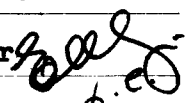


## Office Correspondence

Date August 15, 1935.

To The Federal Reserve Board  
 From E. A. Goldenweiser 

Subject: WPA project on the distribution  
and activity of deposits

G. P. O. 16-852

On June 26th the Executive Committee, on the basis of a memorandum submitted by the Division of Research and Statistics, authorized the Division to explore the feasibility of sponsoring two projects to be submitted to the Works Progress Administration and to be financed under the Works Relief Appropriation. A copy of the memorandum is attached. On the basis of the preliminary work done, I recommend that the Board sponsor a sample study of the distribution and activity of deposits, with the proviso that such sponsorship is conditional upon the obtaining of adequate assurance of the cooperation of member banks in the project. This sponsorship will involve no commitment of any kind by the Board except to furnish a certain amount of supervision, and will involve no handling by the Board of any funds allocated to this project by the WPA, since all the disbursements will be made directly by the regional representatives of the WPA. A general description of the project is attached, to be used if and when the project is approved.

Information on the distribution of deposits, of changes in that distribution, and on the credits to personal accounts should (a) be a step toward the study of the motives which lead individuals and corporations to vary the size of their deposit holdings, and thus aid in policy making and bank management; (b) throw light upon developments in business, and hence aid in the formulation of banking policy; (c) throw light upon the variability of deposits by types of depositors and by size, and thus aid in the problems of bank management and the proper allocation of assets; and (d) give a test as to the correspondence of credits and incomes of various classes of consumers. A specific list of questions on which information of the type in mind may throw light is contained in the attached description of the project.

If the Board decides to sponsor this project, it is recommended that action be taken on the following matters:

1. Authorize the Division of Research and Statistics to supervise the project and to handle all correspondence in connection with it.
2. Authorize the Agent's Departments of the Federal Reserve banks to supply regional supervision of the project. In order to reduce administrative expenses, it would be desirable to have the workers in the cities in which there are Federal Reserve banks or Federal Reserve branch banks supervised by some person in the Agent's Department.
3. Authorize the Division to state in its formal submission of the project that the publication of the significant findings of the study will be undertaken by the Board.

June 26, 1935.

MEMORANDUM ON WHITE COLLAR PROJECTS UNDER THE WORKS RELIEF PROGRAM

Mr. Frank A. Walker has invited the Federal Reserve Board to submit applications for allotments under the Works Relief Program, to finance any projects which it cares to undertake and supervise, and which will give employment to white collar workers at present on relief rolls. The matter was referred by Governor Eccles to the Division of Research for consideration and study.

We have under consideration two related projects. The first is a study of the behavior of deposits in 1928-32, classified by type, size and class of depositor. Information as to the ownership of deposits and the shifts in ownership in the course of a business cycle is at present almost completely lacking. It is quite conceivable that such information obtained currently might prove of real value in aiding the Board in its formulation of policy. A different policy might, for instance, be called for if a rising stock market involved a large transfer of deposits from personal and industrial holders to financial groups than if it was being financed by previously idle financial deposits and was not resulting in a drain on the industrial circulation. Again, it might be found at a particular time that deposits of corporations were increasing rapidly. This would call for investigation as to whether the increase was due to a sale of securities and a consequent transfer of deposits from the financial circulation or whether it was due to a sudden cessation of buying on the part of corporations. In

general, a sudden change in the deposit holdings of any large group should call for study and investigation in order to determine its significance for current and future business conditions. A sample study of the behavior of deposits of different economic groups in the years 1928-32 might give the Board a sufficient basis for deciding whether or not the collection of current information on this matter would throw light upon current trends and thus aid in the formulation of policy. The work would presumably be done by former employees of banks under the general supervision of this Division.

The second project is closely related to the first. Various agencies are investigating the feasibility of collaborating in a study of the economic history of a typical American city of between fifty and one hundred thousand population during the depression. It is suggested that each agency's study would be rendered more significant by the background provided by the studies of all the other agencies. Thus, if we should investigate the behavior of deposits by classes of depositors in the selected city, we would be able to interpret our findings in the light of what was happening to incomes, employment, manufacturing, trade, mortgages, etc., in that city.

We are not as yet in a position to make any specific recommendations to the Board, but we should like to be authorized to investigate the feasibility of the projects mentioned above and, if upon investigation they appear feasible and promise worthwhile results, to submit at a later date definite recommendations for the Board's consideration.