MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 8, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

Thank you for sending me the memorandum on Trade for December, and I hope you will continue sending it to me, as I want to keep very closely posted.

BS.LS

MISC. 4. 1-100M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 12, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

In reading over your confidential January 6 memorandum* on pyramiding of deposits, I find no reference made to the fact that New York City banks, under the Clearing House rule, have now established a lower rate on out-of-town bank balances than the rates which prevail in the other central reserve city, - Chicago, or generally in the reserve cities of the country.

That has been, probably, the most important influence in effecting a distribution of these bankers balances to other reserve centres and away from New York, and it strikes me that the point of the memorandum is missing without that.

* "Pyramiding of Deposits"

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Palm Beach, Fla., January 24, 1925. 192

Mr. Snyder

SUBJECT:

FROM Benj. Strong

Thanks for your two memoranda of the 19th and 20th.

I have a suspicion that you are right as to the course of business this next year, when it will likely be good, but nothing in the nature of a boom or bulge. Good prices for farm produce cannot possibly do us harm when we have a big surplus for export. Of course our bugbear is the stock exchange speculation; and just how far we should feel a responsibility for what is happening there is, of course, a question. I only wish they would come to their senses!

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Palm Beach, Fla., January 28, 1925.

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

If you will look back over some memoranda of mine, you will find, somewhere, that my opinion about the index of business activity was simply reserved until we had had more experience with it; all of this merely indicating that I am lacking in the enthusiasms of youth, or the specialist, and, in fact, bookkeepers have enthusiasms anyway!

Now, I have watched the index much more closely than you believe that I have, and am very far indeed from being skeptical about it.

I think, also, you will find among the memoranda a suggestion that my doubt arose from only two points; one was whether the weighting of the different factors could be properly worked out (and the reply that you gave me on that point was pretty convincing) and the other was whether it was feasible to project a normal line into the future. As to that, I have no opinion, simply doubt. But you know, in general, as to all of these charts, my principal comment is that the chief factor in all business activity, - that is the mood or state of mind of the public - cannot be allowed for, and that it will defeat any effort at prophesy.

Your index is not an effort at prophesy, but is really an attempt to draw a line which will correctly express the true course of business in the past, and that, I think, has been very notably accomplished. All that I gather from the experience of the last two years is substantially identical with your own view; that there are no indications of a smashing boom, nothing to be frightened about, but that we have a situation which will require very careful watching.

I read the business summary very carefully when it came out.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 27, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

Just a reminder that you are to dine with me on Friday of next week, March 6, at my apartment, Room 902, in the Hotel Marguery, 270 Park Avenue, at seven o'clock.

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 9, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

You heard something of the discussion the other night in regard to purchasing price parity. Don't you think it would be some little contribution to this discussion to pick out certain of our most important exports, such, for instance, as cotton, copper, wheat and other commodities which are standardized, graded and capable of being dealt in promptly by cable with almost instant variation in prices to conform to changes in the rates of exchange. Then ascertain what difference in price between the point of shipment and the point of receipt in England arises through shipping costs, interests, commissions, etc.etc., and see whether, in point of fact, the prices of these commodities do not conform almost exactly to the purchasing power parity of the currencies.

Such an inquiry should be carried through to indicate what proportion of our trade, say with England, is of a character where the purchasing power parity is always automatically maintained almost from day to day or week to week, and how much of the trade is of a character where there is a distinct lack in price changes; where it is possible to say that fluctuating rates of exchange are not a cause of price change, but may indeed result from price changes because those are the prices of consumers' goods which result in an increase or decrease in the amount sold by competitive countries.

BS.LS

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 4, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

I do think that Mr. Hoover would be interested in a discussion such as is indicated in the attached paper, but it strikes me, offhand, that it presents a point of view in regard to the steel industry which is and must be rather speculative as to its conclusions until it has been pretty thoroughly discussed with some practical steel men.

There are a few men in this country who have a very thorough knowledge of this matter and are interested from the standpoint of the public, as well as from the standpoint of the success of their own enterprises. One of them is Judge Gary. Another in whom I have great confidence is Eugene G. Grace of the Bethlehem Steel Corporation. Before dealing with the suggestions such as you employ, might it not be well to talk this over with some of the practical steel men and see what their point of view may be? They may bring out some slant which has not been considered.

Att.
BS.LS

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 21, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

Replying to your memorandum, of course, every situation like the present one, is a puzzle. There seem to be three developments which do have the possibility of harm. One is overbuilding and real estate speculation. Another is too much enthusiasm in automobile production, and the third, of course, is the ever-present menace of the stock exchange speculation.

But where does our responsibility lie? Must we accept parenthood for every economic development in the country? That is a hard thing for us to do. We would have a large family of children. Every time any one of them misbehaved, we might have to spank them all. There is no selective process in credit operations. If we undertake "direct action" in one case, we would be saddled with the responsibility for direct action in all cases. Have we infallible good judgment as well as sufficient knowledge to play the role of parent, and attempt to restrain every unwholesome boom, and as a concomitant undertake to correct every class of business which shows signs of languishing? May it not be the case that the world is now entering upon a period where business developments will follow the recovery of confidence, so long lost as a result of the war? Nobody knows, and I will not dare prophesy.

Of one thing I am sure, however, and that is that we have no direct responsibility to deal with isolated situations, and must rely for the development of our policy upon estimates of the whole situation, and at the moment I see no reason for any particular action beyond what we are doing.

BS.LS

Files

Form c. 4. 1-100M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 5, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

The attached translation of a newspaper article which was published in France has some bearing on the memorandum you wrote about the French capacity to pay. It can be filed after you have read it.

Att.
BS.LS

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 26, 1925. 192

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

Mr. Roberts' memorandum with your comments attached only reached me this morning, three or four weeks after it was written; so any influence that it might have had on the decisions of the past few weeks, so far as I am concerned, has been lost.

While a foundation has probably now been laid for dealing with the matter, I nevertheless am of the opinion that if the Federal Reserve Bank assumes too much responsibility for price movements, either of stocks or of any other particular thing, as distinguished from general prices, it won't be long before it gets into hot water.

Att.
BS.LS

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 6, 1926. 192

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

I have read the attached, and have been wondering myself just what is ahead of us. But, after all, is there anything that we can do?

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 13, 1926 192

TO Mr. Snyder

SUBJECT: Non-Agricultural Prices

FROM Governor Strong

The chart attached is one of the most significant I have yet seen. For two years now we seem to have had practically no important swing in the index of prices of non-agricultural commodities, the only important change in the general price level being that occasioned by the abnormal fluctuation in wholesale prices of unmanufactured primary agricultural products. The cause would seem to be the condition of world markets. The bearing upon such nice problems as purchasing power parity would seem to lie in the fact that agricultural production is capable of greater fluctuation, because of weather and other conditions, while the demand remains constant. There may be something here to explain the vagaries of the difference between price levels and external purchasing power.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 29, 1926 192

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong.

Concerning your memorandum of March 18, you need have no concern about the stock market. Like most ills of the character, it prepares its own medicine, and has now taken it.

Our problem now is to discover at what moment we should change our policy. Contrary to the statement in your memorandum, and one repeatedly reiterated, we are not in a period of cheap money. A minimum rate of 4-1/2%, with 5% or more for most customers loans, is not cheap money. And a bank rate of 4%, with the members borrowing $500,000,000 or more from us, does exert pressure and has been for some time exerting pressure for liquidation. In fact the liquidation has taken place. We cannot attribute it to our rate, nor to any other one particular thing, nor will we ever be able to do so.

I am clear that there has been a widespread change of psychology; that some recession of business will follow it. Its first manifestation will be in retail trade, with production going merrily along and stocks piling up. As we cannot get prompt figures on inventories, we must rely upon our reports of distribution of goods to consumers, and the evidences of accumulating stocks of goods afforded by commercial borrowings, plus borrowings at the Reserve Banks.

If this heavy stock exchange liquidation, with the consequent reduction in loans and deposits, does not result in liquidating our member banks' borrowings, but we see commercial borrowings of member banks advancing and borrowings from us not declining, we can be almost certain that production has overtaken consumption. Then what should be our policy? I think a little check up on production is necessary.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 29, 1926 192

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

This is the kind of thing that has got to take care of itself, but when the process has reached a certain point, then I think we should buy securities. In other words, I agree that some recession in activity may be a good thing, but, on the other hand, it will not be a good thing to see a decline in prices of agricultural produce, which is what I fear.

Messrs. Jay ✓ Harrison
Case Kenzel
Sáler

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 6, 1926. 192

TO Officers Council

SUBJECT:

FROM Benj. Strong

This memorandum is sent well in advance of my sailing on the 17th in order to make sure that the officers of the bank are alive to a situation which will require the most careful watching.

The course of the money market since the March 15 fiscal agency transactions were cleaned up, has been a little unexpected, as to money rates at least, and as to the reserve position of the banks which apparently the officers of the bank were not alive to as promptly as sometimes is necessary.

The reserve position still called for heavy borrowing by the New York City banks. I believe it was due principally to two or three factors which should always be closely watched. One was the unexpectedly large increase in Treasury's balances in the Reserve Banks due to unexpectedly large revenue collections; and another the gradual, but considerable increase in the amount of earmarked gold for foreign account. To be sure, gold importations are ~~a~~ in part ~~of~~ offset this, but the influence was undoubtedly felt in New York in ageneral way.

I am convinced that a 4% discount rate in New York and the other money centers, at a time when the banks are borrowing heavily and when business is hesitating a bit, exerts a very considerable pressure upon the credit situation. Others have not always agreed with me in this, but I am, nevertheless, convinced that it is so, and that if the borrowings ofour members continue, and we maintain a 4% rate, and extend no relief to the market, we may well slide into a period of gradual, almost imperceptible, liquidation, which may

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 6, 1926. 192

TO Officers Council

SUBJECT:

FROM Benj. Strong

have an undesirable effect upon business. This matter must be watched.

The reports of the retail trade which will now be coming in for the month of March, will probably make an unfavorable showing, because of unseasonable weather. If the unfavorable reports are attributed entirely to unseasonable weather, it may be that any action for open market purchases will be postponed again for another month, - until the April reports come in.

As matters stand now, I am inclined to continue purchases of governments as rapidly as we can. It will not do harm after the liquidation that has taken place in the stock market and when prices are declining and business is showing some hesitation. Look back at the records following heavy sales of securities in 1922, and it will be seen how curiously similar the characteristics are for the two periods.

This matter should be studied by the Officers Council, and no hesitation should arise as to acting.

BS.MSB

(Attached to Mr. Jay's copy of this memorandum is a memorandum "Bank Debits and Velocity of Bank Deposits", together with a chart "Weekly Bank Debits in 140 Centers for 1926" which kindly study in connection with the subject matter of my memorandum).

FEDERAL RESERVE BANK

OF NEW YORK

Hotel du Cap d'Antibes,
Antibes, June 29, 1926.

My dear Mr. Snyder:

I have just been looking over your confidential memorandum of June 8th on the activity of bank deposits.

You point to the divergence of the two lines on the chart which occurred in 1923 and again in 1924-25. Why don't you try and associate this with the activity or inactivity in the securities market? It has always struck me that, notwithstanding that New York City is excluded from the velocity index because of the speculative market, a nation-wide speculation which involves a very large number of payments and especially transfers in connection with loans and security transactions in New York would have a considerable effect upon the index of velocity as the tides of speculation ebbed and flowed. At any rate, it is worth thinking about.

Sincerely yours,

BS.

Mr. Carl Snyder,
c/o Federal Reserve Bank of New York,
New York.

Sec. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 12, 1926

TO Mr. Carl Snyder

SUBJECT:

FROM Mr. Jay

Please confer with me before attempting to read this badly confused memorandum.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 12, 192

TO Mr. Carl Snyder

SUBJECT:

FROM Mr. Jay

I am very much interested in your reply to the Governor. As to Stock Exchange accounts and their velocity it seems to me that they are almost sui genevis. Let us say that there are 500 firms in the Stock Exchange (I don't know the number) and that they each keep a balance of $200,000. This would mean an average balance of $100,000,000. This small volume of balances has a daily turnover even in dull periods several times the amount of the balance, and in active times the turnover is correspondingly larger. In the Manhattan Company when I was there we had net deposits of around $50,000,000 and our brokers' balances were possibly $4,000,000 or $5,000,000. In busy stock exchange periods this small group of brokers' balances aggregated about 10 per cent. of our total deposits. While this situation has been somewhat reduced by the Stock Clearing Corporation, nevertheless the activity volume arising out of the balance of stock exchange firms is wholly abnormal and without parallel elsewhere.

The foregoing figures are from memory only.

MISC.3.1-90M-1-20

FEDERAL RESERVE BANK OF NEW YORK

Snyder

OFFICE CORRESPONDENCE

DATE January 5, 1925

TO Governor Strong

SUBJECT Trade for December

FROM Mr. Snyder

1/8/25.

Preliminary estimates indicate that volume of trade for the country for December was at somewhere near the same rate as the two preceding months. Bank debits outside New York City increased over November somewhat more than the usual 10 per cent, which is the normal increase indicated from our seasonal estimates.

This brought the index figure up to 104, as against 99 for November and 106 for October. But, as I noted in a previous memo., the index figure for November was probably two or three points too low on account of the occurrence of five Sundays, together with a national election, which things are difficult to allow for, without an enormous amount of computing.

Debits in New York City rose to a very high figure, 27 billions, which carried the index up to almost a record figure, viz., 121. This, of course, merely reflects the volume of speculation and general financial activity; but as a rule a rise in this index forecasts a rise in the volume of trade. It would not be surprising, therefore, if our index of Trade should show a sharp rise in the next two or three months.

As yet, however, outside of heavy steel orders, there still seems little to suggest the approach of a boom.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED BY
GOVERNOR'S SECY

OFFICE CORRESPONDENCE

DATE January 6, 1925 192

TO Governor Strong

SUBJECT: Increase in Deposits

FROM Mr. Snyder

JAN 6 1925

You will recall sometime ago that I drew attention to the discrepancy between the reported increase in the demand deposits in the weekly Reporting Banks and the amount of increase in their loans and investments, and also between this increase as reported by the weekly Reporting Banks and in the reports for the Comptroller of the Currency.

It seems fairly clear that this discrepancy has been due to a marked increase in bankers' balances in the Reserve cities, and that this has not been so much in New York as in the other Reserve cities. It is quite a striking little development and I have written a little memorandum regarding this for the Business Summary this week.

