

Office Correspondence

FEDERAL RESERVE BOARD

111 2 - 40
Date March 19, 1935

To Governor Eccles

Subject: Suggestion for statement to be put into House Committee Record

From J. M. Daiger
J.M.D.

REC'D IN FILES SECTION
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When you were explaining today, in your second discussion with the newspaper men, how the banking system, as distinguished from the banks individually, create money, I remarked that it might be well if a description of this process of creating money were put into the record of the House hearings. *10*

In this connection, I have reminded Dr. Goldenweiser of a memorandum, which either he or Mr. Hamlin showed to me several years ago, setting forth the manner in which a commercial deposit is multiplied ten times by the operation of the reserve principle; and I have had some copies of this memorandum made from Mr. Hamlin's scrap book. One of these copies is attached hereto for your information.

I have suggested to Dr. Goldenweiser that, if the idea meets with his approval and yours as well, he rather than yourself put some such description as this into the record of the House hearings. I would also suggest that the memorandum be mimeographed and copies made available to the members of the committee and to the newspaper men at the time the statement is put into the record.

I believe that if the matter is handled in this manner it will receive attention and be given publicity that will be useful in shedding light on a question that is being very widely discussed at the present time. It is a question about which there is a great deal of confusion and, even among bankers, but little understanding. The confusion is due largely, I should say, to the failure to discern clearly between the banks individually and the banking system as a whole.

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