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Introduction to the Symposium on Bank Regulation

The editors are convinced that there is a need for timely discussion of issues of public policy by persons of unquestioned technical expertise but at a nontechnical level. Unfortunately, it is far easier to perceive this need than to meet it. The principal difficulty is finding technically qualified experts who are both willing and able to discuss issues with technical implications in a manner that is comprehensible to those whose specialized training lies elsewhere.

We feel that this symposium well exemplifies the type of presentation that we are seeking. In the principal paper, John Kareken has managed to avoid technical minutiae without oversimplifying the complex problems inherent in the subject matter. The discussants have embroidered various portions of his tapestry in a manner that is both interesting and, for the most part, comprehensible to the nonspecialist. As a result, this issue of the *Journal of Business* will contribute substantially to the general understanding of the issues involved in restructuring the regulatory mechanism(s) of the American banking system.

This critique of bank regulation is timed to approximate the semicentennial anniversary of the burst of New Deal regulatory legislation (1933–35) that affected not only the banking system but also agriculture, industrial relations, securities exchanges, and numerous other aspects of economic activity. At this late date it is unnecessary to appraise this body of legislation from the perspective of the time of its adoption. However appropriate such regulatory measures may have been—or seemed—in the circumstances and prevailing beliefs of the mid-1930s, subsequent technological change, theoretical development, and accumulated experience all mandate reappraisal.

This statement applies without exception to all regulatory legislation of that period, and perhaps even more broadly, but nowhere more than in the field of banking. Viewed merely as an exercise in regulation of a particular industry, the effect of regulatory activity on banks and bank substitutes, and their response, constitutes a fascinating chapter of economic history. But considered in the context of the interfaces between bank lending, money supply, and all other facets of macroeconomic activity, the question of how banks are to be regulated, if at all, is central to any attempt at conceptualizing the operation of a complete economic system.

This symposium does not, of course, attempt to cover all the issues involved in bank regulation. However, it does make an important contribution on which we hope to build in future issues of this *Journal*.

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