Would like to see the figures I have a suggestion to make

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED BY
GOVERNOR'S SECY

OFFICE CORRESPONDENCE

DATE Jan. 8, 1925 192

TO Governor Strong

SUBJECT: Bull Market Predictions

FROM Mr. Snyder

JAN 8 1925

I note that the Standard Statistics weighted average of 202 industrials, which is now the court of last resort on stock averages, last Monday reached 123.9, which is two points above the highest point registered by this index in 1919, and therefore at the highest point in their history. Which finally makes good my prediction and steady belief which I have had for two years or more that on this prolonged bull movement the average of industrials would peak higher than in 1919. Registered in view of the fact that some other expectations have not come out so well!

Are they too high?

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 9, 1925 192

TO Governor Strong

SUBJECT: Foreign Balances in New York

FROM Mr. Snyder

You will see by the attached that Mr. Hoover's department is again asking for a questionnaire to our banks as to foreign balances and the holding of foreign securities in the past year. I took this question up with Mr. Jay and he asked me to put it up to you.

It seems clear that the figures are little representative and therefore of little value; we don't get some of the biggest houses and the questionnaire is burdensome and irritating to those to whom it goes.

What should we say?

Snyder

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED BY GOVERNOR'S SEC'Y 4859

OFFICE CORRESPONDENCE

DATE Jan. 9, 1925 192

TO Governor Strong

SUBJECT: Stock Market Averages

FROM Mr. Snyder

READ AND NOTED,
1/9/25 B. S.

JAN 9 1925

As to your question:

Very heavy volume of trade, with stocks at a very high point, has usually been the characteristic of the peaks. We now have a wide average of stocks at a record high point in their history, and over 75 per cent above the low point of 1921, and the last eight weeks have likewise seen the largest volume of trading of any eight weeks in the history of the stock market.

The inference would be that the averages were reaching near or are at their peak. But I believe near to the universal belief is the opposite.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 9, 1925 192

TO Governor Strong

SUBJECT: French Finance

FROM Mr. Snyder

The memorandum on French finance, sent you by Governor Crissinger, seems to me, as you very mildly suggest, very much exaggerated and overdrawn. You remember our friend, Dr. Anderson, had France going utterly bankrupt three or four years ago, and the old hulk is still afloat. As you say, French finance has been a long time wallowing in a good deal the same trough.

But is it not clear that the internal debt of a country, where it is only within the country, is really only a question of lifting from the right hand of Peter to pay Paul, very uncomfortable to Peter but not ruination?

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED BY GOVERNOR'S SECRETARY

READ AND NOTED, 1/13/25 B. S.

Snyder

OFFICE CORRESPONDENCE

DATE Jan. 12, 1925 192

To Governor Strong

SUBJECT: Prices and Trade

FROM Mr. Snyder

JAN 13 1925

For a second week our index of the 20 great basic commodities fails to show any advance, although Fisher's wider but somewhat erratic index shows a slight advance. But I should imagine this pause in the advance was only a pause and that the increase in prices might continue for some time.

We are endeavoring to work up a current estimate of the volume of trade from the weekly bank debits outside of New York City. It has been a rather difficult job, owing to the influence of holidays, tax payments, etc., on particular weeks. But the three weeks ending last Thursday showed an increase in debits outside of New York City of 8.3 per cent over the corresponding three weeks of a year ago; and our index figures indicate that debits were then running very close to the estimated par or normal. From now on we can keep you advised of the trend of this estimate on Monday of each week.

R

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 19 1925

TO Mr. Snyder

SUBJECT: Bank Debits in 140 cities

FROM Kayser

The following figures show a comparison of Bank Debits in 140 cities for the three weeks ended January 14, 1925 compared with the corresponding period of 1924.

Three weeks ended January 16, 1924	Three weeks ended January 14, 1925	Per cent increase over 1924
$14,118 millions	$14,806 millions	4.9

General Price Level, January 1924 = 182

K

MISC. 4. 1-200M-1-24

RECEIVED BY GOVERNOR'S SECY

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 19, 1925 192

ACKNOWLEDGED JAN 24 1925

TO Governor Strong

SUBJECT: Volume of Current Trade

FROM Mr. Snyder

R S

JAN 20 1925

Our three-weeks moving average of bank debits outside of New York City do not show, for the latest three weeks, nearly as large a gain over a year ago as did the computation last week. The total debits outside of New York City in 140 identical cities for the three weeks ending Jan. 14 showed a gain of 4.9 over a year ago, as against nearly 9 per cent for the moving average of a week ago. This is partly due to the fact that debits last January began to rise in the middle of the month, so that the difference over a year ago is not so large.

But the two sets of figures appear to be closely comparable, and we estimate that the general price level or average of all kinds of payments has changed not more than one or two points from the computed index of a year ago, 182 on a 1913 basis.

K

MIS 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 20 1925

TO Mr. Snyder

SUBJECT: Annual Bank Debits in 140 Cities

FROM Kayser

The following table compares the annual bank debits in 140 cities for the years 1920 - 1924 inclusive, together with the average yearly General Price Level for these years.

	Annual Bank Debits in 140 Cities (In millions)	General Price Level Yearly Average
1920	$ 239,595	213
1921	191,459	178
1922	198,954	170
1923	224,481	181
1924	228,161	181

K

MI[illegible] 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 20 1925

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OF NEW YORK

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DATE January 20 1925

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MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 20, 1925 192

TO Governor Strong

SUBJECT: Growth of Deposits

FROM Mr. Snyder

Here is a piece of silliness from the American Banker. The facts are, of course, that the deposit gain in these hundred biggest banks was very near to five-sixths of the total gain for all the banks of the country, which was apparently only a little over 3 billions of dollars.

Noted
BS.

K

OFFICE CORRESPONDENCE

DATE Jan. 20, 1925

TO Governor Strong

SUBJECT: Volume of Trade in 1924

FROM Mr. Snyder

In view of the extraordinarily close correspondence we have found between our Volume of Trade index and bank debits outside of New York City, it is of interest to compare the total of these debits for 1924 and the preceding years.

According to our computations the general price level, or average of all kinds of prices, was the same for 1923 and '24, viz., 181. On this basis then the debit figures should be very closely comparable. And it is interesting to see that they come out less than 4 billions apart.

Inasmuch as 1923, allowing for a small rise in prices, estimated at about 6 per cent, did not show much more than about the usual or normal rate of increase over 1922, it seems evident that trade in 1924 did not expand at the usual or characteristic rate. This, at least, is clear proof that there was nothing like a boom in 1924, and I am wondering, therefore, if this does not provide the basis for at least a reasonably good year in 1925.

Of course it might do much more than this, but there is no distinct evidence yet of its appearance, so far as we can discover.

K

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 21, 1925 192

TO Mr. Snyder

SUBJECT:

FROM Miss Carlson

Car loadings--Merchandise and Miscellaneous.

Total, latest three weeks, 1925	457,245
Total, corresponding, 1924	433,256
Per cent 1925 to 1924	105.5

MISC.3.1-90M-1-20

Snyder

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 21. 1925

TO Governor Strong

SUBJECT: Today's Business Summary

FROM Mr. Snyder

FEDERAL RESERVE BANK OF NEW YORK FEB 17 1925 FILES DIVISION

ACKNOWLEDGED JAN 24 1925 R.S.

I should be indebted if you could read with some care the little memorandum accompanying today's Business Summary*, on "Trade for 1924." It seems to me that the very close correspondence which we have found in the annual averages for our volume of trade and two other extremely good samples of general business or trade, viz., bank debits, corrected, and car loadings, speaks pretty strongly for the reliability of our calculations.

These correspondences are so close as almost to raise a question as to whether they have not been ingeniously doctored. I can only assure you that nothing could be farther from the fact, and that I myself have been astonished at the results.

I know your doubts about the soundness of this work which, I take it, have been carefully instilled into your mind by those who are unfamiliar with or unsympathetic to this type of work. It seems to me that the internal congruences are about the strongest answer that could be given to these doubts, aside from the conscientious care with which each and every one of the 56 or 58 indexes which are here included have been worked over year by year for the past five years to make this composite.

The further fact is the strong support which the work has had from those who, like Prof. Mitchell and others, have followed it most closely and on this, as well as on general grounds, are the most competent to judge of its value.

FEDERAL RESERVE BANK OF NEW YORK

JAN 22 1925 2 40 PM

RECEIVED GOVERNOR'S OFFICE

* Copy forwarded with yesterday's mail (1/21/25)

FEDERAL RESERVE BANK
OF NEW YORK

ISC 4.1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

Snyder K

OFFICE CORRESPONDENCE

JAN 22 1925 3 44 PM

DATE January 22, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

RECEIVED
GOVERNOR'S OFFICE

READ AND NOTED.
1/26/25 B. S.

I attach herewith the record of car loadings for the latest three weeks, as compared with the same period a year ago. You will notice that, very curiously, the percentage of increase in these merchandise and miscellaneous car loadings is almost exactly the same as that shown by bank debits outside of New York for the same three weeks. This is very interesting because, in general, we have found that these merchandise car loadings are an excellent business indicator and forecast fairly well the general movement of our trade index.

It would appear, therefore, that we are still without evidence of any marked upturn in business; and you will notice that our index of prices of 20 basic for the third week running showed little change. And it looks as if the stock market had about reached its apex and was ready for a down turn.

A sharp increase in street loans appears to be rather a characteristic just at the top of the market.

K

MIS 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 26, 1925 192

TO Mr. Snyder

SUBJECT: Bank Debits in 140 Cities

FROM Kayser

The following figures show bank debits in the 140 cities for the three weeks ended January 21, 1925 compared with the corresponding period of 1924

	Three weeks ended January 23, 1924	Three weeks ended January 21, 1925	Per cent Increase over 1924
	$ 13,589 millions	$ 15,349 millions	12.95%
Five weeks	$ 22,429 millions	$ 24,684 millions	10.05%

January, 1924 General Price Level = 182

MISC.3.1-90M-1-20

FEDERAL RESERVE BANK OF NEW YORK

RECEIVED BY SECRETARY

OFFICE CORRESPONDENCE

DATE January 26, 1925

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

READ AND NOTED, 1/27/25 - B. S.

JAN 26 1925

Very heavy bank debits outside of New York City last week, at a time when there is normally a falling off, brought up our moving three-weeks totals very sharply so that the increase over the same three weeks a year ago amounts to 13 per cent.

Just to make sure that this is fairly well sustained, I took also a moving five-weeks total, and even this shows an increase of 10 per cent over the five weeks of a year ago. This is a pretty stiff increase.

We shall soon have our moving index of the current three or four weeks so that we shall express this figure much more clearly in index numbers, in percentages of the normal rate of growth. But it happens that the beginning of last year was pretty close to the normal line, and there has been in the meantime practically no change in the general price level, so that the comparisons given above have a real significance.

It looks as if business was really taking a sharp upturn, and that the January figure for the volume of trade would show a very considerable rise, possibly as sharp as the upturn last September.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan.28,1925 192

TO Mr. Snyder

SUBJECT:

FROM Miss Carlson

Car Loadings--Merchandise and Miscellaneous.

(Dec.20-Jan.17)	Total, latest five weeks, 1925	2,445,003
	Total, corresponding, 1924	2,335,081
	Percent of 1925 to 1924.	104.7

Snyder

MISC 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 28, 1925 192

Governor Strong

SUBJECT: Car Loadings

FROM Mr. Snyder

READ AND NOTED,
2/2/25 B. S.

The running total of merchandise car loadings for the last three weeks does not show any such sudden increase as bank debits. For the last three weeks it was only 6 per cent over a year ago, and for five weeks the totals were only 4.7 over a year ago.

It is not very clear just what have occasioned the heavy debits of the last two or three weeks.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 2, 1925 192

TO Mr. Snyder

SUBJECT: Bank Debits in 140 cities

FROM C. Kayser

Three and Five weeks comparison

The following figures show a comparison of bank debits in 140 cities for the three weeks and five weeks ended January 28, 1925 compared with the corresponding periods of 1924.

Three weeks ended January 30, 1924	Three weeks ended January 28, 1925	Per cent. increase over Jan. 30, 1924.
$ 12,951 millions	$ 14,500 millions	12%

Five weeks ended January 30, 1924	Five week ended January 28, 1925	Per cent. increase over Jan. 30, 1924
$ 22,525 millions	$ 24,388 millions	8.3%

General Price Level for January, 1924 = 182

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 2, 1925 192

Mr. Range

SUBJECT:

FROM Mr. Snyder

So far as I can discover, this thing has not been repaired at all. When I took it home it worked just about as much as when I sent it up to you, and then I gave it a thorough test yesterday and it is simply no good. They kept it an unconscionable time--over a month, I think--and I can't see that they did anything. Won't you be good enough to see what is the matter with it?

Snyder

MK 200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 2, 1925 192

TO Governor Strong

SUBJECT: Volume of Exchanges

FROM Mr. Snyder

READ AND NOTED,
2/7/25 B. S.

8302

The heavy volume of bank debits outside New York City, as compared with a year ago, continues and the running total for the last three weeks shows an increase of 12 per cent over last year.

The running total for five weeks is up 8.3 per cent, all this with practically no change in the general price level. Just as an indicator, it is of interest that on the Times list of stock averages the industrials have now failed to make a new high for four consecutive weeks, and rails for six consecutive weeks. Which would seem to indicate that the market had lost headway.

MISC.3.1-90M-1-20

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 2, 1925

TO Governor Strong

SUBJECT Volume of Exchanges in January

FR Mr. Snyder

READ AND NOTED, 2/7/25 B. S.

Taking the preliminary figures of bank debits as reported weekly, debits in the 140 cities outside of New York, used in our index, after allowing for the usual seasonal upturn, show an index figure of 12 per cent above normal as against 4 per cent above normal for December and 1 per cent above normal for January of a year ago.

This index figure of 112 for January may be modified slightly; and it is quite possible that our composite Index of the Volume of Trade may not rise to quite the same extent; but the figure of 12 per cent above normal is unusually high and bears out the impression that we had from the weekly returns, that there had been a very sharp upturn of business in the month of January. This figure of 12 per cent above normal is about as high as we have had since the end of the War.

It is very striking, it seems to me, that this upturn has not been accompanied by any corresponding rise in the great basic commodities. For the month of January our index of 20 basic was nearly stationary.

On the other hand, it does seem to bear out the idea that the rise in the stock market was based in part upon extremely good business prospects. Possibly you would suggest that it might be, also, that the buoyancy of the stock markets had imparted some enthusiasm to business and trade.

One might also infer possibly that the considerable increase in demand deposits last year may now be having its usual effect.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 11, 1925 192

TO Governor Strong and Mr. Jay

SUBJECT:

FROM Mr. Snyder

You may be interested to know that the Federal Valuation of the Railroads of the U. S., Eastern Group, have asked permission to reproduce at their expense several hundred copies of the article describing and containing our index numbers of a general price level from 1875, for use in connection with their railway valuation work.

