

lines of business which had become involved in grave financial difficulties. In each individual case the problem was presented of determining whether the management was of sufficient ability to warrant the bank in continuing to carry the financial burden and, while risking graver consequences, to assist the concern in striving for rehabilitation, or whether, because of the inferior management ability available, it might not be better procedure to force liquidation.

The Industrial Departments of banks were called upon to make the intricate and difficult investigations which were precursors of decisions along the lines pointed out, and in many instances they were required actually to take over the operation of concerns in trouble, thus insuring to the latter the benefit of sound, valid and capable management experience.

E. Statistical Departments

Analysis and interpretation of future business conditions constitutes one of the principal problems of banks, for the function of banking is inextricably interwoven with the fabric of all business and any condition of concern to business in general is doubly so to the banker who furnishes credit, the very life blood upon which business must depend.

The forecasting of probable business conditions, as a banking service, represented until recent years merely the expression of the balanced judgment of individuals with very little assistance in the way of expert collection, segregation and interpretation of statistics concerning the wide range of business phenomena indicative of future trends.

Since the World War, however, economics, far from remaining the theoretical and academic field of discussion that it formerly was, has largely through the action and interest of banks become of transcendent importance and value, and it is today the science upon which chief reliance is placed for the guidance of business and its adjustment to varying trends in the general situation.

In carrying out their role of leadership, with its implications of advisory service to business, banks have found it necessary to establish statistical departments whose chief function it is to collate and interpret statistics of all kinds and, by various devices such as graphic charts, index numbers, monthly bulletins, etc., to forecast and present manifestations of the business cycle and to compare

with each other activities of production, distribution, consumption and allied fields.

It is not to be assumed that such departments are always organized solely for the purposes indicated. Rather should it be said that by a process of evolution from small beginnings, statistical departments of banks have reached a point where the activities described above are among their major functions.

It is probably true in a majority of cases that statistical departments in banks owe their inception to the need for having available reliable information in connection with the sale and purchase of bonds and other securities, as well as to a recognition of the opportunities for service in furnishing advice to depositors concerning present and prospective investments. Regardless of the purpose for which statistical departments in banks have been established, it may be said that they have grown to a position of much importance in the banking organization and represent a staff function which is actively employed in matters germane to the principal features of the banking business.

So great has been the service that banks have found it possible to provide, through the medium of their statistical departments, that they have succeeded in attracting a tremendous following among business men, the more so as the calibre of the specialists in charge of such departments is, in a number of well-known instances, so high that their opinions come with the force of authority supported by national reputation.

While banks have been to much expense in the organization and development of their statistical departments, it has been a thoroughly productive investment and has contributed much to the education of the business man by authoritative interpretation of the economic facts which have a bearing on his business and by exercising a psychological influence of timely character which has done much to organize his point of view as well as to instill confidence in the validity of the prognostications. As a result, the element of fear which in the past hampered so greatly the progressive development of business, has been materially reduced, and the negative factor of uncertainty has been moderated by intelligent forecasting of probable future business trends.

From the organization point of view, the problems involved in the establishment and development

of a statistical department in a bank may be summarized by stating that this department represents essentially a staff function, the successful performance of which requires that it be brought into fairly intimate relation with the chief executives, the operating departments and the public.

The personnel, which must be well trained and above the average in quality, should include such specialists as economic analysts, librarians, research workers, etc., and there should be available a representative library on economics and business supplemented by data of all kinds such as reports of public and private agencies and business corporations.

The chief statistician, or economist, is rarely recruited from the banking profession but is usually a technical specialist with high academic standing in the field of economics. His titular designation is sometimes Economist but more frequently Vice-President. In either case he is an executive of senior rank.

VI. Conclusion

In bringing to a conclusion the discussion of problems of bank organization which has been presented in the foregoing pages, the writer is conscious of the fact that it has been impossible, without gross violation of the limits set, to make the treatment of the subject as complete and comprehensive as its importance would otherwise justify. The three sections dealing with structure, personnel and service, which constitute the backbone of the discussion, admittedly do not exhaust the ground to be covered, but their choice has made it feasible to bring about a certain balance in the use of material which has been of benefit in placing emphasis where it properly belongs.

To measurably approach a complete presentation of the subject, it may be well at this point briefly to refer to some of the conditions surrounding the conduct of banking which have had an important influence upon the development of the principal functions and services.

Foremost among these should be ranked the legal restrictions of nation or state imposed upon banks. In this country more than in any other, legislation has been enacted to safeguard the public in its dealings with banks. From the organization viewpoint, the most important legal enactments are those prohibiting branch banking as practiced in other coun-

tries and those limiting the amount of funds loanable to any single borrower to ten per cent of capital and surplus.

The effect of branch banking legislation has led to the creation of a vast number of small, independent banks, whereas the limitation of loanable funds has given rise to a definite trend toward the consolidation or merging of one institution with another in order to keep pace with the increasing demands for credit made by expanding commercial organizations. Recently this trend has been very marked and will probably remain so as long as the present laws continue in force.

In the last decade or more, particularly since the passage of the Federal Reserve Act, legislation governing national banks, state banks and trust companies has been so modified as to place all banks in virtually the same category from the viewpoint of services rendered. For example, national banks formerly were not permitted to administer estates; now they may do so by complying with certain requirements. Similarly, the powers granted to state banks have been enlarged and the competition due to these changes has forced trust companies into the field of commercial banking. Moreover, all classes of banks are now permitted to maintain savings accounts in competition with savings banks.

Second only to legal restrictions in their influence on bank organization are the trade practices and customs of the country. The use of the check in effecting settlement of business transactions to an extent far beyond that found in any other country has been the most potent of these factors. Every day millions of checks reach banks for collection, and the fact that these have to be cleared immediately has occasioned a tremendous increase in the size of departments concerned with their handling, thus creating an organization problem of unprecedented character.

Another trade influence on banking organization is the practice in many industries of calling upon banks to finance them by discounting or collecting commercial drafts on customers, with or without bill of lading attached. Due to this practice, banks have had to organize large departments for the purpose of collecting such drafts individually as distinguished from ordinary check collection which is handled *en masse*. This activity entails a vast amount of routine work which must be performed with utmost accuracy and dispatch because of the