

August 13, 1935.

Governor Eccles

Memorandum on requiring checking

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accounts to be reported on personal income tax returns.

*L.C.*

The object of requiring checking accounts to be reported on personal income tax returns would be to throw some light upon the distribution of deposits on the date selected (presumably December 31st), and to throw some light upon the distribution of deposits according to different income groups. Together with the data on the cash holdings of corporations as of the same date, it is probable that a substantial part of the checking accounts of the country would be accounted for.

Annual information on the cash holdings by income groups would be a valuable aid in determining how far the size of deposits is a function of income. It would also indicate the extent to which the deposits of different income groups fluctuated with business fluctuations. Thus, the information would aid in research in the problem of the deposit or monetary requirements of individuals.

There would be several weaknesses in such a series. In the first place, it would probably be impracticable to secure the information for a date other than December 31st. This date, from the point of view of deposit holdings of individuals, is probably the worst in the year. Secondly, the series would cover the deposits of only the comparatively few people who file income tax returns. It is, of course, possible that this group holds the bulk of the deposits owned by individuals. Thirdly, the information would not be available for at least a year after the date to which it applies (Statistics of Income for 1935 is not as yet published). This would effectively debar the series from use for operating purposes.

The Treasury would probably be reluctant to add this question to its schedules. It would, in the first place, be of no use to the Treasury, and its tabulation would put it to some extra expense. In the second place, such a question would cause wide comment and surmise, and probably an official explanation would have to be offered. The Secretary might feel that to explain that it was inserted at the request of the Federal Reserve Board would offer a precedent for requests by other agencies for information.

On the whole, I should favor deferring this request for the time being. One of the objects of the WPA project on which we have been working is to relate deposits to incomes (as ascertained by regular credits) for a substantial group of personal accounts over a period of years. If the project is approved and carried out, we will be in a better position to decide whether information on the deposit holdings of the middle and upper income groups is significant for operating purposes. If we decide that it is, we will be in a stronger position in approaching the Treasury. On the other hand, we may regard the information as of sufficient importance to inaugurate a monthly series obtained directly from member banks.

Finally, I never like to ask for anything unless there is a pretty good chance of getting it, and in this case I feel very dubious whether the Treasury will accede to our request on the case we can make at present. If, however, you feel differently, I shall be very pleased to make out as strong a case as I can in a letter under your signature to Mr. Haas.

One request I should like to make in any case is to have the "cash" item on the corporation balance sheet returns that are filed with the Bureau of Internal Revenue broken down into Currency, Demand Deposits, and Time Deposits. Moreover, I should like to have banks' balance sheets reported separately from the finance group. From our point of view the usefulness of the tabulations of the U. S. Statistics of Income will be greatly increased by these two changes.