MISC.S.1-90M-1-20

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 16, 1925

TO Governor Strong

SUBJECT Volume of Trade

FROM Mr. Snyder

READ AND NOTED, 2/18/25 - B. S.

The volume of bank debits outside of New York City (as well as in it) continues to run pretty high. The running total both for the last three weeks and the last five weeks shows about 13 per cent over last year and our monthly index of outside debits for January was 113 as against 101 for January of 1924.

Merchandise car loadings are not running so high, about 5 per cent over the same periods last year, but other car loadings, of coal, ore, lumber, grain, etc., are up very sharply.

The interesting thing is that all this heavy tide seems to carry with it no expansion of bank credit. The usual seasonal run-off from the high point of the first of the year has been quite heavy. The increased volume of trade has been accommodated by a sharp increase in the turnover or velocity of bank deposits.

A part of the increase in debits is doubtless due to the very heavy volume of speculation which affects clearings in Boston, Philadelphia and other centers as well as New York, though in a lesser degree. The index of bank debits in New York City for January shows 23 per cent above normal and, as you will see by the attached chart, the total volume of trading on the Stock Exchange for the last three months has exceeded any three months in the Stock Exchange history.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 17, 1925 192

TO Governor Strong

SUBJECT: McKenna's Speech

FROM Mr. Snyder

The Rt. Hon. ex-Chancellor, like so many others, continues to dream, as you will see, that the pressure of gold will bring down the dollar to the value of the pound. Queer that these distinguished advocates of a "managed currency" have no good word to say for about the best managed, all difficulties considered, of any I have ever known of.

Nor would his argument for a more stable pound than dollar hold if we consider the general price level or average purchasing power and not merely commodity prices at wholesale.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 18, 1925

TO Governor Strong

SUBJECT: Dinner

FROM Mr. Snyder

Is this about the list that you were thinking of:

Kemmerer	Sprague -
Mitchell	
Hollander	Jay
Allyn Young	
Chandler	Burgess
Foster	
Bullock	Snyder
Rorty	
Roberts	Strong

14, lucky number -

Is this too many? It is the same number, I think, as last year.

I imagine that some evenings are easier than others for Kemmerer and perhaps also for Hollander and the Cambridge folk. We could easily sound them out by telephone, and possibly you would indicate what evening of the week would suit you best.

If a topic is desirable there are plenty of good questions, but it seems to me that, for one thing, it would be quite interesting to get the varying views as to the general course of prices in the next four or five years following the general restoration of the gold standard. I imagine there would be quite a diversity of view.

Friday is a bad day -

Say hope they can stay reasonably late -

will fix place later -

Ask Jay & Burgess about their engagements.

Topic "What has happened re the Gold Standard since last we met."

BS

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 20, 1925 192

TO Governor Strong

SUBJECT: Bank Credit and Business

FROM Mr. Snyder

The weekly Reporting Banks again report no expansion of bank loans, although demand and time deposits continue to rise slowly. This is in the face of unquestionably a very heavy volume of both production and trade.

The Standard Daily Trade service report that their index of production for January rose to 111, which was a fairly high point, and this is an extremely good index, much better than that prepared by the Federal Reserve Board. That in spite of this the tendency of iron, steel and other metal prices has been rather to soften than to rise seems renewed evidence that there is nothing unhealthy in the situation, and no present indications of a runaway boom.

The stock market began its spectacular rise in the middle of October, and the strong upward move in business came in September, and if any runaway tendency was in prospect it would seem as if it ought to develop by this middle of February.

Thank you! Keep it up. —

FEDERAL RESERVE BANK
OF

FEB 26 1925 12 40 PM

RECEIVED
GOVERNOR'S OFFICE

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 20, 1925

GOVERNOR'S OFFICE
RECEIVED

TO Governor Strong

FROM Mr. Snyder

SUBJECT:

Mr. W. T. Layton has asked Franz Schneider to write two articles for the "Economist," and one is on the question of the ability of the Federal Reserve Banks to curb any severe inflation; and Mr. Schneider has asked if you would care to look over the article before he sends it and give him any criticisms.

Absolutely confidentially & without responsibility —

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 20, 1925

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

It really seems to me extremely interesting, what I was showing you today, that the average of our index of the General Price Level for the last two years should be so close to the average for the last six. The individual figures ran:

1919	186
1920	213
1921	178
1922	170
1923	181
1924	181
Average, 1919-'24 inclusive	184

This does not give very much present comfort to the whilom prophets of "a long, continuous price decline." It also gives me a little bit of superstitious faith that the present levels could be maintained without a great deal of difficulty--unless something blows up.

Wonderful!

FEB 21 1925 11 56 AM

RECEIVED
GOVERNOR'S OFFICE

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 24, 1925 192

TO Governor Strong

SUBJECT: The Business Prospect

FROM Mr. Snyder

READ AND NOTED,
3/1/25 B. S.

Here is a very interesting view of the business situation. Their index of industrial production is necessarily, from the material which is available by months, rather heavily weighted with iron, steel, coal and coke production, and therefore showed a very heavy slump last summer, and also very high levels through 1916 and 1917.

But their suggestion that anything much above 10 or 12 per cent over normal is something of a danger signal is interesting.

Our three and five-weeks running total of outside bank clearings continues to show about 10 per cent over last year, while car loadings are only slightly above the normal rate of growth.

8341

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 24, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Prof. Bullock replied that his wife was to have an operation this week, and that he could not be at all certain about his attendance on this account. I wonder, therefore, if you would like to suggest to Prof. Bullock that if, at the last moment, he was unable to attend, it might be possible to send Prof. Warren M. Persons in his stead. The latter is a quiet person and does not talk as much as Prof. Bullock, but he has a good head.

MISC. 4.1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 6, 1925 192

TO Governor Strong

SUBJECT: Trade in February

FROM Mr. Snyder

Our preliminary figure for trade in February would be about 106. Bank debits, allowing for usual seasonal variation, are down about three points from January and our revised index of trade for January will run about 108.

In making up these February estimates we found clear evidence that our index figures for February of a year ago were about three points too high, owing to leap year and an extra business day. Curiously enough, in the previous leap year, February of 1920 had five Sundays, thus compensating for the extra business day, so that this defect did not appear.

These calendar differences, which can now be allowed for, seem to make clear how very sensitive and therefore, I should think, how accurate, so far as the available data go, the index of trade actually is.

Nothing is bomb proof — but it all helps —

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 10, 1925

TO Governor Strong

SUBJECT: Purchasing Power Parities with England

FROM Mr. Snyder

As to prices of such things as cotton, wheat, copper and similar commodities in, say, Liverpool and New York, it occurred to me we might get a direct answer to the first part of your inquiry from cotton factors here.

I have consulted with a cotton arbitrage house having offices in Liverpool and New York, and they tell me that the only reason that there is the slightest variation between the equivalent price of cotton in the one city or the other, at a given rate of exchange, is that there is a speculative position forcing the price higher or lower in the one city or the other. This rarely amounts to more than 20 points, or 1/5 of a cent a pound, and is almost instantly seized upon, as a rule, by the brokers as an opportunity to make a trade in the difference, that is, for an "arbitrage."

The situation between New York and Liverpool seems exactly parallel to the differences which arise between New York and New Orleans cotton markets, when a speculative difference of opinion appears, and may create a similar small difference in prices.

A gamble in exchange would have the same effect, but would tend to be met immediately by others of a contrary opinion. Of course the "equivalent price" allows for the current cost of shipping, insurance, interest, etc.

They tell me that practically the same is true of wheat, copper and other things for which there is an extremely liquid market; that is, that there are always on hand traders and brokers keen for any chance to extract a thin profit from any difference which may arise.

In other words, it appears that any variation from the exact exchange parity in these prices is very slight, and quickly erased.

The second part of your inquiry looks to me like a rather difficult piece of investigation, unless we can find something regarding this already done, as it is extremely difficult to get at exactly comparable prices of articles or commodities outside of the big speculative raw products.

I will report later.

Don't go into "outside" commodities now. Figures on cotton etc are enough for me at present —

B.S.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 12, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Just on the chance that you may not have seen it, and you probably haven't, I am sending up Jim Corbett's latest article in the Saturday Post, which I happened to be reading last night, with to me a great deal of interest in what he had to say about the sports of other days, and likewise of the characteristics of some of the fighters like Young Griffo, Terry McGovern and Benny Leonard.

Very shrewd observation, I should say.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 20, 1925.

TO Governor Strong

SUBJECT: 3337

FROM Mr. Snyder

READ AND NOTED,
3/21/25
B. S.

You may be interested to look over a study made by a Chicago engineer of prices back for three centuries or more, which a friend of mine brought in to me yesterday.

The most interesting thing to me was the suggestion that the Napoleonic wars were a period of really profound disturbance, quite comparable with the World War of this century, and that apparently there had been nothing like it for England at least for a long time preceding. The figures from 1800, of course, are quite reliable and comparable, and while the estimates for the preceding two centuries are on a much more slender basis, they do give a suggestion that the really great disturbing influences on price levels are the great wars and the attendant debasement of the currency. Sure!

Especially Chart III.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 23, 1925.

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Here is, to me, a quite amazing chart. The up and down blue line gives the aggregate sales by quarters of 24 big chain store systems, with total sales of around $600,000,000 a year; adjustment made for changes in the price level. Just look at the thing grow and the astonishing regularity of the fourth quarters. You could draw a line across the tops with a ruler.

The calculated rate of growth is about 13 per cent. per year, while national income grows at a little over 3 per cent.

Looks like a crich!

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 23, 1925.

TO Governor Strong

SUBJECT: The Taylor System.

FROM Mr. Snyder

I was very much interested in these reviews of the work of Frederick Taylor, one of the best being the digest by Fisher. Taylor's work, it seems to me, parallels to a considerable extent the policies you have developed in this bank. Perhaps he was overly aggressive, and he encountered the usual fate of the pioneer, the man who tries to deviate in any way from the trodden path. But he did a work, and I was astonished to find that he died at 59.

An amusing story about Schwab at the end of p. 51.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 23, 1925.

TO Governor Strong

SUBJECT: Volume of Trade.

FROM Mr. Snyder

Bank debits outside of New York continue to run about 10 per cent. above last year, which in turn was rather above normal; and with no signs as yet of any let-up, the running total for the latest three weeks being higher than for the latest five weeks. There are some signs of a softening in prices, and I understand the steel trade does not feel very buoyant, in spite of about a normal rate of production.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 25, 1925.

TO Governor Strong

SUBJECT: Maiden Lane.

FROM Mr. Snyder

Miss Frankenstein and Miss Etz were at the Public Library yesterday to see what they could dig up about Maiden Lane, and the library has ransacked what we have here, and I am sending their results up to Miss Bleecker in the hopes that some of it may be what you wished. There is probably not much that we can get now that the Historical Society has not had already; so it seems to me it might be interesting to tell them a little about the start of banking within a stone's throw almost of the present site of this bank. At least it might have been a stone's throw if, as Senator Evarts declared, George Washington could surely throw a dollar across the Potomac since he threw a sovereign across the sea.

Miss Burnett is sending you up some bits with this thought.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 31, 1925 192

Governor Strong

SUBJECT:

FROM Mr. Snyder

The indications are that fairly complete returns on our Index of Trade for February will carry the figure up nearly to 112, or some 3 points higher than our preliminary estimate. This is equal to about the highest points which the index has ever reached in the last six years.

The running totals of bank debits indicate that this high pitch of activity has been continued in March and that the volume of trade for this month will be only slightly lower than last month, making due allowance for the number of business days in the two months.

This, with the sharp decline in basic commodity prices in the last three ~~weeks~~ years seems to suggest rather strongly that we may have hit another little ~~pitch~~ peak of activity, just as in February of last year and in March of '23, and that the next few months might show another rather sharp reaction, just like last year and the year before. It would be very curious if it should thus come three times in succession, about the same period of the year.

Do there anything for a "managed" currency to do?

Snyder K

This was the memo I spoke of. B

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 31, 1925 192 .

Governor Strong

SUBJECT: About a "Managed" Currency

FROM Mr. Snyder

Re your question:

So much depends, it seems to me, on whether we should have a pretty sharp smash with the building boom. I don't see how it can keep up much longer, and I am told that the activity is quite feverish.

For the rest, I get the impression that business has been going a little too fast and will have to do a bit of readjusting. Already about half the recent rise in basic commodities has been lost.

If we get a liquifying stock market, and slackening in business, that might ease money off a good deal by summer. Then I should think it might be a fine time to rebuild the investment account--?

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 1, 1925 192

For east!

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

My reason for suggesting in this morning's Business Summary that we might have a pretty severe set-back in the building trade, and that this might have a rather wide repercussion, was mainly based on the two attached charts. Building contracts for 1925 have started off at the same tremendous pace as last year (and the year before), and I do not see how it can possibly keep up.

Just for a shot I have made a guess on what the year might show.

Does look fast!

(monthly Review of 1/1/25 also attached) 1.0.

MISC. 4.1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1925 192

To Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

Apparently there is no let-up as yet in the tide of trade, the running total of outside debits for the last three weeks standing at about 10 per cent over last year, and last year was not low. This compares with a cumulative total for the first fourteen weeks of this year of 11 per cent over 1924. The normal rate of increase is, of course, about 3½ per cent.

In other words, business is still at about the same high levels that it struck last October, and this has continued without any let-up ever since. But that, in the face of this large volume and continued high constructional activity outside of New York City, the average of commodity prices should fall off so sharply in the last month, seems pretty clear ~~evidence~~ that there is no present tendency to inflation; if it does not mean that from now onwards the tendency will be rather downwards.

Do not these large bank debits reflect unusual (a) Security issues (b) Spec. in Securities

Snyder

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1925 192

TO Governor Strong

SUBJECT: Bank Debits and Speculation

FROM Mr. Snyder

I don't think that there is much evidence that bank debits outside of New York City are very heavily influenced by large security issues or speculation. You know that Chicago clearings only run about 30 or 40 billions against 8 to 10 times that number in New York City. Boston and Philadelphia are only about half as large as Chicago, and after that none over 10 billions.

Bank debits in the 140 cities outside New York are only just about as large as those for New York City. And even for New York City the evidence seems to be that speculation and financial activity now represent, with the Stock Exchange clearing house in operation, only a small part of total New York clearings, since the difference between times of low and high speculative activity is not very great.

But the main point is that our index number of bank debits outside New York City runs very close with our Index of Trade, and therefore gives us a reliable indication of the current volume of general trade, since we can get it from week to week.

This seems to me a very valuable finding.

In our Index of Trade both new financing and stock speculation are included, but with a weight of only 2 per cent each, so that even a very heavy rise in these counts for very little in the composite total.

