

HARTFORD NATIONAL BANK AND TRUST COMPANY

Hartford, Connecticut

September 5, 1935.

Hon. Marriner Eccles
Governor of the Federal Reserve Board
Washington, D. C.

Dear Sir:

A particularly objectionable letter published in yesterday's Wall Street Journal moves me to take the liberty of saying that at least one of the banking fraternity approves of the suggested study of the velocity of the various types of bank deposits. I think the trouble is that most bankers have too little knowledge of, or interest in, the relationship between their own profession and the general economic situation.

To my mind it is high time that we knew something about the movement of bank deposits. It is my own feeling that the thirty odd million small accounts which had a balance of five and one-half billions on May 13, 1933 were turned over rapidly and steadily. The difficulty lies, I think, with the few thousand accounts with a balance of ten and one-half billion dollars which I suspect have been relatively inactive in the last five years.

Ordinarily such deposits are drawn down to supply capital for new factories, machinery, etc., so that purchasing power is distributed back to the rank and file in return for new capital equipment supplied by their labor. This flow keeps the economic system going by sustaining the demand for commodities and by keeping supplies of capital from being redundant.

Today these excess funds spiralling in the money markets are progressively reducing the yield from existing investments. God knows what would happen to the purchasing power of the country if it weren't for the steady flow of Government expenditures. I am convinced, therefore, that we shall never fully understand the causes of the recent depression until we know more about the behavior of the greater bank accounts during the different phases of the cycle.

I trust therefore that the suggestions for this study will not be dropped forthwith, but will be undertaken in sufficient scope to be of value. Could not the federal examiners secure from the member banks enough of this data to be informative at the time of their periodic examinations?

Yours faithfully,

(Signed) H. C. Bailey
Associate Trust Officer

P. S. Enclosed is a memorandum handed the general counsel of this bank shortly before our recent meeting on the proposal to leave the F.R.S.

H.C.B.