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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 8, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

You may have seen the absurd account in the Times of the little talk I made last night at the Retail Dry Goods Association, and as Governor Crissinger this afternoon called up about it, I should like to enclose copy of my note to Governor Crissinger regarding it.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 8, 1927 192

TO Governor Strong & Mr. Case

SUBJECT:

FROM Mr. Snyder

In view of a simply absurd account in this morning's Times of a little talk which I gave to a small group of the Council of the Retail Dry Goods Association, last night, I should like to draw attention to the attached item in the blue sheet.

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

FEDERAL RESERVE BANK
OF NEW YORK

FFICE CORRESPONDENCE

DATE January 3, 1927 192

o Governor Strong

SUBJECT: Lord d'Abernon's Address

ROM Mr. Snyder

You may like to read in detail the extremely interesting presidential address of Lord d'Abernon, on the German currency collapse. It is written with his usual incisiveness.

MEMO. FOR MR. SNYDER: Returned with thanks. Very interesting indeed.

- B.S.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 15, 1927 192

TO Governor Strong

SUBJECT: Gold Movements and the Rediscount Rate

FROM Mr. Snyder

I attach herewith a chart comparing gold movements in the last eight years with the course of interest rates and the rediscount rates, which has interested me very much in that it seems to show gold movements as more closely associated with changes in the discount rate than in the general interest rate.

This association may be rather accidental, but it is none the less striking. As you will observe, the rise of the rate at the end of 1919 seemed to check sharply the great outflow of that year, which was a little later turned into a heavy inflow when the rate was again raised.

The beginning of the rate reductions of 1921 seemed correspondingly to bring a check to this inflow, so that the amount dwindled to a low point in 1922. In turn, even a slight rise in the rate in 1923 was followed by an increase of the imports, and these began to be checked by the reductions of 1924, and to bring about a considerable outflow.

This, in turn, seemed to be checked when the rate was raised, and when it was raised again at the beginning of last year, to bring about a renewed inflow. The rest of the year seemed not so clearly defined.

Since the beginning of the year we have had net imports exceeding 50 millions.

I had thought to make this a matter of a brief memo. for the Business Summary, but in view of some impending questions it seemed better to defer this. I know these are matters to which you have given deep attention, but it seemed of interest to put the relationships in black and white, especially in view of the extreme difficulty of compiling any satisfactory balance sheet of our international payments.

Of course there are many other potent factors which determine the extent of these gold movements, but, on the other hand, I get the impression that the amount of foreign loans and balances in this market, especially if we include Canada, has risen very considerably in recent years and the fluctuations in this amount may be of importance. A visitor from the Royal Bank of Canada, the other day, told me that the Canadian banks alone had loans and balances in New York now exceeding 800 millions.

The citation for the original is:

Snyder, Carl. “Industrial Growth and Monetary Theory.” Economic Forum, Summer, 1933.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 18, 1927 192

TO Governor Strong

SUBJECT: McNary-Haugen Bill

FROM Mr. Snyder

As the McNary-Haugen Bill neared its passage I have been thinking about it a little, and with a feeling that possibly, under favoring circumstances, the scheme could have a fair measure of success. But I fear that the proposed set-up, of an unwieldy board of twelve members, nominated by conventions of cooperative associations, etc., would prove fatal. I was wondering a little if one way out might not be if the President could make his veto on the ground of the kind of organization proposed.

Would not such a board of twelve men, probably not unattracted by the salary, almost inevitably foredoom it to failure?

But if the direction of the whole plan could be in the hands of one man, or, say, three men, all just the right type, I am not sure that it might not achieve some interesting results. I have watched with a good deal of interest the workings of the Stevenson Committee on rubber, the Brazilian valorization of coffee, and the controlling of sugar grinding in Cuba, and while without doubt the winds of fortune have favored each of these, it is always true that the skillful mariner may do fairly well even when the winds are not so favoring.

At least it seems as though there might be a fair chance as to cotton, corn and hogs. It looks as if wheat would be hopeless without the cooperation of Canada, and perhaps Australia. Rice, I know nothing about.

But if there could be a reasonable control of expectations, would not the problem be nearly half solved? It was clearly 30-cent cotton and low-priced corn that wrecked the South and made it plant 17 million more acres of cotton in 1926 than in 1921. I suppose there would be a wild outcry at the thought of limiting the price of any particular commodity, or keeping it near to some given figure; but prpbably that would be the only possible means of keeping down too high expectations and preventing overproduction.

I wish the President could have been advised to center his efforts on getting the measure into a more workable and practical form. The country would certainly go with him on that.

Possibly the political side would wreck the whole scheme anyway. But you will remember that there was a good deal of that feeling about the original Federal Reserve Act, and if the present scheme could have the same kindly fate that the other had, to come, as I see it, under the aegis of a genius, it might likewise disappoint expectations.

I do not know if these are matters that interest you, but I am sending it along.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 19, 1927 192

TO Governor Strong

SUBJECT: Prof. Commons' Testimony

FROM Mr. Snyder

Mr. Harrison may send you the report of Prof. Commons' testimony on the Strong Stabilization Bill, as it appeared in the United States Daily, in case he thinks it is worth while. Meanwhile, you may like to have this very brief digest which Dr. Burgess suggests might be of interest to our Directors and Officers.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 25, 1927 192

Governor Strong

SUBJECT: Probable Gold Production

FROM Mr. Snyder

I had today a very interesting conversation with Louis Huntoon, a friend of Ed Dodge's, and a mining engineer thoroughly acquainted with the Ontario-Quebec gold district. He is quite a student of gold production in general, and it occurred to me that you might like to know of his conclusions.

These are, in brief, that Canadian gold production will rise steadily for a good while to come, and probably at the rate of about 5 millions a year for the present.

Last year the total was a little over 35 millions and this year should go well over 40.

The Ontario-Quebec mines are generally deep-mining propositions requiring a heavy expenditure of capital, and his belief is that this will prove generally true of the numerous other prospects which have been opened up as far west as the Red Lake district in Northern Manitoba. Three years ago he made the prediction that by next year Canada would pass the United States as a gold producer, and still thinks that this may be realized or, if not, easily in 1929; in other words, that Canadian mining is essentially an industrial and manufacturing proposition, and that it is growing steadily.

Mr. Huntoon sees little prospects for any increase in the United States, and rather the reverse, a slow decline. South Africa he feels may rise somewhat, but not a great deal. He has much the same view, therefore, that Prof. Lehfeldt gave us when he was here this fall, rather than that of Mr. Joseph Kitchen, of London.

Summed up, he thinks gold production in the next five years should not vary much from the output of the last three years, or around 400 million

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 25, 1927 192

Governor Strong

SUBJECT: Probable Gold Production

FROM Mr. Snyder

a year; that the industry is pretty largely on an industrial basis now, and that one can calculate this production fairly well. You will see, therefore, that he does not agree with the views of Mr. Kitchen, which were repeated by Prof. Cassel in a recent article.