Robert

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 21, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

I wonder if your eye, last night, caught this amazing chart and the statement about it.

You will note that the statement is that in seventy years the population of New York State, outside of this narrow belt, has been stationary, and in this narrow strip today is four-fifths of the population.

Amazing if true.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 21, 1925

TO Governor Strong

SUBJECT: French Debt in 1914

FROM Mr. Snyder

The figures I spoke of last night that were given me as to the French debt in 1914 appear to have been correct. The official figures at the end of the year 1913 were:

Fixed debt	31,457	milliards
Floating debt	2,081	"
	33,538	"

On July 31, the latest statement before the War broke out, this had risen to a little over 34 milliards.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 21, 1925

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

This article seems to me worth glancing over, as revealing a really desperate situation that may arise from the pressure of economic forces outside of the nation itself.

Here is a great and basic industry that is apparently being crushed by the rise of another industry, and the whole nation must suffer. Our troubles look very mild when we consider theirs.

Snyder

MISC. A. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 27, 1925 192

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

READ AND NOTED,
4/28/25 B. S.

Apparently there has been as yet no let-up in the high level of trade which has prevailed in recent months. Our running totals of bank debits for the latest three weeks and for the latest five weeks stand at about the same, 10 per cent above last year, as do the totals for the first sixteen weeks of the year.

This is in spite of greatly reduced activity on the Stock Exchange, and, in all probability, a similar abatement in speculative activities, like wheat and cotton.

But in the face of this heavy volume of exchanges prices continue to soften, and the stock market shows no tendency to a renewal of the boom, which would suggest that, probably, general activity ~~might~~ will not continue at the present pace.

FEDERAL RESERVE BANK
OF NEW YORK

APR 27 1925 4 56 PM

RECEIVED
GOVERNOR'S OFFICE

4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 27, 1925 192

Mr. Snyder

SUBJECT Bank Debits in 140 Cities and

FROM C. Kayser

U.S. Cumulative totals for 1924 and 1925.

READ AND NOTED, 4/28/25

Three weeks ended April 23, 1924	Three weeks ended April 22, 1925	Per cent increase over 1924
$ 13,101 millions	$ 14,479 millions	10.5

Five weeks ended April 23, 1924	Five weeks ended April 22, 1925	Per cent increase over 1924
$ 21,959 millions	$ 24,018 millions	9.4

First 16 weeks of 1924	First 16 weeks of 1925	Per cent increase over 1924
$ 69,755 millions	$ 77,362 millions	10.9

General Price Level for April, 1924 = 180

FEDERAL RESERVE BANK
OF NEW YORK

APR 27 1925 4 56 PM

RECEIVED
GOVERNOR'S OFFICE

MISC. 3, 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 30, 1925 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT Business Stability and the Steel Trade

If it were really desirable to attain a rather high degree of stability of industry and of employment, I got to thinking last night of the following:

The vast volume of buying and spending for the necessities and usual enjoyments of life, goes on with little change from year to year, save of steady growth. This makes up probably from 75 to 85 per cent of the total expenditure.

This applies even to such luxuries as the use of silk. I attach a chart showing the amazingly steady growth of silk imports in the last half century. But one case of a two-years decline.

The wide variations are, of course, in construction work of all kinds and in the industries supplying these; and of all the important industries showing the most extreme variations, steel and iron stand at the head. Within the last five years steel production has shown a drop of 60 per cent from one year to the next, and then back again. Practically no other industry of any social importance shows such variation of product and employment as this, and, it may be added, outside of crop products, of prices as well.

In other words, the chief and dominating factor in business instability is here, and it seems as though it would not be very difficult to overcome.

It is not at all clear that these wide swings are in the least necessary. The cost of production of steel varies little.

You spoke once of the policy the steel companies have of stacking up steel before they shut down. Last night I was making a calculation that a whole quarter's maximum product, 10 or 12 million tons of steel, could be stored in a single warehouse a hundred feet high and seven hundred feet square. Divide this among ten distributing depots over the country and it would scarcely be noticed.

The cost of storage and interest charges on 10 million tons of steel at, say, $50 a ton, would not exceed $35,000,000 per year, in an industry whose annual product now exceeds in value 2,000 million dollars.

But once in fifty years has the consumption of steel ever dropped off 50 per cent in a single year. It would seem perfectly feasible to stabilize the production to meet the probable demand so that it would scarcely vary by 10 per cent. And it would seem as if the resulting gains

from steady employment and the higher efficiency thereby attainable would far more than cover the carrying charges for such a storage of steel as would preclude any scarcity or scarcity prices.

If it was possible for years to stabilize the price of steel rails, why not of all steel products?

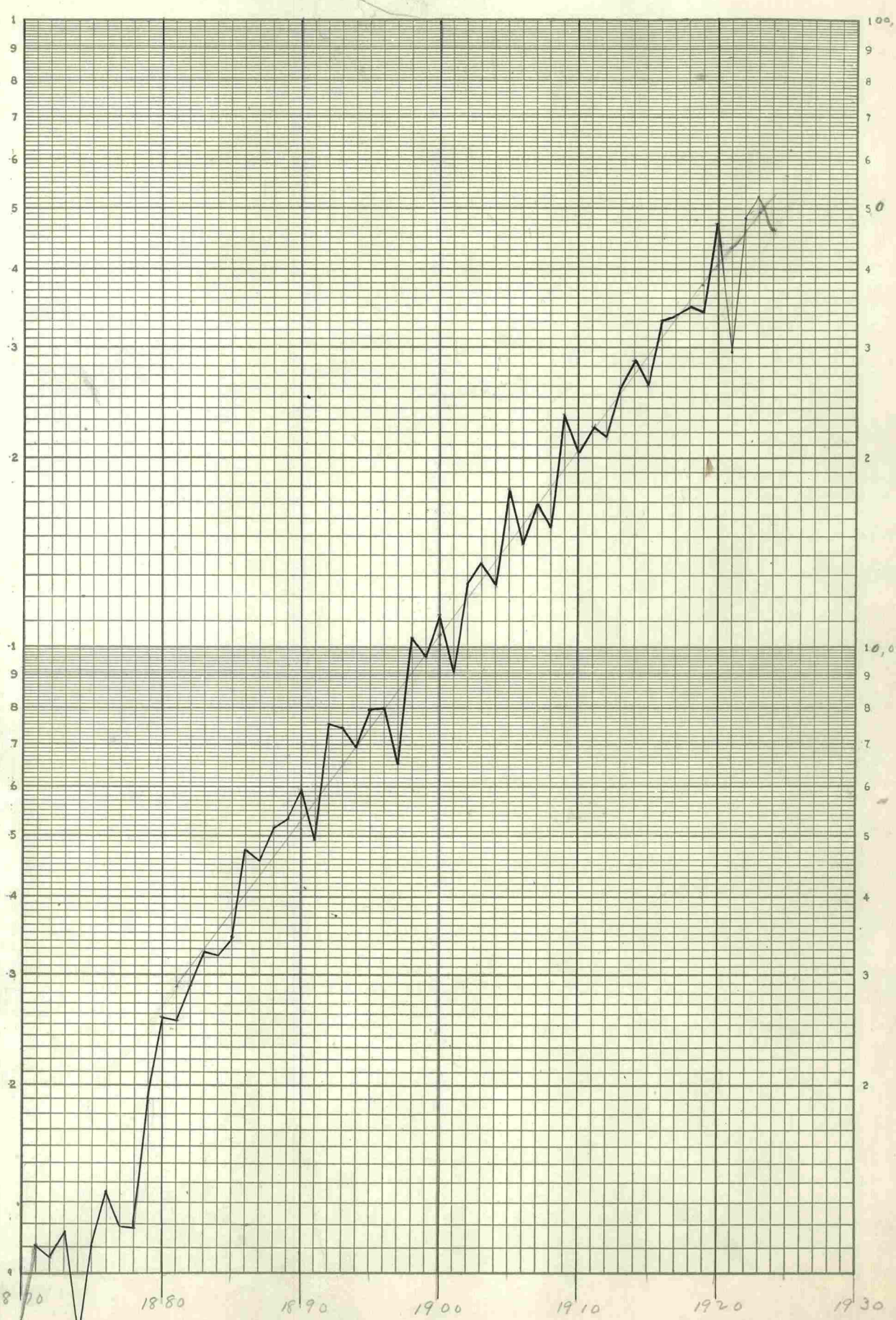
As a matter of fact, a normal surplus of 5 million tons would probably be far more than ample to supply any possible access of demand.

From a social point of view, the business practice of the steel companies is probably the worst of any great industry in the country. In the long run does not this also injure the companies themselves? If their own practice is a powerful contributing factor to the very instability from which they suffer, would not an intelligent policy suggest that they work their own reform, greatly to the gain of their employees and of a considerable part of the country?

The most formidable difficulty, apparently, would be the question of assuring the steel companies against any sudden fall in the general price level, such as came in 1920. But will not the return to the gold standard sufficiently take care of that for all practical purposes?

Imports of silk, in pounds, from 1870.

Silk (1)



Raw Silk Imports into U.S. Fiscal Years. Pounds.

Mr. Myers 4/25/21 ✓ Bowden

Source: Bill Assoc. of America

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 1, 1925 192

TO Governor Strong

SUBJECT: The attached memo.

FROM Mr. Snyder

Do you think that Mr. Hoover would be in any way interested in the attached memo.? Its practical importance is that it now looks as if we might run into a rather serious slump in the building industries, this year or next; and as the prosperity of the motor car industry in the last three years has been bound up largely with the tremendous building boom, I suspect that if this slump comes it will occasion a corresponding slump in what is now claimed as our first manufacturing industry.

The combination of these two might be of considerable weight, and if the steel companies continue their usual practice of shutting down hard and throwing a large number of people out of employment the combined effect of all three might, I should imagine, be sufficient to bring on a rather serious industrial depression.

This was in my thought in going into this question. Colonel Rorty thinks that the steel companies are great social sinners and that they ought to be brought to book for their practices.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 4, 1925 192

TO Mr. Jay

SUBJECT: Commodity Price Fluctuations

FROM Mr. Snyder

In regard to your inquiry:

The attached chart shows the fluctuations of the Bureau of Labor index of commodity prices at wholesale, which with all its obvious and very distinct defects, is still the best commodity price index that we have. You will note that when reduced to a percentage or ratio basis, as here, the differences from the pre-war period do not appear so large. The fluctuations in the last three years, from about May of 1922, have been within a range of about fifteen points. This is something like three times the average fluctuations shown by the same index in the ten years preceding the War.

But it seems clear that a good part of these later fluctuations, as well as the extreme depression in 1921, has been due to farm prices, many of which have been at the mercy of worldwide conditions. A comparison of other than farm prices for the three-year period from the spring of 1922 would, I think, show pretty well with those of pre-war years.

The real test of our ability to maintain the balance of credit and trade, I should think, might come within the next two or three years.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 4, 1925 192

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

Last week's bank debits outside of New York City (taken in connection with volume of debits for the preceding week), shows about the first sharp turn down of the present year. There may be a little seasonal in this, and it will be interesting to watch whether there is any sharp recovery in the next two weeks.

If there is not I should think that this would be pretty definite indication (taken in connection with the continuous weakening of commodity prices) that the boom of the last six months is distinctly over.

MISC. 3, 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1925 192

TO Governor Strong

SUBJECT: Steel Trade Policy

FROM Mr. Snyder

In a memo. for the Business Summary tomorrow, I have set forth a little more fully my reasons for thinking we might have some reversal of the business trend of the last three years. If this should come, it seems to me that much could be done if, for example, the policy of the steel trade and perhaps some others could be radically altered so as to supplement Federal Reserve policy, in the direction of trying to mitigate the severity of slumps and unemployment; and for this reason I should think it would be very well worth while to talk the question over with Mr. Grace and possibly, also, with Judge Gary, if this were feasible.

Another matter:

The problem of the young man who was in yesterday was whether we are to have the "long fall in prices," the "thirty-years" fall, that Anderson, Ayers, and so many others have so confidently predicted. One reason I suggested for doubting this, I had not thought of much before.

This was that ~~in the present stage~~, reviewing the tremendous outcry at the fall in prices which came in the 70's (with the Greenback movement), and in the 90's (with the Populist movement, Sockless Jerry, Peffer, and Bryan, too), and considering the quite distinct advance in popular education as to the cause of the rise and fall in prices which we have gained in the last ten years, that the people would not stand for any prolonged and drastic decline; and that this strong popular feeling would be a tremendously strong arm of support for a rational Reserve policy directed, as in the past three years, against any such sharp and, as it would seem, needless decline.

I feel as though this was really something that could be counted on.

Mr Snyder.

Must ask you to look into this as I am too pressed for time just now. I can do so later but would like to see you first.

BS.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1925 192

TO Governor Strong

SUBJECT: Retail Sales in April

FROM Mr. Snyder

The Times this morning has a sensational article about the slump in retail sales. We have made up a preliminary total of the 44 department stores whose returns have been sent in for April.

As compared with a year ago this shows an average increase over a year ago of 3.8, and for New York City, excluding Saks' new store, of 6 per cent.

This suggests that business has been better in this district in New York City than outside. Of the 44 stores only 18 show increases and 26 show decreases. But almost all the large stores show increases, so that this brings the dollar figures up higher than last year.

MISC -200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

READ AND NOTED,
9/12/25 B. S.

OFFICE CORRESPONDENCE

DATE May 11, 1925 192

TO

FROM

SUBJECT: Bank Debits in 140 Cities and Cumulative totals for 1924 and 1925.

Three weeks ended May 7, 1924	Three weeks ended May 6, 1925	Per cent. Increase over 1924
$ 13,034 millions	$ 14,498 millions	11.2

Five weeks ended May 7, 1924	Five weeks ended May 6, 1925	Per cent. Increase Over 1924
$ 21,828 millions	$ 24,119 millions	10.5

First 18 weeks of 1924	First 18 weeks of 1924	Per cent. Increase over 1924
$ 78,482 millions	$ 87,002 millions	10.9

General Price Level for April, 1924 = 180 for May = 180

Volume of Trade for April, 1924 = 104 for May = 101

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 11, 1925

TO Governor Strong

SUBJECT: Gold Figures

FROM Mr. Snyder

Cassel's estimate of what he calls the "normal" gold supply for 1920, that is, the amount of gold that, according to his interesting curve, would be required to keep the price level relatively stable, was 68,466 million gold marks. Increasing this for five years, at his estimate of the required 3 per cent addition per year, would bring this up to 78,599 million. This, reduced to dollars, would amount to approximately 19,650 million dollars.

