

FEDERAL RESERVE BOARD

WASHINGTON

August 31, 1935

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

Honorable M. S. Eccles, Chairman
Board of Governors of the
Federal Reserve System
Washington Building
Washington, D. C.

Dear Mr. Eccles:

On August 27 the President issued an order to the agencies administering the Work Relief Project containing the instructions that all applications for funds under that program must be in the hands of the Division of Applications and Information by September 12, and that no application would be accepted after that date. This applies to white-collar projects such as the study of the distribution and activity of deposits which the Division of Research and Statistics has had under consideration for some time. Mr. Currie, who has been supervising the work on this project, left for his vacation a few days before this order was issued and will be unable to return to Washington until Tuesday, September 3. He has kept in touch by telephone with preparations for the project, however, and feels the general outline of the study is sufficiently definite to request your approval of the project. He should like any comments that you may wish to make and also, as soon as possible, your permission to submit the project to members of the Board now in Washington.

Although this procedure is unusual we feel that circumstances make the matter one of sufficient urgency to justify it. Before a formal application can be submitted to the Division of Applications and Information it is not only necessary that your approval be obtained through the mails, but the project must be presented to the Board members in Washington and their favorable action obtained, the matter must be cleared with the Counsel's office, and the Coordinating Committee at the Central Statistical Board must be consulted. A letter and outline of the project is also being sent to Mr. Goldenweiser for his comments and approval.

It should be said that the Board may at this time approve the general plan of the project for submission to the Division of Applications and Information, subject to change as to details and also conditional upon obtaining the necessary cooperation from banks and other agencies.

Mr. Eccles — #2

An explanatory statement of the project, prepared for submission to members of the Board, accompanies this letter. You are familiar with the general outline of the proposal, as well as with the objections which were raised against it in the form in which it was originally presented. In its present form the study has been much restricted in scope in order to meet these objections. It is now proposed to obtain information on deposit balances and deposit activity from four sources: (1) the records of selected closed national banks; (2) a questionnaire to be sent to all member banks requesting information on a very small number of accounts from each; (3) a questionnaire to a selected list of large corporations requesting information as to their deposit balances over the same period covered by the information requested from banks; and (4) the records of a small number of active member banks who may be willing to cooperate on the original basis of employing relief workers to transcribe their records.

It may be that it will be considered inadvisable to attempt to obtain information from any except the first of these sources. In that case, it is still felt that such a study will yield significant and valuable results although, of course, the bearing of such a study would be considerably changed from what was intended for the study now proposed. A study confined to closed banks would naturally be an investigation into the causes of bank failures and would include a study of the quality of bank assets, a matter which is not covered by our present plans. The consent and approval of the Comptroller of the Currency has already been obtained for the use of relief workers in closed national banks, and details of this part of the project are being worked out in cooperation with his office.

Detailed estimates of the number of workers to be employed and the cost of the project are now in process of preparation and will be transmitted to you in a few days. In our present conception of the scope of the project, however, it is possible to estimate that about 1,000 people will be given employment for a period of approximately eight months at a cost of about \$500,000. The contribution of the Federal Reserve System will consist of the part-time services of one person in the statistical department of each of the Federal Reserve banks and their branches, the full-time services of three persons in the Board's Division of Research and Statistics, and mimeographing and mailing costs, the latter not to exceed \$10,000.

Very truly yours,



Woodlief Thomas
Assistant Director of
Research and Statistics