Incidentally, Mr. Huntoon said that he investigated the ownership of the Canadian mines, and found that they were owned almost wholly in Canada, and that the total holdings of English shareholders were only a very few per cent. From 1911 Canada has produced well over a quarter of a billion of gold.

He added that there had been little that was revolutionary in methods of gold mining, and that there had been no such lowering of costs of extraction as there has been, for example, in coal mining, which is the most spectacular, and, to a less extent, in producing copper.

So much for the production. I find it difficult to foresee any such "scramble for gold" among other nations than the United States, such as Prof. Cassel seems vaguely to anticipate. So far from this, there might be some, like Argentina or Japan, which would tend rather to reduce their stocks.

At any rate, it looks as if we might have a considerable amount of new gold in the next five years, free for monetary purposes, possibly well over a billion or a billion and a quarter.

This country needs no more gold and could well lose some. Therefore, does it not seem to you that the countries which may wish to add to their gold

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 25, 1927 192

TO Governor Strong

SUBJECT: Probable Gold Production

FROM Mr. Snyder

stocks may be amply supplied from the available new production? In fact, with little prospect, so it would seem, that India will take anything like the amount of gold in the next five years that it has in the last five years, does it not seem at least a possibility that this country will continue, more or less, for some time to hold the bag?

We shall shortly have ready a study of pre-war interest rates and gold movements, similar to the one for the period 1919 to date.

25

THIRTY THREE LIBERTY STREET
NEW YORK

March 2, 1927

Snyder

My dear Governor Strong:

It is most reassuring to hear, and also to have such evidences, that you are regaining your strength, and I deeply hope there may be no interruption. I said on the card at Christmas that the Reserve System had great need of you, and it seems even clearer now. I do not know just what recent developments may mean, but I do devoutly hope that there may be no interruption of the fine work of the last five or six years.

It seems to me that in many ways the real Federal Reserve System was born in 1917, amid pretty violent birth throes, and that it took four or five years before it could stand firmly on its feet, and walk. The next five years saw a remarkable development, of what has seemed to me as near to an ideal tradition as anything likely to be attained in this imperfect, and political, world.

It is good psychology, I believe, that the earlier years are the years of character formation, and that, once the imprint has been set, it is difficult to change it. But it seems deeply desirable that it may have at least a few more years before the still plastic structure gets any very rude jolt, in other words, that its character may be so deeply set that it cannot be easily altered.

While I am writing, I should like to add, what I have wanted for a good while to say, and that is that your vision in 1924, as to the proposals for stabilization, was so much clearer than mine, as developments have so distinctly shown. I had steadily opposed the recommendations adopted by the

Committee of which I was a member; but the divergent course of different types of prices in the last two years has shown much more clearly how very intricate and difficult the problem of stabilization is. But I can't help thinking that some of the work we have done here (in this dept.) has brought out very distinctly, so that most thinking persons can see, the difficulty and danger of taking any single type of prices as a guide to System policy, and perhaps provided a needed antidote to overoptimism.

These two years or more have shown what few, I think, could have foreseen, that we could have mild inflation of a certain type of prices, as wages and retail prices, without a corresponding effect, at least for the time being, on commodity prices. This seems to me a valuable experience, and shows how great has been, and still is, the need for a real statesman as the guiding hand in Federal Reserve policy. Some day, if the opportunity should come, I want to write a book about it all and make clear what a great contribution your influence has been. I somehow think of it as close of kin to the critical time in the history of the Bank of England, when Bagehot wrote his "Lombard Street."

I have written at length some thoughts on your last letter, which Miss Bleecker will send to you. Perhaps I should add that I see nothing pressing in present developments, and that you may take plenty of time to get back into the very best of condition, which I sincerely hope you may.

Please believe me, with very best wishes,

Always yours,

Carl Snyder

Hon. Benjamin Strong,
Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2, 1927 192

TO Governor Strong

SUBJECT: The Gold Situation

FROM Mr. Snyder

Your note of February 27, regarding the future of gold movements, raises extremely interesting questions, and especially as to the tendency of central banks to build up foreign balances in lieu of taking gold. I have wondered a good deal about this, and would like here just to indulge in some thoughts or speculations.

You know that we have been great takers of gold for more than half a century, and especially since our definite adoption of the gold standard in 1896. You will remember the calculation we made that, if there had been no war and we had gone on gaining gold at the same rate as in the last half century, our present holdings would not be so very different than now.

In other words, doesn't it seem as if we were kind of predestined to hold the bag, and that what was going on for fifteen or twenty years before the War might probably go on more or less in the future? In other words, are we likely to lose very much of our present gold stock, desirable as that might be, and isn't it the probability, rather, that we may gain instead of lose?

Looking at the chart which I enclose, one sees that we were gaining gold relatively at the expense of other countries. May it not have been that fact which was dimly back of the resolutions of the Genoa Conference, and their apprehension of a "scramble for gold?" Wasn't the apprehension really of us?

May it not be, therefore, that their indisposition to take large quantities of gold now, and their tendency to build up foreign balances, is a kind of natural development that might have come if there had been no great international upset?

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2, 1927 192

TO Governor Strong

SUBJECT: The Gold Situation

FROM Mr. Snyder

And if so, is not this policy likely to continue and even to be extended? And this brings me to the next question, and that is whether, on the whole, it isn't a good thing. And whether it does not point the way to the role which, more or less inevitably, this country must accept.

There seems to have been little in the last five or six years to suggest any very unusual growth in the future of our foreign trade. Even with the tremendous impetus and the incidental advantages derived from the interruption of the War, our exports, so nearly as they may be calculated, have even fallen a little below what was their pre-war normal or average rate of growth. In spite of this we go on gaining gold, so that we now have pretty nearly half the visible monetary supply.

But isn't this more or less because we need it, so to speak, in our business? We now have, likewise, pretty nearly half the banking resources of the world, and in the last five years the growth of these, as you know, has been very distinctly above the immediate pre-war rate.

This has inevitably meant some inflation of the price level, just as it did before the War. But it has not been sufficient so far to check the growth of our exports of manufactured goods, which seems to me the real test.

But the indications are that world trade, and especially the foreign trade of the Continent, has been advancing steadily in these five or six years, and I should not be greatly surprised if world trade was now back to its pre-war rate of growth, or even temporarily above it. This rate was about 5 per cent per annum, or doubling about once in fourteen years, which was nearly twice the rate of population growth in the countries concerned.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2, 1927 192

TO Governor Strong

SUBJECT: The Gold Situation

FROM Mr. Snyder

It seems clear, then, that we can count on the steady growth of world trade, and that the United States will be, as in the past, not a great factor in this growth. Does not this suggest, then, that the other countries who are the large participators in world trade will really need to find some way to "economize" on gold? And is not foreign balances the answer?

And are we not now rich enough and strong enough more or less to shoulder the burden which this would probably involve, i.e., impounding very large sums of gold and continuing to absorb a major portion of the available monetary supply? Which would mean also, I suppose, that from an enlightened self-interest we should have to adjust our banking and credit policies somewhat with reference to world conditions, as in the past few years; and also that the rate of expansion of our own banking credit should not exceed our true economic needs, i.e., should continue not to be determined by our gold holdings alone or the gain in those gold holdings (I am not quite sure as to this latter, i.e., whether the actual gain of gold in the last five years has not pretty well determined our rate of credit expansion).