The estimate for the total existing amount of gold in the world for 1925 is derived by taking Cassel's estimate of the total amount for 1910 and adding to this the subsequent reported gold production. This is to be decreased by the very small estimated annual loss of .2 per annum.

See pages 443 and 453.

READ AND NOTED,
5/18/25 B. S.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 12, 1925 192

TO Governor Strong

SUBJECT: Federal Reserve Questions

FROM Mr. Snyder

I am wondering if it might not be excellent strategy to co-operate with Senator Shipstead in his demand for an investigation of the control of credit under the Federal Reserve System, and, so to speak, take the enemy into camp, as several years ago. This struck me as perhaps a real possibility for driving straight at the questions which have been raised by Mr. McFadden in his demands for a change.

Snyder K

MISC-1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 12, 1925 192

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

There seems little let-up in business. Outside bank debits make a big jump this week, car loadings are very high and building contracts awarded for April show a fantastic increase over last year, continuing our index at something like 50 or 60 per cent above the estimated normal. And the general expectation seems to be for another big surge in the stock market. The current volume of trade apparently continues at about the maximum points above the normal which our index has shown.

READ AND NOTED
5/12/25 B.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 13, 1925 192

TO Governor Strong

SUBJECT: McFadden Article

FROM Mr. Snyder

I have looked through Mr. McFadden's article and it rather seems to me as if he had driven in the wedge and was forcing a fair fight on the question as to whether this country is to have a unified bank policy and some reasonable control of extremes, or whether we are going to go back to the headless monster of pre-war days. On the whole, it seems to me a very fortunate time that it should come.

Could anything really serve the interests of the System better than that the instructed public should come to understand that the System is being attacked by bankers on the ground of bankers' profits, and that the supposed interests of the bankers are to be put above those of the clear public and social interest?

And does it not seem to you that a clear statement of all this by someone in no way associated with the Federal Reserve System should be made in the next issue of The Bankers' Magazine?

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 15, 1925

TO Governor Strong

SUBJECT: A. B. A. Committee

FROM Mr. Snyder

Apparently the two persons most responsible for the A. B. A. resolutions of last October were Traylor and his fidus Achates, Lichtenstein. The latter, former Curator of the Hohenzollern Collection at Harvard, Librarian in Northwestern University, etc., considers himself an economist and banking authority. He is apparently well read and I have a fancy could be reasoned with. If you feel as I do, that this "report" might really be a matter of some considerable importance, I should think he was a person to be considered, as perhaps the voice of the opposition and one who would make it difficult to put through a clean-cut report that was not an amiable compromise.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 19, 1925 192

TO Governor Strong

SUBJECT: The Building Boom

FROM Mr. Snyder

I suppose it is just that supersensitive balance downstairs, but the indications seem to be that in the half century or more over which the record extends, we have had no such building boom in this country as we have had in the last three and a half years, and I find it very difficult to believe that it can keep up.

The showing for 358 cities does not materially differ from that for 50 cities, and very close to one-half, about 45 per cent, by value, of this construction has been residential.

With this building boom has been associated a parallel boom of like proportions in the auto industry, and my belief is that they are closely linked together and the motor boom largely the product of the building boom, and that if there should be a collapse in the one the other would go with it.

Building permits and motor car production for April both break all previous records. Does it not look as if both industries were near a condition of saturated demand?

4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

0420

Snyder K

OFFICE CORRESPONDENCE

DATE May 22, 1925 192

TO Governor Strong

SUBJECT: Parental Duties

FROM Mr. Snyder

As to the memo on building and auto. production: that was just a report and a conjecture. No thought whatever as to "parental duties." Quite agree we have none, not even as to stock exchange speculation, though that often has a powerful effect and rocks the boat.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 26, 1925 192

TO Governor Strong

SUBJECT: Our Trade Indexes

FROM Mr. Snyder

In a little memo. for the Business Summary this week, on a new index of trade for this Federal Reserve District outside of New York City, I have made note of how closely this new index runs with our Volume of Trade Index for the whole country; and how this is parallel to a similar resemblance between the wages and employment figures for New York State and for the rest of the country. In other words, that New York State is an extremely good sample.

But I do think that this steady tying in of one kind of index with another has a real bearing on the question of how accurate and reliable the different indexes are.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 1, 1925 192

TO Governor Strong

FROM Mr. Snyder

READ AND NOTED, B. S. 6/3/25

SUBJECT: General Price Level

As to the question as to what is the present general price level, relative to 1913, raised by Mr. de Sanchez, I would call attention to the index given on page 103 of a very careful volume of statistics issued by the Metal Bureau, which has just come to my desk.

By quite different methods Mr. Ingalls, who is a competent statistician, has reached the same average figure for the last two years, as our own, viz., 180 as compared with 100 for 1913.

I do not think that any economist of standing now believes that any index of commodities at wholesale is now an accurate measure of general purchasing power.

MISC. 3, 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 1, 1925 192

TO Governor Strong

SUBJECT: The Burden of French Debt

FROM Mr. Snyder

It does not seem to me that either the attached letter or the comments touch very seriously upon the main point of my memorandum on the French debt; which was, very simply, that, measured in terms of either foreign or internal purchasing power of the franc, the present burden of that debt is not crushingly greater than the debt before the War.

I take it that my memo. was read rather hastily and with a hostile eye, for I did not, for example, say or suggest that:

(1) "Germany and France, by inflating their currencies, have somehow enhanced their financial and economic strength;" or that:

(2) "The present situation of France is better and not worse," with respect to her debt.

The letter states that the loss of lives and the devastation of industrial France "is a real economic loss of immeasurable importance." What I said was that France, by virtue of her territorial gains, is now richer "in so-called natural wealth."

The letter states that when the job of reconstruction "is completed it will only put France back where she was before, and where England and America were on Armistice Day." I do not think this is the general impression or the evidence from the available facts.

I am sorry that the writer does "not think much of the memorandum," but this would not be the first time I have found myself at wide variance with his economic ideas, and I have a recollection of your showing me some letters of your own, upon the same subject.

1S-2-25M 11-24

DERAL RESERVE BANK
OF NEW YORK

INTEROFFICE ROUTE SLIP

OFFICE SERVICE
MESSENGER SECTION

TIME _____ A. M. / P. M. DATE _____

TO Mr Snyder

DEPARTMENT
DIVISION
SECTION

REMARKS How about it?

FROM BENJ. STRONG

DEPARTMENT
DIVISION
SECTION

N. B. USE THIS FORM INSTEAD OF OFFICE ENVELOPE WHEN POSSIBLE.
TO INSURE PROMPT AND ACCURATE DELIVERY ALL COMMUNICATIONS SHOULD BE DISTINCTLY LABELED

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 2, 1925 192

TO Governor Strong

SUBJECT: French Restorations

FROM Mr. Snyder

Just as bearing on the question of the nature of French "restorations," raised in the correspondence you sent me yesterday, I was interested to note the first two paragraphs from the London Times' correspondent's report, in their current Banking and Financial Review, page 30. On a preceding page (p. 28), Mr. B. M. Anderson has renewed remarks on the effect of Federal reserve policy.

READ AND NOTED,
6/3/25 B. S.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 4, 1925 192

TO Governor Strong

SUBJECT: Growth of Railway Traffic

FROM Mr. Snyder

READ AND NOTED 6/4/25 B. S.

In an old Poor's Manual we found figures on railway freight traffic, on the principal lines, running back to 1852; and it seemed to me worth while to have them plotted up. It seems to me a quite amazing picture, and another illustration of how largely the steady growth of traffic covered up the reactions and depressions, even the greatest and those that seemed so violent and perturbing when they occurred.

An increase of 400 fold in 73 years! I do not know when I have seen anything that quite so vividly depicts the irresistible growth of trade.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 5, 1925 192

TO Governor Strong

SUBJECT: Our Revised Index

FROM Mr. Snyder

6/6/25

B. S.

READ AND NOTED!

We have just completed the final revisions of all the series included in our composite Volume of Trade Index, which we have been working at at odd moments for a year and a half or more. You may like to see a few of the group indexes.

The red line is the revision.

I wonder as to the implication that comes from turning these slowly over to the last page.

So do I!

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 15, 1925

TO Governor Strong

SUBJECT: Balance of Payments

FROM Mr. Snyder

Remembering the difficulties we had in the two efforts that we made to get some idea of the amount of foreign balances and foreign funds held for investment in this city, for the Commerce Department (and the fact that returns from some of the most important sources were unobtainable), one cannot but marvel at the accuracy which it is here announced has been obtained; and likewise the perfect and comforting concordance with the amount required to balance the ledger.

You will recall that in the previous year the same authorities computed a debit balance against the United States of something like half a billion dollars, to be settled somehow--at a time when gold imports continued at an unusually heavy pace.

READ AND NOTED,
6/16/25 B. S.

MISC. 4. 1-200M-7-24

READ AND NOTED, 6/18/25 B. S.

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 16, 1925

TO Governor Strong

SUBJECT: A New Comparison

FROM Mr. Snyder

I should be especially interested if you could take note of the comparison of our index of electric power production with our volume of trade and bank debits for this week's Summary. Although the growth of electric production is three times as fast as the average growth of trade (and debits), the percentage of deviation from the line of growth in all three cases is very much the same.

Is he?

I can't help feeling, despite Dr. Stewart's skepticism, that this is added evidence that it is now actually possible to measure the trade of the nation with an accuracy that no one dreamt was possible a few years ago. And very, very few believe it now--and, maybe, ever will!

You remember that practically all the learned professors in astronomy in the universities of Europe refused to believe in or teach Newton's law of gravitation for nearly forty years after the "Principia" was published. But it is much better now.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 16, 1925

TO Governor Strong

SUBJECT: Street Loans and Speculation

FROM Mr Snyder

I was curious to see how far the increase in street loans was due simply to the increase in the average price of securities. As you will see by the attached, the relative volume of securities from the peak of 1919 to the low of 1921 appeared to fall about 25 per cent and then increase to the high point in the spring of '23, and again at the present time, by something like 40 per cent.

It is interesting that almost all of the difference between the high point of 1923 and the present time appears to be covered by the simple difference in the average level of prices.

Similarly the expansion of the volume of speculation from the boom of 1919 to the present boom would appear to be about one-third; which is a pretty stiff rate of increase.

READ AND NOTED,
6/16/25 B. S.

Total Street Loans (Own account & for Correspondents)

Stand. Stat. Index of 202 Industrial stock prices
" " " " 233 stocks (Ind & Rails)

Dec. 31, 1918	814,426,000 / 90.2	=	9,029,113
Jan 8, 1919	782,646,000 / 90.9	=	8,609,966
Nov. 3, 1919	(Peak) → 1,542,896,000 / 122.0	=	12,646,688
" 5 "		=	13,850,053
" " "	111.4		
Sept 2, 1921	(Low) → 669,038,000 / 72.2	=	9,266,454
Aug. 31, 1921		=	9,028,853
" " "	74.1		
May 2, 1923	(Peak) → 1,695,567,000 / 104.5	=	16,225,521
Nov. 7, 1923	1,130,169,000 / 98.0	=	11,532,330
" 12			
April 13, 1925	2,042,137,000 / 123.2	=	16,575,787
" " "	118.4	=	17,247,778

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____ 192

TO _____

SUBJECT: _____

FROM _____

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 18, 1925

TO Governor Strong

SUBJECT: Railway Traffic and Our Long Index of Trade

FROM Mr. Snyder

You will recall a plotting I sent up a week or so ago, showing the amazing increase in railway traffic--400-fold since 1852. It seemed worth while just to take the deviations from the line of growth and compare these with our Clearings Index of Trade (by years).

It is very interesting to see how closely the two lines have run together, from 1875, until about the last ten years, when in the War, and in the slump following 1920, the divergence was very wide--very much as has been true in the case of pig iron and other basic production.

Undoubtedly, too, the big rise in exports in the War and the violent slump which came in 1921-'22 strongly contributed to these wide variations.

2607

READ AND NOTED,
6/19/25 B. S.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 23, 1925 192

TO Governor Strong

SUBJECT: The Bank Rate in 1920

FROM Mr. Snyder

Since you are delving into ancient history, may I produce a bit of my own? No need to look at more than the two or three paragraphs I have marked.

You will note that my proposal on December 1 was to reduce the rate to 6 per cent, as a notice that the worst of the crisis had passed; and to keep it there until the larger part of the loans of the Federal Reserve Banks had been paid off.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

Paste together

OFFICE CORRESPONDENCE

DATE June 26, 1925 192

TO Governor Strong

SUBJECT: State of Trade

FROM Mr. Snyder

The volume of trade is still running at a high figure, as high as at any time since the Coolidge boom started; and this means as high as anything above normal growth as we have had in the last quarter of a century or more. Building activity and motor car production continue at a break-neck pace, at least so it seems to me.

The bunco artists are out in force--you doubtless noticed the hashish dream of Mr. Simon Strauss in the morning papers, which I attach herewith.

I am wondering this: the urban building boom, for it has been almost wholly urban, has attracted to the cities large numbers of carpenters, bricklayers and artisans from the country, so that in the last four years there must have been a very considerable migration to the cities from the country, strongly stimulated by the collapse of farm prices and the prevailing farm depression. All these migrants themselves had to be housed, accentuating the imaginary "shortage".

There must be a limit to this somewhere and when the building boom drops, and with it the motor car boom (10 million new cars since the War closed), where will we be? And especially if we do not have the stimulus of steadily rising prices, as we have had practically ever since 1897?

Is it so certain that prolonged depressions, like '93-'98, are a thing of the past?

1002

Snyder

N.Y.C. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 6, 1925 192

TO Governor Strong

SUBJECT: Our Business Indexes

FROM Mr. Snyder

Just as indicating that our work here on business indexes has not been without some direct fruit, I should like to note the following:

Mr. J. H. Barber, of the Walworth Manufacturing Company, Boston, makers of cast iron fittings, with several plants over the country, was telling me yesterday that as the result of their statistical work and planning based on that, they have been able to shift their peak of production from the summer, when costs are relatively high, to midwinter when they are low; that they have been able to regularize production and employment so as to raise heavily the product per man (almost double); to buy their pig iron near the bottom of the market and to stabilize their prices so that there has been little change in the last three years, whereas they used to be jumping around all the time; and in general to reduce their business to a highly scientific basis.

The especial point of reporting this is that Mr. Barber is good enough to say that their work is very largely based upon the methods and the results of the business indexes devised by this department; that they did not seem to be getting anywhere at all until they began to make use of these new indexes; that at first they regarded these indexes as "just bunk," and that things could not be done that way; and now that they are the background of all their work and their forecasting. Their rate of business is now expanding at about 18 per cent per year.

