

RALPH E. FLANDERS
BOX 477
SPRINGFIELD, VERMONT

September 4, 1937

Mr. Elliott Thurston
Asst. To Chairman
Federal Reserve System Board of Governors
Washington, D. C.

Dear Mr. Thurston:

Your letter of September 2nd has been received. I am afraid I did not make clear to you the nature of this correspondence with Messrs. Dennison, Filene, and Leeds, sent you with my letter of the 24th, particularly with reference to the table on velocity. I was putting my own interpretation on the facts supplied by Dr. Currie. If I carried the suggestion that he was responsible for the interpretation in any way whatever, I wish to correct myself at once.

You will understand that this correspondence with my associates is not public correspondence, and the opinions I express in it are subject to further discussion and correspondence with them and also with those who like Dr. Currie have been kind enough to criticize the manuscript.

The particular thing which the figures seem to indicate is that there has been no increase in business transactions corresponding to the increase in new deposits. I would not attempt to foolishly indicate that there had been no increase -- only that the increase in business had not kept step with the increase in deposits. This is important. It may be that this new way of stimulating business with government funds necessarily involves a low velocity. I have elsewhere in the manuscript called attention to the probability that normal velocity (whatever normal velocity may be) will probably be lower with speculation brought under control, than it has been under conditions of uncontrolled speculation as in the past.

It is a personal belief, however, that velocity during the recovery period has been abnormally low and that, therefore, an abnormally large amount of new deposits have had to be created to encourage business activity to rise to the level which we now enjoy. If Mr. Eccles or Dr. Currie or others of your staff care to comment on this personal opinion, I should be glad indeed to have them do so.

What I would like is permission to use Dr. Currie's velocity table. I would gladly add to it a statement that the inferences drawn

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from that table are my own and those of nobody else.

Sincerely yours,

A handwritten signature in cursive script that reads "Ralph E. Flanders". The signature is written in dark ink and is positioned to the right of the typed name.

R. E. Flanders

REF:M