There have been many suggestions that, with the great increase of our foreign loaning, our own interest rates would tend to fall; but if our industrial profits continue at anything like their normal pre-war rate (and in the last two years they have been considerably in excess of this), will not this tend to check any serious decline in interest rates and likewise continue to attract heavy foreign investments in this country?

And in view of all these possibilities are not foreign balances, and

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2, 1927 192

To Governor Strong

SUBJECT: The Gold Situation

FROM Mr. Snyder

especially heavy balances in this country, and likewise large American balances abroad, likely to be a real stabilizing influence, especially of interest rates, and therefore, I take it, also of the gold flow?

As you will see, these are just thoughts, rather than views. And many times in the past I have found that your own view was much wider or clearer than my own, so I would ask that you would regard this simply as material for reflections. As you will see, it is more or less continuing an old idea that almost inevitably the United States seem destined to become the great central gold reservoir of the world, and that our credit and economic policies would necessarily be more or less adjusted to this condition. But this is a large subject.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 4, 1927 192

TO Governor Strong

SUBJECT: Gold Movements and the Interest Rate

FROM Mr. Snyder

Charting up the pre-war gold movements from 1890 was delayed by the Monthly Review and a short force. As you will see, it does not show quite as clean and crisp a picture of relationships as did the chart from 1919, which I sent you.

Nevertheless, something of the same relationship seems generally to prevail, i.e., that a turn of the interest rates tends to precede the gold movement. But in the pre-war as in the post-war period there is no quantitative relationship between the two, but simply as to the direction of movement.

From this it is clear, as in the other chart, that the conditions or forces which determine the extent of the gold movement are outside of the interest rate, but it is none the less striking that a rise of the interest rate seems clearly to stimulate imports or check exports, and vice versa. But, as you will note, there were distinct periods when even this relationship was not overly clear.

This seems to have been especially true in the middle Nineties, and there were other periods. But it seems fair to conclude that, in general, a rise in the interest rate coincides with or precedes an inflow of gold, and v.v.; and, for the most part, the interest rate tends to change ahead of the gold movement.

This has seemed to me of interest, especially in view of the fact that there might be times, as you suggest in your note, when other considerations would outweigh the desirability of attempting to check a gold inflow. It, of course, interested me very much that you should have this feeling. In view of the possibility, at least, that considerably further quantities of gold might come to us in the absence of some definite endeavor to check this, it had seemed to me that this might be a continuously important question in Federal Reserve policy in the next year or so, if not longer. The answer is, to me, none too clear, and I should be much interested to have your view.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 8, 1927

TO Governor Strong

SUBJECT: Gold Movements and Currency Needs

FROM Mr. Snyder

Continuing the consideration of probable gold movements and banking expansion, I should like to add the following:

For any close calculation, we should, I think, also take note of the very curious changes in the amount of money apparently required for actual circulation outside the banks and the Treasury. As you know, we keep a regular compilation of this, which means simply subtracting from the nominal amount of total circulation the amounts held by the banks and the Treasury, as nearly as this can be calculated. These estimates from 1919 on run as follows:

June 30,	1919	$3,686 millions
"	1920	4,331 "
"	1921	3,911 "
"	1922	3,558 "
"	1923	3,951 "
"	1924	3,852 "
"	1925	3,796 "
"	1926	3,859 "

As you see, there has been nothing like the increase of money in circulation as the increase of bank loans and investments or, what is practically the same thing, the rate of increase in demand deposits.

This means, of course, that the ratio of demand deposits to money in actual circulation has been steadily rising from about 5.15 in 1919 to 6.63 in 1926. This ratio has been rising by rather uneven stages for the last thirty years or more, as you will see by the attached chart.

In the five years from 1922, especially, there has been no such increase in the demand for actual currency as the expansion of bank credit (around 33 per cent) and a rise of something like 10 per cent in the general average of all kinds of payments, would suggest.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 8, 1927 192

TO Governor Strong

SUBJECT: Gold Movements and Currency Needs

FROM Mr. Snyder

This would seem to indicate that, outside of the banks' demands for till money, currency demands in the near future would not be heavy, unless we should have a very rapid expansion of bank credit, which would, in turn, imply a further rise in the General Price Level. According to our calculations, a 4 per cent rate of bank expansion would probably keep the price level about steady. (It has averaged about 6 per cent from 1922.)

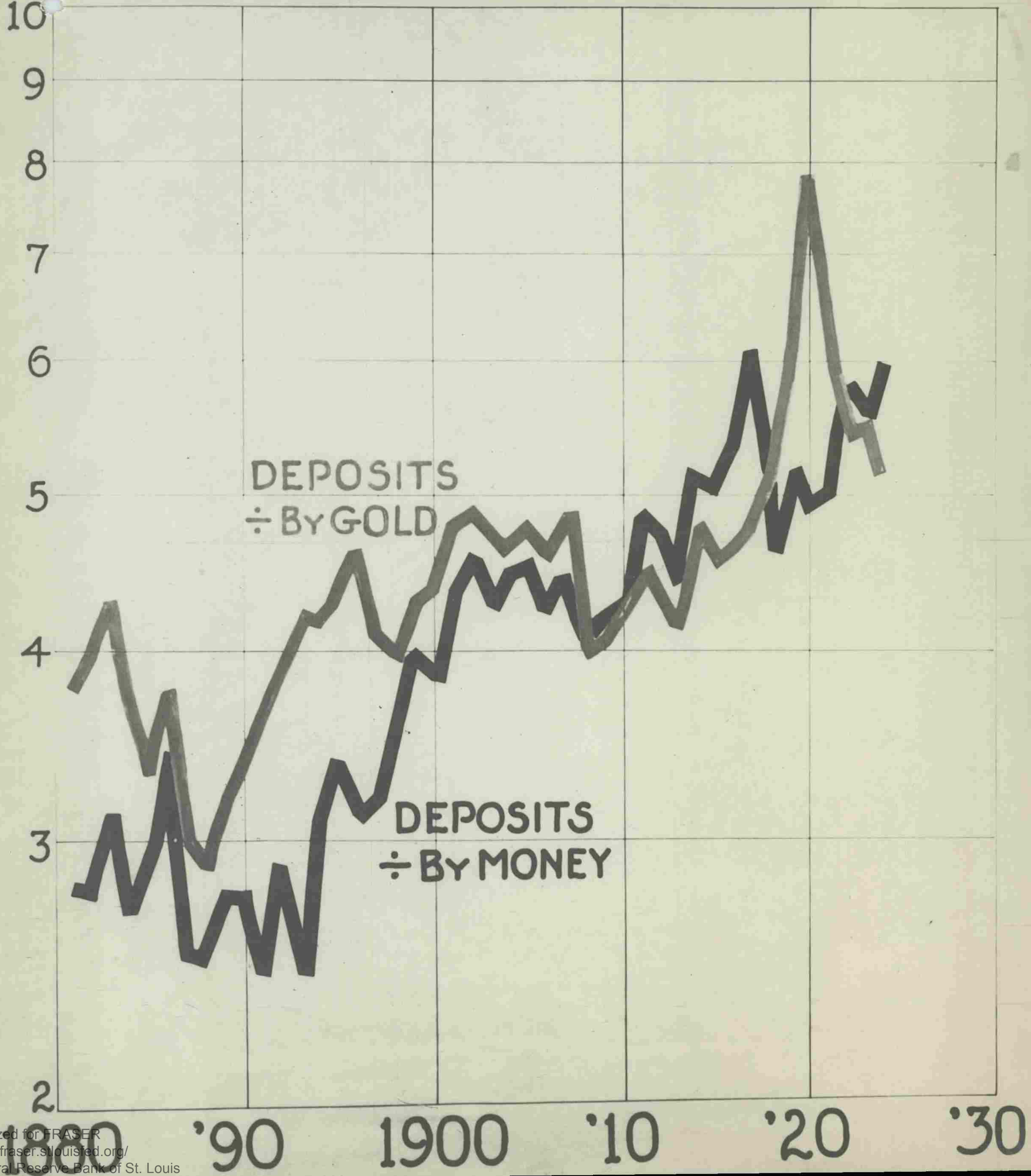
This would suggest that the banks might require about 125 to 150 millions a year for increased reserves, till money and circulation outside the banks (the varying demands of trade being pretty well accounted for, apparently, by the variation in the rate of turnover of bank deposits). And we might readily gain something like this amount in gold imports if conditions did not greatly change.