All of which is not a mountain but at least some small satisfaction.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Sept. 29, 1925 192

TO Governor Strong

SUBJECT: Reserve Bank Investments

FROM Mr. Snyder

Just as indicating how closely the operations of the Reserve Banks are being watched in various quarters, you may be interested in the attached chart showing the ratio of investment holdings to the total earning assets of the Reserve Banks, prepared in the Research Department of the Irving Bank. I gather they were imbued somewhat with the Chronicle's idea that the great rise in the stock market has been due in some way to the investment operations of the Reserve Banks; but the chart does not give very much support to the idea.

This interpretation knocks the Story

BS.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 7, 1925 192

TO Governor Strong

SUBJECT: Railway Equipment Prices

FROM Mr. Snyder

It seems to me quite interesting that railway equipment prices should continue to range about 100 per cent above pre-war prices, while the general average of basic commodities is less than 60 per cent above pre-war. Is this possibly evidence that the extremely high wages which are being paid in many types of industry really do have a serious and notable effect upon the prices at which the manufactured product can be sold, and that it is an illusion to think that it could ever be otherwise?

The average of wage earnings in manufacturing industries in New York State has been pretty steadily around 120 per cent above pre-war, for the last two years.

The index numbers are based upon the average price per pound of the total sales of the large equipment and locomotive companies, and therefore are genuine sales prices and not mere current quotations as so large a part of our price indexes are.

One of our maladjustments!

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 8, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

You may be interested in the attached which is a part of the money market studies which we are making.

It aims to show what would have been the increase in bank loans, in National Banks, and in all banks, since 1900, if there had been no change in the general level of prices, i.e., what would have been the rate of growth due wholly to the expansion of trade.

It seems quite possible that the decrescent rate of growth shown in the last ten years is due to the steady increase in the proportion of bank investments to loans proper. This might explain in part why there has been so little increase in so-called commercial loans within the past few years.

MISC. 3, T-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 13, 1925 192

To Governor Strong

From Mr. Snyder

READ AND NOTED, 10/15/25 B. S.

SUBJECT: A Business Surge.

As you will see from the attached plotting of bank debits outside of New York City, there appears to have been a heavy surge of activity in the last three or four weeks, bringing the three-weeks cumulation to nearly 19 per cent over the same period of a year ago, and you will remember that September of a year ago likewise showed a very sharp recovery from the depression prevailing through the summer--in fact, the largest increase in a single month for two years or more. So the comparison this year is from a rather high level, about 5 per cent above normal, for last year.

Nor is this increase principally in the large financial and speculative centres. For example, the comparison of 246 clearings centres for the last week, over the same week a year ago, with New York, Boston, Philadelphia and Chicago eliminated, shows an increase of 17.6 per cent; which is really a quite extraordinary jump.

All this can scarcely be due to mere Stock Exchange activity, as it is equally in evidence in the remoter Reserve Districts of the country. And, as you know, our outside debits index has, throughout the huge stock market boom, run steadily under our composite Volume of Trade, which, of course, includes several series reflecting stock market activity.

All the more remarkable, then, that in the last three or four weeks our sensitive index of twenty basic commodities, (prices) and likewise Fisher's more inclusive index of over two hundred commodities, have shown a slightly sagging tendency, instead of any disposition towards runaway markets. Furthermore, we have ample evidence that production in the basic industries has been only slightly above normal, and some of them below normal for the larger part of the year.

It is a paradoxical situation. Six years ago this fall we had just the opposite conditions, viz., a sagging tendency in the actual volume of trade, with wildly rising prices and expanding bank deposits and loans.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

Date Oct. 18, 1925

Subject

To Governor Strong

From Mr. Snyder

As you will see from the attached plot of bank debits outside of New York City, there appears to have been a large increase in activity in the last three or four weeks, bringing the three-week composition to nearly 10 per cent over the same period of a year ago, and you will remember that September of a year ago likewise showed a very sharp recovery from the depression prevailing through the summer--in fact, the largest increase in a single month for two years or more. So the comparison this year is from a rather high level, about 5 per cent above normal, for last year.

Nor is this increase principally in the large financial and speculative centres. For example, the comparison of 246 clearings centres for the last week, over the same week a year ago, with New York, Boston, Philadelphia and Chicago eliminated, shows an increase of 17.6 per cent; which is really a quite extraordinary jump.

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It is a paradoxical situation. Six years ago this fall we had just the opposite conditions, viz., a sagging tendency in the actual volume of trade, with widely rising prices and expanding bank deposits and loans.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 16, 1925 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT: The "Deliberate Regulation" of the Business Cycle

You may be interested to look over the Harvard comments on the role of the Federal Reserve in the course of business in the last few years, and their opinion of "the probable result of efforts to control." The article, which has just come in, is nominally by Prof. Crum, a young man whom I tried to get into this department a couple of years ago, and who went to the Harvard folk instead. But it is pretty clearly a Bullock-Vanderblue-Crum composite.

It is interesting to note their idea of the last two and a half years as "one of deliberate regulation of cyclical fluctuations by those having control of the credit resources of the nation."

Pages 231-233.

Too damn long! (Read 231-3)
BS.

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Pages 231-232.

MISC. 3, 1-65M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 16, 1925 192

TO Governor Strong

SUBJECT: Growth of Bank Loans

FROM Mr. Snyder

READ AND NOTED,
10/22/25 B. S.

You may be interested in the attached, which is part of the money market studies which we are making.

I wished to see if it were possible to show how much of the increase of bank loans was due to the growth of business and trade, and how much to mere changes in the level of prices. So, as you will see, we divided the actual dollar figures by our index of the General Price Level, with the results attached.

For comparison we introduced our index of production, first, because it is a purely quantity index, and secondly because we have found that this runs very closely parallel to our index of trade, i.e., there is apparently not a great deal of change in the rate of turnover of the goods produced.

One chart shows bank loans proper and the other bank loans and investments. The proportion of investments to loans has shown a rather rapid increase in recent years.

The indication is that, with no changes in the general level of prices, bank loans grow pretty steadily with the growth of trade.

MISC. 3, 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 23, 1925 192

TO Governor Strong

SUBJECT: Outside Street Loans in New York

FROM Mr. Snyder

It is curious how steadily outside funds continue to flow into the call market, while the advances of the New York banks through the market remain almost stationary. In the last four weeks there has been a further reported gain of 160 millions.

The present bull movement in stocks began in the summer of last year, and since then, say from August 1, 1924, total outside loans to the market, including the unreported loans, have increased probably by 1200 to 1400 millions, and now stand, on a rough computation, above 2 billions. This is a rather staggering sum.

In the same period, from August 1 of last year, the street loans of the New York banks have fluctuated around one billion dollars. In other words, the larger part of the financing of one of the greatest stock booms ever known has been with funds from outside banks.

The interesting thing is that this boom has taken place in the face of a net outflow of gold of about 150 millions. It seems, therefore, evident that this expansion of stock loans could not have taken place except with the increase of about 400 millions of Reserve Bank credit which has taken place in this period.

Almost all of this Reserve Bank expansion has been in the form of rediscounts, and about one-half of this increase has taken place in New York City. As in this period total loans and investments of New York member banks have not greatly expanded (about 300 millions), while the loans and investments of outside banks have increased heavily (about 1700 millions), the inference would be that, on balance, the New York banks have lost funds to the interior banks, which have then been reloaned by the outside banks directly to the stock market.

In this period there seems to be very little change in the balances of correspondents in the street loan reporting banks of New York City. The increase of loans for correspondents, therefore, has not been due to the conversion of balances into loans.

If it should happen the great stock boom should eventuate either in (1) a disastrous collapse, with a corresponding reaction upon trade, and large unemployment; or (2) a great burst of general speculation and rapid rise of prices, as in 1919-'20, with subsequent collapse, would not the Reserve System be held accountable as having supplied the funds?

With a current inflow of perhaps 50 millions of new gold, I am wondering if some measures should not be taken to avert the possible consequences. Mr. Roberts has been thinking along these lines, and I attach a memorandum from him which went to Mr. Jay and may have reached you already through him.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 26, 1925 192

TO Governor Strong

SUBJECT: Reserves Credit for Speculation

FROM Snyder

READ AND NOTED,
11/9/25 B. S.

It seemed to me that the point of Mr. Roberts' memorandum was that credit created by rediscounts at the Federal Reserve Banks is being used to finance a gigantic speculation in stocks, and not for legitimate business. This seems to me quite a different question from the matter of stock prices, high or low.

From the minimum of speculative loans, reached in 1922, the market has now absorbed about 2 billions of additional bank credit. In part, at least, such an expansion would have been improbable except for increased rediscounts at the Federal Reserve Banks.

From the point mentioned, in 1922, the total expansion of bank credit has been enormous--amounting, for the weekly Reporting Banks alone, to some 5 billion dollars (the total of loans and investments).

This total is now 2 billions above the highest point reached in the period of post-war inflation. Yet, commercial loans, so-called, in these banks, are still about 1300 millions below the peak of 1920.

On the other hand, loans on stocks and bonds, as nearly as we may estimate, are now nearly 2 billions higher than at the peak of 1920. I wonder if this is an entirely healthy development.

You will note from the attached that comments on the situation are beginning to multiply. It is evident that Mr. Roberts, Sr., is a little uneasy over the outlook, and Prof. Chandler has expressed the view that we are not likely to escape a general spread of speculation and a period of inflation.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 26, 1925 192

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

Another stiff shoot in the volume of exchanges outside of New York, as recorded in bank debits; and again this was not confined to the larger centers. Excluding the five largest clearing points the increase was still 12.7 in 248 outside cities.

This seems to indicate that the volume of trade in October will show a very high point, even after making allowance for normal growth and seasonal upswing.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 26, 1925 192__

TO Governor Strong

SUBJECT: Dr. Schacht

FROM Mr. Snyder

We had a most enjoyable dinner, but with much regret at the absence of our host.

Dr. Schacht gave us an extremely interesting and very incisive talk, revealing clearly enough what a different type is at the helm now in Berlin.

One could not but contrast his clear grasp of economic relations with the curiously strabismic impression which I got from an extended interview with his predecessor in the summer of 1921.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 10, 1925 192

TO Mr. Jay

SUBJECT: The Nation's Savings

FROM Mr. Snyder

This brief report on the question of national savings is a part of the studies we have been making, trying to get at what are the forces which influence the amount and increase of bank credit; and seems to throw an interesting light upon the idea that there has been some phenomenal saving in the United States in the last few years.

Very interesting
B. J.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Nov. 10, 1925 192

TO Governor Strong

SUBJECT: Street Loan Figures

FROM Mr. Snyder

This student for a Ph D. asks for street loan figures given in your testimony before the Joint Agricultural Committee, brought up to the end of 1924. Will you please tell me what reply should be made to his request?

Leonard L. Watkins letter of 10/9/25

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Nov. 23, 1925 192

TO Governor Strong

SUBJECT: Volume of Trade

FROM Mr. Snyder

READ AND NOTED,
12/4/25 B. S.

After a low week which seemed to be due in part to the Armistice Day, debits came back again very strong this week to the highest week yet known--about 17 per cent over last year, which was in turn just about the highest week ever recorded. The actual figures for 140 centers outside New York City for the last four years have been, for the same week:

1922	4262
1923	4776
1924	5173
1925	5974

In other words, the surge of business continues at very high levels. It seems to me highly instructive for the formulation of both sound theory and sound policy that this heavy expansion of the last few months should not have been accompanied by a clearly defined rise in prices. In this connection it seems significant that demand deposits in the Reporting Member Banks should show today almost no change from a year ago.

You remember that our finding was that the "cyclical swings" of business seem about compensated by corresponding changes in the velocity of deposits, and therefore that the price level does not tend to rise unless the increase in bank credit exceeds the normal secular increase in the volume of trade.

You will agree, I think, that the present instance is at least very interesting.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 24, 1925 192

TO Governor Strong

SUBJECT: Discussion of Federal Reserve Problems

FROM Mr. Snyder

You will note by the attached that the session of the American Economic Association devoted to discussion of Federal Reserve policies comes on the last morning, on Thursday, December 31.

Dr. Chandler thinks that most everybody will be then in a hurry to get away and that the attendance will be largely limited to those seriously interested in the subject. In view of this it occurred to me that it might really be worth while, in case you were in the city, if you could find time, without any notification of any kind, to attend.

There will be no reporters present, and it might prove well worth while, in case you felt like joining very informally in the discussion which will follow.

It might be sowing very good seed.

READ AND NOTED,
B. S.

Will try to attend 11-28-25

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 24, 1925 192

TO Governor Strong Mr. Jay

SUBJECT:

FROM Mr. Snyder

Did your eye happen to catch Premier Painleve's little wail on Sunday, as to the utterly contradictory advice he had received from the financial "experts"?

Mr. Leffingwell, I believe, has told of almost exactly the same experience as to our financing when we went into the War.

Does not all of this pretty vividly illustrate the need of definite or concrete knowledge as to the relations of business or trade to bank credit and allied things, precisely such as we have been seeking to find in the recent work described in the memorandum sent you?

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Nov. 24, 1925 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Here is the work-sheet chart of the attempt to take out the effects of inflation from industrial share prices. It really seems to me quite extraordinary that the estimated average for 1925, deflated in this manner, should land directly on the computed line of pre-war growth.

With it I am attaching several other graphs of this same work, attempting to take out the element of price change in the growth of bank loans, bank clearings, savings deposits, etc.

I should deeply appreciate it if you could give this work a little attention, for I can't help thinking that it is an interesting new slant and really gives us a clearer idea of the nature of business demands for bank credit than anything we have ever had.

Such different series, treated in this way, yield such singularly parallel results that, in its cumulation, it seems to me the evidence is very strong.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 8, 1925 192

TO Governor Strong

SUBJECT: Loans on Stocks and Bonds

FROM Mr. Snyder

The figures as to loans on stocks and bonds in all National Banks are available for only once a year. They are given on the attached chart, from 1890, and with this the nearest division to what we now call "commercial loans."

(P)

With this I have put in at the top, ~~dotted~~ black line, the figures for loans on stocks and bonds in the weekly Reporting Banks of the System, so far as they are available, from 1919. You will note that these seem to fall less in 1920-'21 and to rise faster than the corresponding loans in National banks alone.

It is evident that the National Bank figures furnish only a fair approximation, and of course do not give the extreme ranges of the cyclical swing, such as we now possess. But it still is of great interest that these loans appear to have risen pretty steadily with so-called "commercial loans," and that, for example, in such a period as 1906-'08 the fluctuation appears to have been slight.

