Small Claims in Detroit* by Rolf Nugent, and *Instalment Sale Contracts in the Detroit Conciliation Court* by M. H. Risk in *Law and Contemporary Problems*, Volume II, No. 2, April 1935.

8. ASSOCIATION OF RESERVE CITY BANKERS, COMMISSION  
ON BANKING LAW AND PRACTICE

*Plans for controlling the price level and business  
fluctuations through monetary action*

As part of a long range program of study dealing with the effectiveness of government control and supervision of credit, special studies are prepared from time to time under the auspices of the Commission on Banking Law and Practice. Among those already completed are: [1] 'The Guaranty of Bank Deposits', by the Commission; [2] 'The Problem of Excess Reserves', by J. H. Riddle; [3] 'Social Credit Proposals', by Alvin H. Hansen; [4] 'Control of Prices and Business by the Federal Reserve System', by C. O. Hardy; [5] 'The Commodity Dollar', by Harry D. Gideonse; [6] 'Qualitative Credit Control', by Benjamin H. Beckhart; [7] 'Silver in America', by Neil Carothers.

9. BRATTER, H. M.

*The silver episode*

The various measures favorable to silver authorized by Congress since 1933, notably the Silver Purchase Act of 1934, are the center of interest of this study. After the role of silver in the development of the American currency system has been traced, the study focuses on the shaping of silver policy in 1933 and the economic and political forces contributing to the crystallization of policy into a national silver program. In this connection, it treats of: (a) the contentions of silver advocates; (b) the campaign of silver advocates to gain political attention for silver; (c) the London Conference of 1933 and the international silver agreement; (d) the adoption of

a national silver program by Congress; (e) the administration of the program. The final part of the analysis concerns the effects of the silver program abroad and at home.

Extensive appendix materials cover: (a) recent official documents and Acts of Congress relative to silver; (b) statistics on silver and gold in the currency system of the United States; (c) chronology of laws, executive orders, etc., relating to silver currency; (d) the effects of the silver program on China and a chronology of the action of China to protect her currency system; (e) Chinese currency orders, 1934-36; (f) Chinese statistics on silver and gold; (g) effects of the silver program on India; (h) Indian statistics on gold and silver; (i) statistics of silver prices and production, 1929-35, and of production, 1876-1935; (j) analysis of the flow, production and consumption of silver; (k) main features of the Mexican silver crisis of 1935.

At present in manuscript, this study will probably be published in 1937.

See also IA7 and 11

10. CHAPMAN, JOHN M.

[COLUMBIA UNIVERSITY]

*Government intervention in banking*

The aim of this study is to reexamine and appraise the effects of cumulative governmental intervention in American financial organization and to determine the extent to which governmental control of financial organization has been effective. It is planned to deal with the history of governmental intervention in banking and financial operations in this country and to analyze in some detail the extent of and reasons for present intervention in the fields of agricultural and urban mortgage

lending, and commercial and investment banking. A final part of the study is to be concerned with economic consequences of governmental intervention in financial organization.

Completion of this study, which has been in process for two years, is expected in 1937. Several members of the Banking Seminar of Columbia University, 1935-36, are collaborating in its preparation.

See also IC(h)1 and 4

II. DAUER, E. A.

[NORTHWESTERN UNIVERSITY]

*The relations of the Federal government with  
commercial banking*<sup>1</sup>

A coordinated analysis is being made of the role of the Federal government as: (1) an agency of control of commercial banks; (2) an owner and competitor of commercial banks; (3) a borrower from commercial banks. Divided into three major parts, the first is devoted to a reexamination of governmental regulation of individual banks with the object of setting forth its scope, experience and limitations. The second part deals with the role of the government as an owner, through the RFC, of commercial banks and as an active competitor through the lending activities of the FCA, FHA, HOLC, RFC and other public or quasi-public agencies. The third part analyzes the relations of the government with commercial banks as a borrower and deals with effects that its borrowing and competitive activities have on its regulative policies, designed to make banking institutions more sound.

As now planned, this study should be completed by fall 1937.

<sup>1</sup> Ph.D. thesis, Northwestern University.

12. HERBER, J. A.

[NATIONAL CITY BANK OF  
NEW YORK, NEW YORK, N. Y.]*The prohibition of interest on demand deposits*<sup>1</sup>

The object is to ascertain the effects of the prohibition, under the Banking Act of 1933, of the payment of interest on demand deposits. The purposes that this prohibition was designed to serve are critically examined, and the historical background of the practice of paying interest on deposits is traced. Other aspects of the problem treated include the effects of the elimination of interest on demand deposits on: (a) interbank deposit balances; (b) the deposit policies of large corporations; (c) international banking relationships. The rise of practices rendering the prohibition of interest on demand deposits partly ineffective is considered in the last part of the study and their possible adverse consequences assessed.

<sup>1</sup> Thesis, Graduate School of Banking, American Institute of Banking, Section American Bankers Association.