If we estimate that gold production does not greatly change in the next five years, this would mean around 2 billions of new gold, with from a billion to a billion and a quarter available for monetary use. If the United States gained only half or a little more of this, would not that about suffice for our needs, and leave sufficient for the rest of the world?

Of course India is the big X in the equation, but its takings of gold in the last five years were so phenomenal that this does not seem likely to recur soon. In other words, I find a difficulty in seeing any nearby prospects of a serious gold shortage.

As to whether, outside of this, and especially from foreign balances, we should likely gain or lose any considerable amounts of gold, you could estimate this far better than we could here. But would not this be very considerably influenced by relative interest rates here and therefore be capable of some sort of control?

RATIO of BANK DEPOSITS TO GOLD & MONEY



Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 7, 1927 192

TO

FROM

SUBJECT: Bank debits in 140 cities and cumulative totals for 1926 and 1927

Four weeks ended March 3, 1926	Four weeks ended March 3, 1927	Per cent Increase over a year ago
$ 20,310 millions	$ 20,842 millions	2.6
Year 1926 to date (9 weeks)	**Year 1927 to date (9 weeks)**	**Per cent Increase over a year ago**
$47,859 millions	$ 48,786 millions	1.9

General Price Level, January 1926 = 188 January, 1927 = 185
Volume of Trade, January 1926 = 112 January, 1927 = 108

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 7, 1927 192

TO

SUBJECT: Bank debits and Velocity of Bank Deposits

FROM

NEW YORK CITY

	Feb. 1927*	Jan. 1927	Feb. 1926
Monthly Bank Debits - In millions	$ 27,439	$ 31,258	$ 24,813
Average daily bank debits - In millions	$ 1,247	$ 1,250	$ 1,128
Seasonal Index	102	104	102
Average daily bank debits (Seasonal Removed)	$ 1,223	$ 1,202	$ 1,106
Index of Bank Debits	134	132	124
Velocity of Bank Deposits (Seasonal Removed)	73.7	69.7	64.7
Per cent of Normal (1919-1925 Average)	134.0	126.7	117.6

OUTSIDE NEW YORK CITY

	Feb. 1927	Jan. 1927	Feb. 1926
Monthly Bank Debits - In millions	$ 20,742	$ 23,426	$ 20,079
Average daily bank debits - In Millions	$ 943	$ 937	$ 913
Seasonal Index	100	102	100
Average daily bank debits (Seasonal Removed)	$ 943	$ 937	$ 913
Index of Bank Debits	116	115	113
Velocity of Bank Deposits (Seasonal Removed)	35.2	35.3	34.1
Per cent of Normal (1919-1925 Average)	107.6	108.0	104.3

141 CITIES

	Feb. 1927	Jan. 1927	Feb. 1926
Monthly Bank Debits - In millions	$ 48,181	$ 54,684	$ 44,892
Average daily bank debits - In millions	$ 2,190	$ 2,187	$ 2,041
Velocity of Bank Deposits (Seasonal Removed)	56.7	55.7	52.4
Per cent of Normal (1919-1925 Average)	118.9	113.2	109.9

*February 1927 figures are preliminary

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 8, 1927 192

TO Governor Strong

SUBJECT: Current Volume of Trade

FROM Mr. Snyder

As one can read such curious reports in the newspapers, you may like to see the attached which gives outside bank debits in actual figures, week by week; and also our monthly calculations of relative position, making allowance for seasonal, etc.

As you will note, the Volume of Trade, including financial activity of all sorts, continues at the same high levels of last year and even slightly above. Very much the same story is told by car loadings and other current barometers.

Allowing for a slightly lower General Price Level, bank debits indicate a volume of business activity about as high as anything we have had, and something on the same order as for the last year and a half.