All the annual figures are as of June 30 each year. I do not know of any other figures now available for long-range comparisons.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 8, 1925

TO Governor Strong

SUBJECT: Lord Grey

FROM Mr. Snyder

If you are interested in Lord Grey's Memoirs, you might like to read what seemed to me a very penetrating little review by Leonard Woolf, in the English Nation, which I attach herewith.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 9, 1925 192

TO Governor Strong + Mr. Jay

SUBJECT: Business in 1925

FROM Mr. Snyder

I should be glad if you had time to look over the figures given for 1925 in this week's comments in the Summary, and note the very striking agreement between just a straight average of a very wide number of items of all kinds of production and trade, 74 in all, and the actual average of our monthly Index of the Volume of Trade.

Slowly, I believe, the evidence is piling up that we have in our monthly index a pretty sure and reliable guide as to what is going on.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 9, 1925 192

TO Governor Strong

SUBJECT: Hirsch Book

FROM Mr. Snyder

As you will note, this book on his American visit, by Reichsminister Dr. Hirsch, is dedicated to your friend, Logan, and in very warm style. It reads:

> "In deeply grateful recollections of the first courageous steps towards the solution of the post-war chaos of Europe, especially in the days of the deepest need of the German people."

The title of the book is "America, the Industrial Wonder."

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 10, 1925 192

TO Governor Strong

SUBJECT: Real Savings in the U. S.

FROM Mr. Snyder

READ AND NOTED,
12/14/25 B. S.

I wonder if you would have time to take a look at these computations we have made as to real savings in the country. I should be much interested to know your feeling about it.

The extraordinary thing to me is the way that savings deposits, time deposits, building and loan assets, and life insurance assets seemed to grow along in such an even way throughout the whole quarter of a century, in spite of the tremendous price upheavals that occurred therein. Deposits in savings banks, especially, seem to me simply astonishing, in view of the enormous rise in wage levels and in the actual money increase of the wage earners. No bulge in dollar savings figures at all!

The third chart shows how wages and workers' incomes rose in the period, along with our composite estimate of savings.

In the fourth chart we have divided our index of wages by the cost of living, with the result that "real wages" seem little higher now than in 1913, and were considerably lower ~~than~~ in the War.

The same result has been reached by other workers in this field, especially Paul H. Douglas, of the University of Chicago.

It is all so different from one's offhand impressions.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 10, 1925 192

TO Governor Strong

SUBJECT Real Savings in the U. S.

FROM Mr. Snyder

READ AND NOTE

EDF

DEC 10 1925 3 1/2 PM

RECEIVED
GOVERNOR'S OFFICE

I wonder if you would have time to take a look at these computations we have made as to real savings in the country. Would be much interested to know your feeling about it.

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Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 10, 1925 192

TO Governor Strong

SUBJECT: Total Stock and Bond Loans

FROM Mr. Snyder

As some further light upon the question of total outstanding loans on stocks and bonds, the Federal Reserve Bulletin for this month gives for the first time a classification of loans in all Member Banks of the System.

Loans secured by bonds and stocks other than U. S. Government (which latter was very small), as of last June 30, amounted to 6,474 millions, which was 31 per cent of the total loans and discounts for all the System. The figures for previous years are not available.

But I find that on June 30, 1919, when the stock boom of that year was well under way, total loans on stocks and bonds in National Banks only, amounted to 3,437 millions, which was again just 31 per cent of the total loans and discounts in these banks.

It is quite possible that this percentage is a little high for all the reporting banks of the country, but if we take a round 30 per cent of the total loans and discounts reported for last June 30, in all incorporated banks of the United States, excluding the mutual savings banks and private banks, 29,464 millions, we should have a total of about 8,800 millions.

This compares with a reported amount of loans on stocks and bonds in all Member Banks of the System of about 6500 millions, which would leave an estimated amount of about 1300 millions in stock and bond loans in banks outside of the System.

Since June 30 last stock and bond loans in the Weekly Reporting Banks have increased about 8 per cent. If we applied this increase to the whole System, this would give a present estimated total of such loans for all incorporated banks of somewhere near 9600 millions, or, say, in round figures, between 9½ and 10 billions.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Dec. 11, 1925 192

TO Governor Strong

SUBJECT: Stock and Bond Loans

FROM Mr. Snyder

READ AND NOTED,
12/14/25 B. S.

As to the black line at the top of the chart, comparing stock and bond loans in the weekly Reporting Banks with those in all National Banks, from 1919:

These loans in the large banks in the large cities would naturally tend to rise more rapidly than would be the case with all National Banks where you have included some 8,000 or more small banks and country banks.

I was inclined to think from this that the National Banks were not, therefore, very representative of the total for the whole country, of loans on stocks and bonds; but from a new computation given in the attached memo., I am not so sure about this.

It is certainly of interest that the percentage of these loans to all loans and discounts, in all Member Banks of the System, was, on June 30 last, exactly the same as the percentage of these same loans in all National Banks on June 30 of 1919.

We have good evidence, as you know, from 1919 on, that street loans in New York City vary much more widely than the total of loans on stocks and bonds in the weekly Reporting Banks of the System.

Does not this indicate pretty clearly that in the total of these loans for the whole country, only a portion is directly for speculative purposes?

See next sheet.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 26, 1925.

TO Governor Strong

SUBJECT: Volume of Speculation.

FROM Mr. Snyder

READ AND NOTED,
B. S.
1/4/26

It seems very curious how much of the increase in brokers' loans appears to be due rather to the rise in prices than the increase in the volume of speculation. For example, if you take street loans at the lowest and highest points of the market swings and divide these by a very wide and properly weighted average of stock prices, like the Standard Statistics average of 201 industrials and 31 rails (and estimate that the shares are largely at $100 par value), then we should have the following for the estimated number of shares margined on street loans:

Low of 1918 (Feb. 1)	7,140,000
High of 1919 (Nov.3)	13,850,000
Low of 1921 (Sept.3)	8,814,000
High of 1925 (Dec.21)	19,558,000

In other words, from low to high in the two big booms of which we have definite knowledge, margined stocks just about doubled in the one case and rose about 150 per cent in the other.

But the amount of bank funds engaged, of course, varied much more widely, especially in the last four years.

Where the volume of loans little more than doubled in the 1918-19 boom they are now more than four times what they were in 1921, i.e., the rise in prices in the present boom has been very much greater.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 28, 1925.

TO Governor Strong

SUBJECT Volume of Speculation.

FROM Mr. Snyder

It seems very curious now that of the increase in brokers' loans appears to be due rather to rise in prices than the increase in the volume of speculation. For example if you take street loans at the lowest and highest points, market values and divide them by a very wide and properly weighted average of stock prices, like the Standard Statistics average of 201 industrials and 21 rails (and estimate that the shares are largely at $100 values) then we should have the following for the estimated number of margined on street loans:

Low of 1918 (Feb. 1)	7,140,000
High of 1919 (Nov.3)	15,850,000
Low of 1921 (Sept.3)	8,814,000
High of 1926 (Dec.21)	19,558,000

In other words, from low to high in the two big booms of which we have definite knowledge, marginal stocks just about doubled in the one case and rose about 120 per cent in the other.

But the amount of bank funds engaged, of course, varied much more widely, especially in the last four years.

Where the volume of loans little more than doubled in the 1918-19 boom they are now more than four times what they were in 1921, i.e., the rise in prices in the present boom has been very much greater.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 11, 1926 192

TO Governor Strong

SUBJECT: Trade in December

FROM Mr. Snyder

READ AND NOTED, B. S.
1/14/26

Apparently trade in December was very close to the high point reached in November, which in turn was the highest point shown by our index of the Volume of Trade in the seven years for which it is available. This, of course, is allowing for the normal growth in each of the several lines included.

Outside

Our debits index for December is down two points from November, but this may be due to the fact that many firms closed on the Saturday following Christmas, and this may have cut down the average slightly.

Outside

This view is borne out by the fact that clearings last week were the highest ever recorded in a single week, and the first week of January is, as a rule, below the high points of the preceding year.

In other words, there seems nothing as yet to indicate any decline in the high pitch of current trade.

OFFICE CORRESPONDENCE

DATE Jan. 11, 1926 ____ 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT Trade in December

Apparently trade in December was very close to the high point reached in November, which latter was the highest point shown by our index of the Volume of Trade for the seven years for which it is available. This, of course, is allowing for the normal growth in each of the several lines included.

Outside

Our debits index for December is down two points from November, but this may be due to the fact that many firms closed on the Saturday following Christmas, and this may have cut down the average slightly.

Outside

This view is borne out by the fact that clearings last week were the highest ever recorded in a single week, and the first week of January is, as a rule, below the high points of the preceding year.

In other words, there seems nothing as yet to indicate any decline in the high pitch of current trade.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 11, 1926 192

TO

SUBJECT: Bank Debits and Velocity of Bank Deposits

FROM

Rough Method

READ AND NOTED,
1/14/26 B. S.

NEW YORK CITY

	Dec. 1925	Nov. 1925	Dec. 1924
Monthly Bank Debits - In Millions	$ 30,313	$ 27,009	$ 27,327
Average daily bank debits - In millions	1,166	1,174	1,051
Seasonal Index	109	106	109
Average daily bank debits (Seasonal Removed)	1,070	1,108	964
Index of Bank debits	121	125	116
Velocity of Bank Deposits (Seasonal Removed)	62.8	65.0	54.1
Per cent of Normal (1919-1924 Average)	116.5	120.6	100.4

OUTSIDE NEW YORK CITY

	Dec. 1925	Nov. 1925	Dec.1924
Monthly Bank Debits - In millions	$ 24,038	$ 21,334	$ 21,830
Average daily bank debits - In millions	926	944	840
Seasonal Index	108	108	108
Average daily bank debits (Seasonal Removed)	856	874	777
Index of Bank Debits	109	111	104
Velocity of Bank Deposits (Seasonal Removed)	32.0	33.3	29.7
Per cent of Normal (1919-1924 Average)	99.1	103.1	92.0

141 CENTERS

	Dec. 1925	Nov. 1925	Dec. 1924
Monthly Bank Debits - In millions	$ 54.351	$ 48,343	$ 49,157
Average daily bank debits-In millions	2,131	2,102	1,891
Velocity of Bank Deposits (Seasonal Removed)	44.5	45.6	39.6
Per cent of Normal (1919-1924 Average)	108.8	111.5	96.8

	Dec. 1925	Nov. 1925	Dec. 1924
Monthly Bank Debits - In Millions	$ 30,313	$ 27,009	$ 27,377
Average daily bank debits - In millions.	1,100	1,174	1,025
Seasonal Index	109	106	109
Average daily bank debits (Seasonal Removed)	1,070	1,108	964
Index of Bank debits	121	145	116
Velocity of Bank Deposits (Seasonal Removed)	62.8	65.0	54.1
Per cent of Normal (1919-1924 Average)	116.5	120.5	100.4

OUTSIDE NEW YORK CITY

	Dec. 1925	Nov. 1925	Dec. 1924
Monthly Bank Debits - In million	$ 24,035	$ 21,324	$ 21,830
Average daily bank debits - In millions	926	944	840
Seasonal Index	138	108	108
Average daily bank debits (Seasonal Removed)	846	874	777
Index of Bank Debits	109	111	104
Velocity of Bank Deposits (Seasonal Removed)	32.0	33.3	29.7
Per cent of Normal (1919-1924 Average)	99.1	103.1	92.0

141 CENTERS

	Dec. 1925	Nov. 1925	Dec. 1924
Monthly Bank Debits - In millions	$ 54,391	$ 48,345	$ 49,157
Average daily bank debits-In millions	2,131	2,102	1,892
Velocity of Bank Deposits (Seasonal Removed)	44.5	45.6	39.6
Per cent of Normal (1919-1924 Average)	108.8	111.5	96.5

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 19, 1926 192

TO Governor Strong

SUBJECT: Opera Book

FROM Mr. Snyder

Turning it over, it has occurred to me that, in skillful hands, an extremely colorful and moving libretto might be made out of Joseph Hergesheimer's interesting story of "Java Head." It seems to me that the story of the Chinese princess who saved her life by marrying the American sailor might be woven into some highly picturesque and original music.

I could see the first act with a Chinese wedding, a whole blaze of Oriental color and effective five-tone melodies, then perhaps a scene at sea and then the vivid contrast of the arrival and reception in old Salem.

Of course it parallels a good deal the story of "Madama Butterfly," but I do not think that this would needfully hurt it, though unless the music was extremely well done, and, for that matter, the book, too, it would suffer very sadly by comparison and contrast.

I wish I'd had more technical training, and then plenty of time, and I'd like to try it myself. A lifetime's fantasy.

No. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 22, 1926

TO Governor Strong

SUBJECT: Opera Book

FROM Mr. Snyder

I have made a few inquiries just on my own account, and have collected the following suggestions:

"Lorna Doone," an attractive story (I believe) of robbers and a stolen maid, etc. Once an extremely popular novel.

"The Garden of Allah," which would provide lots of desert color.

"Venetian Glass Nephew," by Eleanor Wiley, a mediaeval story, likewise with lots of color.

"Green Mansions," by W. H. Hudson; a story of the discovery of a marvelous voice in the wilds of South America, and lots of things.

All of these seem very promising, though I cannot speak of them at first hand. Perhaps for that reason I still think that "Java Head" offers the largest possibilities for lovely music and scenic effects. And it is much the same in theme as perhaps the most popular light opera of the last generation.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 25, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

As you will see by the attached, outside debits, which we find such a good index of trade, are still ruhning well ahead of last year, although last year was high.

The extreme high point of the first week was accounted for in part by the general half holiday following Christmas. This high level of business has now continued for over fifteen months.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 4, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

There seems an interesting situation in the iron and steel trade. In the face of a great boom in building and motor car construction and pretty fair railroad and general buying, the industry has not been as prosperous in the last year as, for example, in 1923. And latterly the price of scrap steel, which is a very sensitive index of conditions, has shown a declining tendency. It rose very little, even when the coal strike put up the price of coke, and has now been sagging for eight or ten weeks.

You know there is a saying in the trade that three weeks of steady decline in the scrap steel price forecasts a downturn in production. This happened very strikingly in the first quarters of each of the last three years.

These things, and the steady sagging in our index of 20 basic commodities, since about last August, suggest that we might see a sharp downturn in the high rate of production and trade which has been generally characteristic. But outside of these things there are almost no specific signs of it yet. The volume of trade, as indicated by outside bank debits, still continues high.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

Date March 6, 1929

To Governor Strong

From Mr. Snyder

There seems an interesting situation in the iron and steel trade. In the face of a great boom in building and motor car construction and pretty fair railroad and general buying, the industry has not been as prosperous in the last year as, for example, in 1926. Indeed latterly the price of scrap steel, which is a very sensitive index of conditions, has shown a declining tendency. It rose very little, even when the coal strike put up the price of coke, and has now been sagging for eight or ten weeks.

