April 12, 1937.

All announcements of the Federal Reserve System, including statements by the Chairman, have emphasized the policy of continuing easy money conditions.

In its announcement of January 30th of the final increase of reserve requirements, the Board stated:

"In announcing the previous increase in reserve requirements, the Board said:

"'The prevailing level of long-time interest rates, which has been an important factor in the revival of the capital market, has been due principally to the large accumulations of idle funds in the hands of individual and institutional investors. The supply of investment funds is in excess of the demand. The increase in reserve requirements of member banks will not diminish the volume of deposits held by these banks for their customers and will, therefore, not diminish the volume of funds available for investment. The maintenance of an adequate supply of funds at favorable rates for capital purposes, including mortgages, is an important factor in bringing about and sustaining a lasting recovery.'

"The same considerations apply with equal force at the present time. The Board's action does not reduce the large volume of existing funds available for investment by depositors, and should not, therefore, occasion an advance in long-term interest rates or a restrictive policy on the part of institutional and other investors in meeting the needs for sound business, industrial and agricultural credit."

In his statement of March 15th, Chairman Eccles stated:

"I have been and still am an advocate of an easy money policy and expect to continue to be an advocate of such a policy so long as there are large numbers of people who are unable to find employment in private industry, which means that the full productive capacity of the nation is not being utilized."

* * * * * * *

"In other words, the supply of money to finance increased production at low rates is ample. Furthermore, with the ample reserves of the Federal reserve banks additional supplies of money can be made available when needed to finance expanded production at reasonable rates by the purchase of government securities in the open market."

* * * * * *

"What, then, is the function of the monetary authorities of the Government? It is to help bring about and maintain the essential element of an adequate supply of funds at reasonable rates to call forth and facilitate production and distribution. A policy of easy money in order to make available an adequate supply of capital at reasonable rates, cannot, however, of itself succeed in maintaining a stable economy. The Federal Reserve System, which is an arm of the Government, is powerless to maintain a stable economy unless other essential non-monetary factors necessary to stability are brought into line either by private interests or by the Government. The Federal Reserve System has exerted the greatest possible influence to bring about and maintain easy money conditions as a necessary integral part of the recovery movement. An ample supply of funds at reasonable rates exists and will exist after the increased reserve requirements take full effect on May 1. So far as I am concerned, I am convinced that such a supply of funds should continue to be made available at rates that will encourage full recovery and help to maintain it.

"Under present conditions of an accelerating recovery, a continued easy money policy to be successful in achieving and maintaining a balanced recovery must be accompanied by a prompt balancing of the Federal budget and the subsequent retirement of public debt by the Government in relationship to the expansion of private credit."