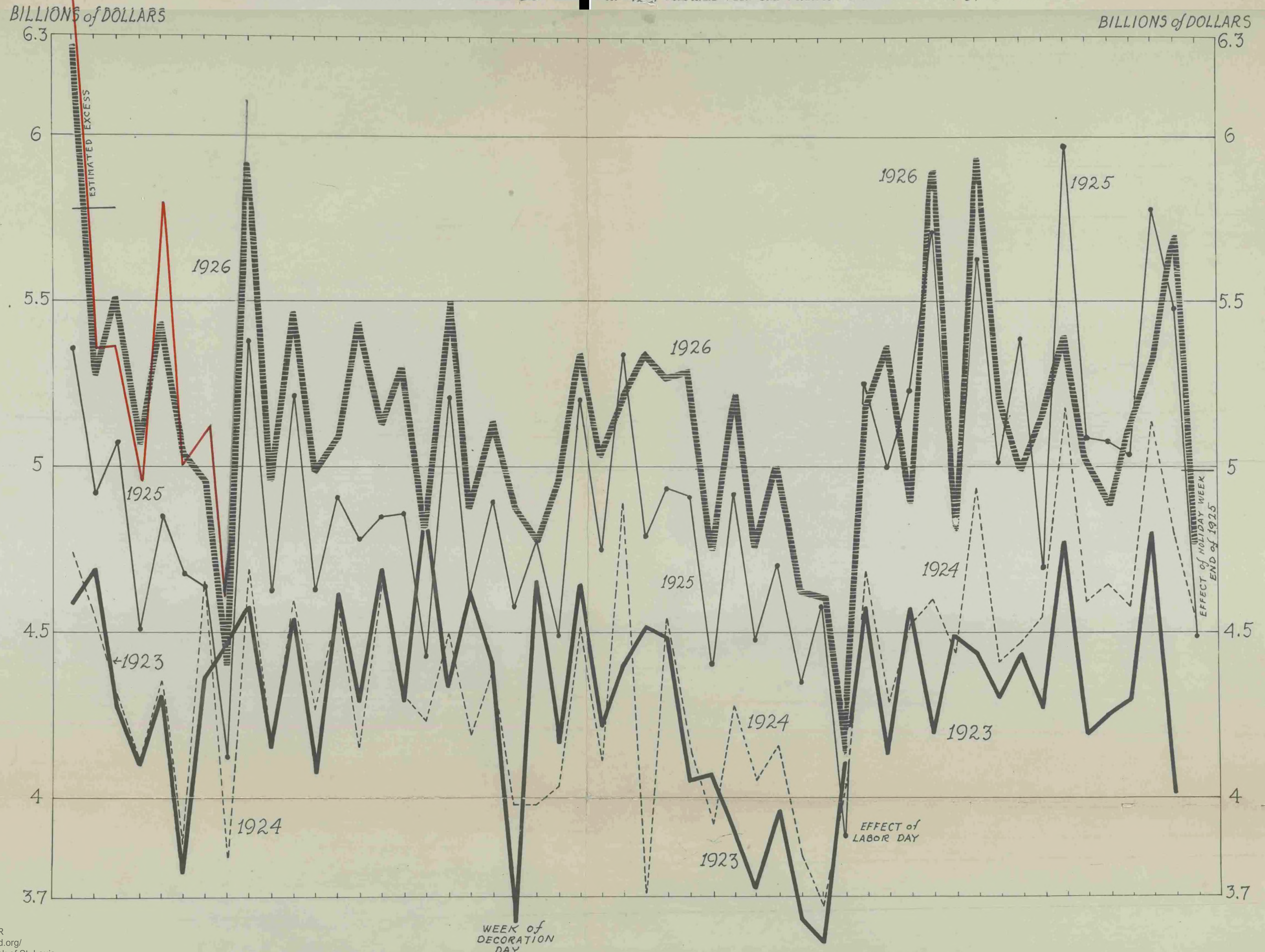
What seems to me very impressive is the way in which bank debits move up and down, week by week, in almost exactly the same way as in the year previous, and very often the same as for two or three years previous. This regularity is slightly affected by calendar displacements of holidays, tax days, etc., but, allowing for these, the gambling chance is about 25 to 1 that the weeks' movements will be the same as in the year preceding.

This is to me one of the most extraordinary things I know of and seems to suggest a regularity in trade movements beyond anything we ever dreamed of.

Also that outside debits are not greatly affected by the gyrations of the stock market.

S1344

WEEKLY BANK DEBITS IN 140 CENTERS (OUTSIDE OF NEW YORK CITY) FOR 1926, COMPARED WITH THE CORRESPONDING WEEKS OF 1923, 1924 AND 1925



BANK DEBITS OUTSIDE OF
NEW YORK CITY

BANK DEBITS OUTSIDE OF NEW YORK CITY.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 1, 1927 192

TO Governor Strong

SUBJECT: Trade in February

FROM Mr. Snyder

You may have noted the Board's report on trade conditions in February and, as an instance of the comments thereon, the Times' editorial this morning. In contrast to this supposed decline, a very large majority of all our trade indexes show, after making proper allowance for the short month in February and the usual dip in many lines in that month, the highest February level since the close of the War, and about as high comparative level as anything that we have had in the present great expension of business.

Our composite of 56 series gives an index number of 14 or 15 per cent above the estimated normals, and our debits index is still higher. Likewise, our index of the turnover of bank deposits was very high. In brief, there seems every indication that February was a month of unusual business activity--and anything but a decline.

These, happily, are matters capable of measurement and verification, and this seems to me to afford an excellent illustration of the difference between what I should call a very comprehensive survey on the broadest lines, and the old-time methods.

Personally, as I indicated to you in a little memo. on the subject of bank debits, I have come to the feeling that the volume of checks drawn constitutes perhaps the best single measure of trade that we have, and it is noteworthy that, in the great majority of cases, the testimony of the index derived from outside bank debits and our broad composite of the Volume of Trade, is practically the same. There has been a curious tendency to a kind of see-saw of movement in successive months, that is, that the two indexes may move in opposite directions in a given month (usually in very slight degree), and then exactly reverse this the next month. Just what this is due

MISC. 8.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 1, 1927 192

TO Governor Strong

SUBJECT: Trade in February

FROM Mr. Snyder

to we have not yet been able to discover. It is as though the debits index was just a little ahead of the more comprehensive composite.

Barring these occasional see-saws of movement between the two indexes, there have been but five instances out of 98 months now available for comparison in which the debits index and the Volume of Trade index have shown a different direction of movement, and these usually of two or three points.

In view of the fact that the movement of debits is nearly the same whether we take all reported debits or those outside of New York, or cut out also the three other large financial centers, Chicago, Boston and Philadelphia, and take only 137 reporting centers, one gets the feeling that we have here an extremely sensitive and reliable index whose testimony is not to be gainsaid.

It may interest you to observe how closely these movements synchronize in the enclosed chart, ISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 14, 1927 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT: Business Conditions

There seems little to indicate any considerable accumulation of manufacturing or retailers' inventories. Retail trades, as expressed in department store, chain store and mail order sales, and consumption of electricity have all been at a high level. And reports of falling prices, together with perfect transportation service, do not tend, of course, to promote such accumulations.

There is a surplus of crude oil and of grain products and cotton and some other basic commodities. All these are registered in declining prices.

There seems no reason to doubt that the volume of production and the volume of trade have been pretty steadily above the usual rate of growth. For this we have:

(1) Quantity production figures for almost all the chief basic commodities.

(2) Railway transportation and car loadings.

(3) A great variety of reports dealing with wholesale, retail and general trade.

All of these make the same broad showing. It seems difficult to discover whether it is any less "real" than in any other years.

But we have had now five full years of pretty general prosperity, and, in the last two years, of unusual prosperity. If the experience of the last fifty years could be used as a guide, the last half of this year might show some falling off and the next twelve or eighteen months perhaps a decided decline, equalling or exceeding that of 1924.

Production of the pig iron or basic type is now at a high level and so, of course, is speculative activity, both of which often precede such a decline.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 14, 1927 192

TO Governor Strong

SUBJECT: Business Conditions

FROM Mr. Snyder

An especially sensitive index of commodity prices, containing no crop prices, has been slowly downward since last October. And the volume of outside debits over the year end showed a smaller increase than in the two preceding years, which, has usually indicated some business recession.

The big X in the situation now, as for two or three years, is the building situation. Here the contracts of the first quarter show but very slight decline from the very high levels of a year ago. You may have seen the attached statement that there is now considerable over-construction. But this has been strenuously denied by others in the trade.

The volume of bank loans and investments in the weekly reporting banks shows an increase of 4 per cent over a year ago, and this is in the face of an apparent decline of around 4 or 5 per cent in the general average of prices, including, of course, commodity prices at wholesale.