You know there is a saying in the trade that three weeks of steady decline in the scrap steel price forecasts a downturn in production. This happened very strikingly in the first quarters of each of the last three years.

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MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 10, 1926 192

TO Governor Strong

SUBJECT: Non-Agricultural Prices

FROM Mr. Snyder

I have been very much interested to follow the course of a new index of Non-Agricultural commodities at wholesale, prepared by the Agricultural Department. Chart attached herewith.

This new index is simply the Bureau of Labor 404 commodities minus only 30 current crop prices; i.e., it does not exclude the immediate derivatives of farm products, as wheat flour, etc., but simply the primary farm crops.

It is very striking what a different picture this presents in the last five years--for over two years now almost stationary. And if farm product derivatives were excluded I should imagine that its tendency would be still firmer

In other words, farm products seem in recent years the wide variables; and because they have been given undue or overweight, I feel that they really distort the picture. ---And that our own averages of the General Price Level are much more representative.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 10, 1926 19

TO Mr. Harrison

FROM Mr. Snyder

SUBJECT: Note on the Use of Purchasing Power Parities (Re. paragraph 5, Summary on Belgium)

In times of great disturbance of price levels it may and frequently does happen that wholesale prices of commodities, for example, may not be at all an accurate measure of the general internal purchasing power of money. Such, for example, is very clearly the case at the present time in the United States.

The depreciation of the dollar, or its average purchasing power over goods, lands and services, compared with 1913, appears to be at least 20 per cent greater than as indicated by our familiar indexes of commodity prices at wholesale.

Wages, for example, which are so important a part of total payments in exchange, have risen nearly twice as much as commodities at wholesale.

An attempt, therefore, to measure the supposed internal and external value of the Belgian franc by comparison of rate of exchange with wholesale prices has little value. In fact, anyone who has had much experience with the attempt to compute the p. p. p. of a currency has learned to his cost how uncertain are the results for any purposes of prediction. For another thing, Belgium's exports are largely of raw materials and her exports largely finished goods. This further complicates the problem.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 18, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

I have been a good deal impressed with the figures I gave in this week's Summary, as to the increase in bank credit in the last four years; and it seems to me that this increase has potencies which should be considered.

As you have seen from the chart I sent you, the chief factor in the decline of commodity prices in the last six months or so has been farm prices, subject more or less to international influences. In the face of this there has been a distinct tendency to rising wages, and this, coupled with the great wave of speculation and financial activity of every sort, backed by the steady increase in bank credit, might, it seems to me, readily breed an unhealthy situation.

We have had a sharp drop in brokers' loans; but it is rare that a bull market breaks in the face of continued easy money--1917 may have been due to war conditions.

The building boom continues at an accelerated pace--the total of contracts let for the first two months of the year are up over 30 per cent of last year. And motor car sales are enormous. Inevitably the farther the building and motor boom goes the sharper will be the reaction.

Contrary to what one might expect, we have gained a net of about 65 millions of gold since the first of the year, that is, in about ten weeks. This does not make for contraction.

Again, to take a look some ways ahead; I am wondering if some recession in activity now might not be salutary, and make for a more healthy course of trade in the latter part of the year.

Mr. Snyder wanted this sent along -

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 29, 1926 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT: The State of Trade, and Interior Demands

The volume of trade, as indicated by bank debits outside New York City, appears still to be running high, and continuously above last year, although last year was, in the first quarter, very much higher than the two preceding years.

But since January 1 it seems clear that the volume of production and trade has been below the very high peak reached in October and December; and this impression is borne out by the weekly debits. Business appears again to have made a peak about the same time as the stock market.

It is interesting that we should have lost approximately 300 millions in security loans, withdrawn to the interior, with a very slight gain in bank balances in New York in the last three weeks. Possibly it is another instance of the general tendency of commercial loans to increase as business recedes from a high peak. But the extent of the recession to date appears to have been very small.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 30, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

George Harrison tells me that a George H. Shibley, of Washington, made several references to some article of mine in his testimony at Washington. Just like to say that I don't know the man, by correspondence or otherwise, but I have always understood he hadn't much in his bean.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 30, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

The chart on the attached seems to me to give a very interesting and quite definite picture of the Florida boom and how sudden it really was, at least for heavy public participation.

READ AND NOTED
3/30/26 B. S.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 5, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Our index of bank debits outside of New York continues to run high, but the gain over last year has been distinctly lower in the last four or five weeks, In the last two weeks there seems to be a perceptible shading off.

If this should mean some decline in business and the end of the boom, it would again happen that the top tide of business and of the stock market would have been reached in nearly the same month (December or January).

MISC. 4.1.100M-9-22

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 1926

TO Governor Strong

SUBJECT: March adverse merchandise balance.

FROM Mr. Snyder

It is interesting that the adverse merchandise balance shown for March is the third consecutive month now, in a period normally showing an export balance; and that to find the next previous instance of a consecutive adverse balance in these three months one must go back for 33 years, namely to 1893. And back of that to 1873.

It looks a little as if the tide were turning.

So it does - & is to be expected.
But, more important, are exports declining in total, & if so what commodities.
BD.

5

MISC. 4.1.100M-9-22

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

This was the quotation which Professor Cannon dug out of General Walker's "Political Economy," written nearly a half a century ago:

> "Men who are candid and even liberal in politics and religion become furiously or stupidly fanatical as soon as their views on money are controverted. When Sir Walter Scott made a surly critic say to the author of certain Letters on the Currency, 'In your ill-advised tract you have shown yourself as irritable as Balaam and as obstinate as his ass,' he evidently intended to characterize the whole race of writers on this theme."

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MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 20, 1926

TO Governor Strong

FROM Mr. Snyder

SUBJECT: A new compilation by the A.T. & T.Co.

You may be interested to know that the American Tel. & Tel. Co. has been making up a new Index of the trade of the country, a weighted average of nearly 150 separately computed indexes; and that especially in its time relations, the major turns, this new index compares quite closely with our own composite of the Volume of Trade, - and rather better than with their own index of "general business," which they have been using for a number of years.

This new index is a weighted composite of 15 regional indexes, for different sections of the country, each made up of 8 to 12 separately computed series, on the basis of which they make up their budgets of projected expenditures.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 20, 1926

TO Governor Strong

SUBJECT: The State of Trade.

FROM Mr. Snyder

Though there is some decline from the very high levels reached from November to February, outside bank debits still continue well above last year, both for the last three weeks and five weeks. Very little evidence yet of any let-up in industrial activity.

Actual retail deliveries of passenger cars (outside of Ford cars), for the first quarter, were nearly one-third higher this year than last, and stocks on hand April 1, while 50 per cent above last year, were still much below the high point of April 1, 1924. In a word, motor sales have been much beyond most expectations.

The declines in the stock market so far seem to have brought very little liquidation of total loans. The decline from the high point of the stock market, about February 10, in loans secured by stocks and bonds in the weekly reporting member banks, all districts, has so far amounted to only about 150 million dollars, or less than 3 per cent of the total.

S

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 23, 1926.

TO Governor Strong

FROM Mr. Snyder

SUBJECT: Seasonal variations in this bank's gold holdings.

We have tried a number of ways to attempt an answer to your question as to whether there is a seasonal movement in this bank's gold holdings, masked by open market operations.

We really have only the last four years for a real test, and in the first two of these it looks as if there was such a seasonal and that in the following two years this had been masked by other factors.

But this is very far from being proof.

THIRTY THREE LIBERTY STREET
NEW YORK

July 16, 1926

My dear Governor Strong:

The question you raise in your note of June 29, as to the relation of turnover of bank deposits to activity in the securities market, is one that has intrigued us a good deal. There is, I think, no doubt that the latter is a strong influence, but apparently not a dominant one.

About the best index of the securities market that we can get is the number of shares traded in on the Stock Exchange. The reported turnover of bonds on the Stock Exchange does not seem to be, so far as we can learn, a very good index of that side of the market.

As you will see by the enclosed chart, even the variations in rate of turnover of deposits in New York City alone correlate only in a broad way with volume of shares traded in, and there are frequently very wide differences.

The index of velocity, or rate of turnover, which we use for comparison with our Volume of Trade Index, is a weighted composite of 141 cities, including New York City. It is very interesting that neither the variations for New York City nor for the outside, alone, gives the striking congruence with the Volume of Trade Index that we find for the composite.

There is no question, I think, that, as you suggest, there is a close general correspondence between activity in the securities market and deposit activity; but so, also, and still more closely, is the association between business activity and the share market. In other words, as you know, we find that, in its time movements at least, the stock market and even stock market prices, are a pretty fair index of the business of the country as a whole.

Of course the swings of the stock market are much more violent than the fluctuations of trade, but, in the last ten years at least, their time relations seem to correspond pretty closely.

We have also, as you may have noted, been working out a new price index of twelve early-moving commodities, which in its ups and

downs corresponds likewise very closely with our Volume of Trade. In the last seven years the turns of the two have been rarely more than a month or two apart. The advantage of this index is that we can have it weekly, and it is, I believe, a very sensitive barometer.

The down-turn of this index, as you may have observed, which began late in December, seemed to end about the first of May, and since that period the index has had a 4 or 5 per cent slow rise; the last five weeks about stationary.

This index gets away from crop prices about as far as any commodity price index can; and it is interesting to observe how closely its movements have corresponded with the stock market prices. Its recent course, like that of the stock market, does not suggest any serious down-turn in trade as yet. Neither does our Index of Outside Debits to date.

Nevertheless, I should not be surprised if last mid-winter marked the peak of trade activity for the present phase of the "cycle"--if any such "animile" there now be.

But the degree of recession is slight and the country seems moving along in a strong current of prosperity and optimism. The Florida boom has, of course, gone very flat, and this last week has seen the failure of a chain of sixty-four banks, principally in Georgia; and probably there will be others.

There has been deep interest in your movements in and conjectured mission to Europe; and I should imagine that the English settlement of the French debt would somewhat predispose our people towards rather more friendly cooperation with Europe, and especially countries like France, Belgium and Italy, with their currency troubles, than has recently been manifested. At any rate, I am quite sure that this would be true of the more enlighted and informed.

Otherwise, scarcely a ripple of large interest.

We have, of course, been watching the steady sag of francs and lires, but with little greater profit than instruction in how slender a hold has economic teaching upon the political or popular mind, and how little one country or generation seems to be able to learn from another.

I should add that the figures for total building contracts awarded in thirty-seven states show, to July 1, no letup in the steady average of gain this year over last year, and of course, therefore, over

any previous year. And the motor car industry flourishes in a fashion no sane man could predict. But you can buy thousands of second-hand Fords, cars that will propel themselves, for $25 and up.

We hope you are having as enjoyable a time as the romantic accounts in the newspapers would suggest.

Sincerely yours,

Carl Snyder

Hon. Benjamin Strong,
Hotel du Cap d'Antibes,
Antibes, France.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 23, 1926 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Mr. Brand, of London, is coming in for lunch ~~on~~ on Tuesday, at 12:45, and I dare say would like to pay his respects either before or after, unless perchance you would be able to lunch.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 27, 1926 192

TO Governor Strong

SUBJECT: Exporting Percentages

FROM Mr. Snyder

Below are the percentages of total domestic exports for the periods indicated (yearly averages):

Year or Yearly Average	Exports: Crude Materials	Exports: Crude Foodstuffs	Exports: Manufactured Foodstuffs	Exports: Semi-Manufactures	Exports: Finished Manufactures	Exports: MMiscellaneous	Imports: Crude Materials	Imports: Crude Foodstuffs	Imports: Manufactured Foodstuffs	Imports: Semi-Manufactures	Imports: Finished Manufactures	Imports: Miscellaneous
1906-10	31.26	8.90	18.12	14.23	27.07	.42	31.58	10.98	11.80	17.82	24.68	.76
1911-15	29.78	8.83	14.32	15.41	30.70	.96	34.00	12.80	12.56	17.37	22.36	.91
1923	29.39	6.29	14.26	13.78	36.12	.16	36.55	9.58	13.98	19.00	20.34	.55
1924	29.49	8.73	12.75	13.57	35.32	.14	34.24	11.77	14.45	18.17	20.76	.61
1925	29.4	6.6	11.9	13.7	38.2	.2	40.7	11.8	10.3	17.9	18.8	.6
1925 (Fiscal)	25.7	7.3	12.2	15.2	39.6		40.0	11.5	11.7	18.2	18.6	
1926 (Fiscal)	22.6	5.5	10.8	14.7	46.4		42.4	11.7	9.2	18.2	18.5	

The proportion of manufactured products has, of course, been rising steadily for the last forty or fifty years, but this last fiscal year it reached the highest point ever, save for 1916.

I shall have some figures on North American exports of foodstuffs to Europe tomorrow.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 19, 1926

TO Mr. Case

SUBJECT: America's Profit in the War

FROM Mr. Snyder

Shepard Morgan has written a letter to Harper's Magazine, suggesting to them that a very timely and helpful article could be written on the question:

Did America Profit Greatly by the War?

What he had in mind were the curves of long-time growth of production in steel and coal and copper and cotton consumption, and the like, which we have computed in this department, the upshot of which was to show that the actual expansion of our total product in and after the War was not greater than in several peace-time periods in the past fifty years, and that actually in some lines the rate of growth had been considerably diminished.

Of course our exports were very considerably stimulated, even when the effect of a great increase in prices is eliminated; while our imports were considerably curtailed with the result of giving us (even relatively) very heavy merchandise trade balances leading to very heavy imports of gold.

While all this was, of course, a very considerable stimulus, the effective increase in actual production of goods--and that is, of course, the real wealth of the country--has been much less than popular imagination, and especially European imagination, has painted.

Morgan's suggestion to Harper's was that they ask me to write such an article, and they telephoned down this morning to know about it. Unless it should seem a worth while contribution at the present time, to counteract prevailing erroneous impressions by means of a very careful and detailed statement of the facts, I have no particular interest in doing the article. But I thought I should bring the matter to your attention in case you felt it is something which ought to be done.

C. Snyder

As this is a controversial subject I think you would do well to keep away from it. WC

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 6, 1928 192

TO Governor Strong & Mr. Jay

SUBJECT: State of Trade

FROM Mr. Snyder

As an evidence of the trend of trade, bank debits in 140 leading cities outside New York have now fallen below the corresponding weeks of last year for three consecutive weeks. This is the first time this has happened since the midsummer of 1924, and of course the normal or usual relationship is that, with no particular change in the general price level, bank debits should show an increase of from 3 to 4 per cent each year.

Taken with a decided softening of a very sensitive price index in the last six weeks, this seems distinct indication of some lessening in the volume of trade. But there does not now seem much to suggest that any very drastic recession is in prospect.