

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 25, 1939.

To Chairman Eccles

Subject: Extract from the Annual Report
of the Bank of Canada, February 6, 1939.

From Lauchlin Currie

LCC

I think you will be interested in the attached extract from
Governor Towers' annual report.

EXTRACT FROM THE ANNUAL REPORT OF THE BANK OF CANADA, Feb. 6, 1939.

"To an important degree the changes which were noted at the beginning of the last paragraph have had as their proximate or perhaps even as their ultimate cause the prevailing low level of investment in capital goods. One has only to recall the magnitude of the expansion which took place in the latter twenties in Canada's productive, distributive and housing equipment to realize how different is the present situation in this regard. There are some grounds for expecting an increase in residential construction in 1939, but at best it could do little to close the very large gap which still exists, in the case of industries connected with the production and installation of durable goods, between present levels of activity and those of ten years ago. Whatever may be the basic causes of this situation (and it is common to many countries), it seems safe to say that in the present state of international relationships broad recovery in the section of the economy to which I have referred is unlikely to be rapid. It therefore seems obvious that unemployment in its existing proportions cannot be regarded as entirely, or even chiefly, a short-term problem."