Nearly half this increase is in bank investments, which indicates, of course, no very heavy demand for accommodations. And interest rates tell the same story.

If interest rates were rising rapidly and credit resources were strained, we might reasonably expect a severe recession. In the complete absence of this, it would seem to be, as you suggest, a question as to whether the balance of production and consumption is being well maintained.

Of course a slump in building construction, which would carry with it, no doubt, a sharp curtailment of motor car production, since the two seem to run together so closely, might quickly result in such a lack of balance. But the three usual precursers of a depression, rising commodity prices, rising interest rates, and labor strikes and unrest, are absent.

ISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 1927 192

To Governor Strong

SUBJECT: Growth of Bank Credit and Growth of Production and Trade

FROM Mr. Snyder

We have been making some computations which may be of interest to you as bearing on the problem of adequate credit expansion, as follows:

The average of total loans and investments in all Member Banks of the System for 1919 was billion dollars, and for 1926 billion dollars. This was an increase of 33 per cent, or an average of 4.2 per cent per year.

If the general price level, or average of all kinds of payments, was about the same in 1926 as in 1919, this would imply that the expansion of bank credit had been just about in balance with the expansion of production and trade. And this is just what our several attempts to compute an index of the General Price Level suggest; i.e., they all come out at nearly the same for these two separated years.

But if, between these two years, credit expanded much more rapidly at any time than trade, or less, one might suppose that the price level would rise or fall. The attached chart shows how closely the correspondence actually was.

The one line shows the percentage deviation of bank credit above or below a straight line growth from 1919, of 4.2 per cent, and the other is our computed actual General Price Level, likewise on the base of 1919.

The widest deviation, you will note, was in 1920, by about 5 or 6 per cent. But we had already come to the conclusion, from a number of other studies, that the Index of Prices in 1920 was perhaps 10 per cent too high. This was because all the indexes of commodity prices, like the Bureau of Labor, Bradstreet's, etc., were in that year largely indexes of quotations and not of actual sales prices. And yet we could not, of course, leave commodity prices out of a calculation of the general price level.

But from the end of 1920 you will note how close the correspondence was. Take one instance:

All the increase in the volume of bank credit has come since the beginning of 1922, and the expansion of 33 per cent took place in the next four years. Very slight increase in 1926.

In these four or five years the actual increase of production could not have been much over 20 per cent. Allowing for the slow, steady growth in the use of bank credit, this would leave a difference between the expansion of credit and the expansion of business of about 10 per cent. And this is just the increase from 1922 to the end of 1925 in our Index of the General Price Level.

And still further: Last year the increase of Member Bank credit was less than 4 per cent and our Index of the General Price Level, like the commodity price level, though in a lesser degree, tended to decline.

These curious results would have been impossible, of course, if it had not been for the fact which we had previously discovered, that the fluctuations in business, from its usual line of growth, were of closely the same order as the variation in the velocity or rate of turnover of bank deposits; i.e., that the amount of work done, or volume of business carried on by a given amount of bank credit, varies closely with the degree of business activity.

In other words, when trade is very brisk, "velocity," or rate of turnover, is high; and when business is dull or depressed the turnover is

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 1927 192

To Governor Strong

FROM Mr. Snyder

SUBJECT: Growth of Bank Credit and Growth of Production and Trade

correspondingly low; and, according to our measures, the percentage change in each is closely on the same order (some difference when bank deposits expand very quickly, as in the latter part of 1924).

I know it seems to many (to some of our good friends in Washington, for example) absurd to think that such things can be measured closely; and probably I should not either if it were not for the fact that all these different measures, of production, of volume of trade, of turnover of deposits, of increase of bank loans and investments, and several different computations of the General Price Level, did not all seem to fit together in this curious and striking way.

But does not one phase of it, at least, seem quite probable and reasonable? That is, that we could scarcely have an expansion of bank loans and investments by 33 per cent in four years and still have a real decline in the average purchasing power of the dollar; i.e., that indexes of commodity prices at wholesale, heavily weighted as they are with food and farm prices, cannot be taken as a trustworthy measure of the General Price Level, and that a Reserve Bank policy based upon, or guided by, such a supposition might prove disastrous.

Strong
Snyder 15

THIRTY THREE LIBERTY STREET
NEW YORK

April 19, 1927

My dear Governor Strong:

I think you make a very strong point as to one of the potent forces making for business disturbance, and one to which too little attention has been given.

I should rather think of it as one of the strong, precipitating forces--perhaps usually the very strongest; and its presence or absence perhaps the determining factor as to whether a serious panic or decline is to develop or not.

It happened that, shortly after reading your note, Prof. Mitchell was on the 'phone, and I told him something of your idea. He said, and I should, of course, agree, that there was very little doubt that external repercussions, as Dr. Miller might put it, from new and undeveloped countries, had often been a pronounced feature of the cycles and depressions in the past, and were strongly contributing if not the dominating factors.

You might say that, in a way, our rapidly growing West was external to the then industrial part of the United States; and that our land booms and their collapses were potent features of our business cycles and that these in turn reacted upon Great Britain, with her huge investments in this country.

Also you might cite the Panama "craque," following the loss of 1500 million francs of French capital in the Panama venture, a very large sum for those days. There is little doubt also that unstable currencies and banking systems, as you suggest, have also had their influence. Personally I think the evidence is pretty clear that, for example, in this country, and quite possibly in others, the 'business cycle' grew greatly in intensity or violence of swings, and that this has since been declining. Is it not evident that there could not have been much of a "business" cycle a century or more ago when there was very little transport of goods and therefore very little trade?

My feeling was that we could more or less develop the curve of intensity of the business cycle--that this rose to a peak in the depressions of the Seventies and Nineties, and has since distinctly been waning. Would not this correlate with your own impressions and with the thought you developed in your note? I have sought to give evidence for this in the small volume which is soon to be out, and you may like to look over this brief summary. I came to the idea from the attempts to measure the actual swings of business of the last fifty years or so from the variations of bank clearings from their steady and insistent line of growth. Mitchell was, I think, inclined to doubt this idea of a decline in intensity, and sent Prof. Macaulay down to go over our work and see if there were any flaws in it.

I think the facts are pretty clear, and I see no reason why, as your note suggests, this progressive amelioration should not go on; in other words, that we should have no recurrence of the old-time, prolonged depressions and periods of unemployment like those of thirty and fifty years ago; especially if we can have as astute and clear-sighted banking policy as we have had in the last few years.

I do not mean by this latter that I would go with the extremists, like Hawtrey, and say that the business cycle is purely a credit cycle, but I imagine almost everyone would concede that the credit factor is a very powerful influence for good or ill. And gold. I have always thought that one determining factor as to whether a depression is to be short or long was whether gold was coming in or going out. At least, as you will recall, this seemed to be one of the main differences between, say, the Nineties and 1907 or 1921.

You raise some very interesting questions, and I am hoping that the next few years may give a pretty definite answer to some of them. But would you not expect that any period of quite unusual activity, as, for example, in building and in speculation, as in the last several years, would still be followed by some recoil, just as it has always been in the past, as in the great days of railroad building, etc.?

