

## PREFACE

THIS is a research study: it is intended to be consulted and used rather than to be casually read. It was undertaken on the basis of certain hypotheses and was developed for the purpose of determining their truth or error. It was assumed that out of the experiences of member banks over a period of years it would be possible by detailed analyses to discover norms, trends, and correlations—not evident on the surface—which could be measured and stated as tendencies, and that these would have both a practical and a theoretical value. Practical in the sense that, if they were general and pervasive, banks could use them as bases for determining questions of policy; theoretical in the sense that they would relate banking experience to other phases of economic activity, and serve to make clearer the results of the working of competitive effort in a competitive system.

Looking at the subject matter broadly, there appeared to be no reason why the results of banking operations could not be measured and the prevailing uniformities quantitatively expressed. Moreover, there appeared to be no reason for expecting them to be markedly different from those characterizing other lines of business activity carried on under competition. The processes obviously vary from trade to trade, but if, for the most part, competitive effort characterizes our economic order, do not its consequences reveal themselves in much the same way wherever observed? The belief that they do determined our methods of approach and conditioned our forms of analysis. Indeed, it is this belief which prompted not only this but other studies completed and in process.

This analysis is exploratory. Not all of the results are "pay dirt," but enough of them are of this type to warrant the conclusions, among others, that there are "master facts" associated with banking, and that, quantitatively expressed, they summarize the prevailing and repetitive tendencies found in such enterprise.

Those discovered are expressed as norms, trends, and correlations. They are not regarded as "laws" in an absolute and mechanistic sense; neither are they intentionally given an applica-