Prof. Mitchell asked me to convey to you his very best regards and best wishes for your health. He feels, as of course I do, that it is a very unusual and very fortunate thing that this bank can have a Governor who can give serious thought to such questions.

Very sincerely yours,

Carl Snyder

Hon. Benjamin Strong,
Hotel Brighton,
Atlantic City, N. J.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 27, 1927

TO Governor Strong

SUBJECT: Course at New School

FROM Mr. Snyder

I have been invited to give some lectures on Business Cycles at the New School of Social Research next winter; very much the same material as in the course I am giving again at Columbia this summer (approval given by Mr. Case in your absence).

This course at the New School was for some years given by Wesley Mitchell. Dr. Stewart also gave a course there on Banking, last winter.

This course would be out of business hours. Would there be any objection?

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 13, 1927 192

To Governor Strong

SUBJECT: Five Years' Progress

FROM Mr. Snyder

I have been trying to put together some of the chief items which would give some sort of a picture of what the growth in some lines has been in the last five years. I have chosen the more salient items, and they seem to me extremely impressive.

Possibly you would like to run over the percentages of increase. Considering that, over a long period, the characteristic rate of growth of total production and trade appears to have run very close to $3\frac{1}{2}$ per cent per annum, which would mean an increase in four or five years of 15 to 20 per cent, some of the increases shown, especially in the line of luxuries, are rather startling. And there seems no let-up in this swelling tide. Bank debits, merchandise car loadings, building construction, and many other things, so far this year, are up to or above the same period of last year.

You recall the old saying that prosperity is always behind us or ahead of us; never here.

I wonder if we shall not look back upon these five years as one of the greatest periods of prosperity (or "boom"!) this country has known.

	Unit	1922	1926	% Increase	Rate per Year
1. New Securities Issued:					
2 - Total Domestic	Millions of $	4,436	6,034	36.0	8.0
2. - Domestic Corporate	" "	2,949	4,574	55.1	11.6
3. - Foreign	" "	897	1,355	51.0	10.9
4. Shares Traded, N. Y. Stock Exchange	Millions of Shares	257	451	75.5	15.1
5. Building Permits (158 cities)	Millions of $	2,483	3,512	41.4	9.1
6. Building Contracts (Dodge)	" "	3,346	5,403	61.5	12.7
7. Large Industrial Contracts (Engineering News Record)	" "	198	312	57.3	12.0
8. Real Estate Transfers (41 cities)	Thous. of Transfers	1,319	1,841	39.6	8.7
9. Corporate Profits (403 ind.)	Millions of $	1,110	1,917	72.7	14.6
10. New Incorporations, N. Y. State	Number	18,160	25,388	39.8	8.7
11. Stock Price Averages (201 stocks)	1917-1921 = 100	98.9	152.3	54.0	11.4
12. Loans and Investments, all Reporting Member Banks as of Jan. 1	Millions of $	14,771	19,625	32.9	7.4
13. Debits, 141 Cities	" "	439,364	607,655	38.3	8.4
14. Automobile Production (Cars and Trucks)	Thousands of Cars	2,547	4,219	65.6	13.4
15. Gasolene Production	Millions of Gallons	6,202	12,589	103.0	19.4
16. Cigarette Consumption	Millions of Cigarettes	53,581	89,460	67.0	13.7
17. Silk Consumption	Thousands of Bales	368	502	36.4	8.1
18. Diamond Sales (2d District)	Thousands of $	10,377	14,287	37.7	8.2
19. New Life Insurance Written	Millions of $	5,512	8,412	52.6	11.1
20. Deposits, Savings & Time, (all Banks)	Millions of $	17,579	24,696	40.5	8.9
21. Total Savings, in Bank Deposits, Building & Loan, & Ins. Co's Assets	" "	29,122	43,671	50.0	10.7
22. Car Loadings, Mdse. & Misc.	Thousands of Cars	26,751	32,934	23.1	5.3
23. Population, Urban	Thousands (1920-'25)	54,305	62,846	15.7	3.0
24. " Farm	"	31,614	29,023	-8.2*	-1.6*

*Decrease

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 16, 1927 192

TO

FROM

SUBJECT: Bank debits in 140 cities and cumulative totals for 1926 and 1927

Four weeks ended May 12, 1926	Four weeks ended May 11, 1927	Per cent Increase over a year ago
$ 20,484 millions	$ 21,540 millions	5.2
Year 1926 to date (19 weeks)	**Year 1927 to date (19 weeks)**	**Per cent Increase ovér a year ago**
$ 99,383 millions	$102,495 millions	3.1

General Price Level, March 1926 = 186 March 1927 = 184
Volume of Trade, March 1926 = 113 March 1927 = 113

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 17, 1927 192

TO

FROM

SUBJECT: Study on Money Rates and Money Markets

One difficulty I found in reading this is that very often the charts lack an explanation of just how they are derived and, furthermore, that there is not always a close connection between the charts and the text. It would surely gain, in readability at least, if a short, clear explanation was given underneath each chart.

It seems to me, also, that the use of the word "determination" in connection with the construction of an index of factors influencing money rates implies a definite causal relationship when it is by no means clear that it is more than a coincident relationship. And, in particular, the connection between this index and bond yields seems none too clear. For example, as shown in Chart 8, bond yields have been steadily falling since the latter part of 1923, but the "index of factors" does not begin to fall until a little later, and then turns about abruptly in the middle of 1924, and has since been rising. Surely this is not a "determining" relationship.

There are many other matters that might be noted. One is the supposed relationship between interest rates and the amount of money in circulation. This latter has varied little in the last four years, while interest rates have varied widely. Here as in so many other cases it seems that the explanations are often strained or confused.

For the rest, the influence of changes in the price level, or in the relative value of money, and likewise the relationship between the volume of credit outstanding and the volume of trade it sustains are almost wholly neglected.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 18, 1927 192

TO Governor Strong

SUBJECT: Price Indexes

FROM Mr. Snyder

Noted BS 5/19/27 mmd

We are obtaining more and more evidence that there must be something distinctly wrong with our familiar price indexes, like the Bureau of Labor, Bradstreet's, etc. Attached are the latest bits.

The weighted average of the actual prices paid for raw materials by one of our largest farm implement companies (practically all wholesale prices) was, last year, 85 per cent above 1915. The larger part of these materials is steel and iron, mostly in billets, sheets, and the like. The Bureau of Labor's weighted index of quotations on various iron and steel products is around 30 per cent above 1915.

Again, the average of the actual prices paid (wholesale) by hardware dealers, as per attached, was, as you will see, practically the same in 1926 as in 1919, while the Bureau of Labor index of metals and metal products was some 22 per cent lower. Likewise, the hardware index of actual prices paid showed no such decline in 1926 as the Bureau of Labor general index, or even the non-agricultural half of that index.

You will note how strikingly both of these two contributions go to confirm our computations as to the General Price Level; first, that it is something like 70 or 80 per cent above pre-war, and not under 50 per cent, like the Bureau of Labor, and, second, that the average of prices in 1926 was just about the same as in 1919, and not 20 to 30 per cent lower, in 1926, like the B. of L.

This latter has an important bearing on the measurement of credit expansion since the War, as I should like to take up with you some day.

It looks as if Mr. Hoover's next job is to get somebody in charge of that work who has some understanding of the nature of price indexes. Maybe sometime you might have opportunity to take up this question with him.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ~~May 19, 1927~~ 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

I am told that the General Electric has an average sales price index of some of their products, which would be very desirable for us to have. If occasion offered, you might ask Mr. Young.

The same might be true, also, of Mr. Woolley's and Mr. Woodin's companies.

We shall have the index of railway equipment, and farm implements, and probably one or two others, which we could combine into a weighted index of "Equipment and Machinery."

These would be the prices paid by the consumers.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 19, 1927 192

TO Governor Strong

SUBJECT: The State of Things

FROM Mr. Snyder

The dilemma--if there be one--would seem to be that:

(a) Any procedure intended to moderate a little undue enthusiasm in the stock markets, and now making itself felt in a number of lines, would, of course, meet with the objection that agricultural prices, especially, have had a severe fall, that the farmer has not been overly prosperous, and that an attempt to moderate speculative enthusiasm might react as strongly upon him as anywhere else. But:

(b) Any efforts designed to check the fall in commodity prices would apparently, under the circumstances, give a further fillip to the speculative fever, already going pretty strong and, if continued, likely to bring about a very severe reaction, with possibly real effects upon the general business and trade of the country.

As regards the farmer, it seems to me that the day of his deliverance cannot be far distant. Since the close of the War we have had an increase in the total population of the country of a little over 10 per cent, and a decrease in the farm population estimated by the Department of Agriculture at a full 10 per cent. A real increase in farm efficiency, such as Mr. Henry Wallace and other practised observers hold has taken place, may, with harder work by the individual farmer, meet the increased demands of the urban population successfully for a time; but I do not believe indefinitely.

And I find others of the same view. A recent visitor expressed the view that we should see our Bureau of Labor index above 200 inside of five years, or less. This is perhaps extreme; but before the War farm prices were rising steadily, and I cannot see why, with the steady increase in urban population, which is true not merely in this country and in England but even in

DATE May 19, 1927 192

TO Governor Strong

SUBJECT: The State of Things

FROM Mr. Snyder

such countries as Italy and Denmark, this rise in the relative cost of food should not continue.

You know the recovery in farm prices after the slump of 1921, and up to the middle of 1925, was the sharpest of any group of prices.

It seems to me that the country is "sitting pretty," as your Southern friends say, if it ever was; and the only thing seriously to fear, so far as I can see, is our natural and ineradicable tendency to overdo things.

We have a now tendency to falling rather than rising commodity prices (though I am sure the extent of this decline has been greatly misrepresented by our price indexes). We have highly efficient labor, a relatively low rate of turnover and, finally, moderate interest rates and credit so abundant as to finance with ease one of the greatest periods of industrial development that this country has ever known.

Of course this happy era may not continue indefinitely. We might get too much gold and it would then be highly desirable that we have a larger portfolio of securities to sell against it. Barring this, I do not see much that would disturb my own natural propensity, in the absence of definite pressure otherwise, to pursue the middle of the road.

MISC. 4 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 1, 1927 192

TO Governor Strong

SUBJECT: Growth of Time Deposits

FROM Mr. Snyder

I have summarized the findings as to the growth of time deposits, so far as we have been able to go, in the attached. But I have been puzzled to explain why it is that the proportion of required reserves to total loans and investments should remain practically constant, at least since 1919.

I thought at first it was due to the more rapid increase of the city banks; but this does not appear to be the case.

But in any event it does seem clear that the growth of actual savings accounts in National banks, and presumably in non-National member banks, has been quite phenomenal and accounts for very much the larger part of the growth in time deposits.

There may be other aspects of the subject you would like to have us investigate.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 3, 1927

TO Governor Strong

SUBJECT: Growth of Time Deposits in Member Banks

FROM Mr. Snyder

We have made several calculations as to the effect of the increase in time deposits on reserves, and I should like to send you up two of these to see if they are along the lines of what you wish. They are based upon June 30, 1919, which was about the earliest date on which the figures as to required reserves were obtainable without further calculations.

These show that, based on the relation of time and demand deposits in 1919, present reserves would support a total of 26 billions of deposits, in lieu of the actual 30 billions of June 30 of last year.

Or, put in another way, on this same base, present deposits would require some 300 millions more of reserves than the actual of last year.

But you will note from the attached chart that time deposits in both country and city banks went up much more rapidly from 1919 to the middle of 1922 than since. So that the choice of this base was somewhat arbitrary. Of course if we went back to relations in 1914 the disparity at the present time would be much greater still.

You will note that, of total time deposits, near to one-half are still in the country banks, or in banks in cities having less than 100,000 population.

It is evident that the rapid growth of time deposits in Member Banks has been somewhat at the expense of savings and other banks, since the increase from 1919 for Member Banks has been 157.2 per cent, while, according to the A. B. A. calculations, the total of time and savings deposits in all banks in the country have increased only 89 per cent.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 13, 1927 192

TO Governor Strong

SUBJECT: Expansion of Trade

FROM Mr. Snyder

There seems little doubt of a real expansion of trade and a decidedly different trend, within the last few months, as is set forth in the two attached charts.

Towards the end of last year debits tended to fall below the level of the same period a year previous, which in former years was a fairly good indicator of a declining tendency in trade. But in the last two months and more this trend has been reversed. All through last year the ratio of debits to the previous year was narrowing; this year, and especially in the last two or three months, the reverse is true.

The especial interest of this reversal of trend is that it is in the face of the supposed "decline" in prices. Does it not seem fairly evident that this "decline" could not be so very serious, or real, with such an actual expansion in the dollar values of trade?

This same expansion of trade is indicated in the similar sharp increase in merchandise car loadings over last year.

FISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 15, 1927 192

TO Governor Strong

SUBJECT: Growth of Time Deposits

FROM Mr. Snyder

Attached is a study by Miss Bagwell, which seems to shed a considerable light on what is behind the growth of time deposits. We have figures on "savings accounts" in National banks between 1909 and 1914, and also the number of these accounts.

The interesting thing to me was that, if you would prolong the line of growth in savings deposits from 1909-'14 to the present time, you might get a total now not very different from the actual present amount of these deposits.

This is still more strikingly true of the number of these savings accounts in National banks, as you will see by the chart.

After 1914 savings deposits were not separately reported for seven years, but they appear to be nearly identical with time deposits other than municipal, postal, certificates of deposit, etc. So that we can trace pretty clearly the growth. You will see that even back as far as 1909 these savings deposits form, as now, a very large proportion of the total time deposits (since 1921 about 80 per cent).

Dr. Burgess suggested that if these "savings deposits" really represented a considerable transfer of inactive demand deposits to time deposits, this would mean automatically an increase in the celocity or rate of turnover of the demand deposits. Here are the actual average rates of turnover as computed for 140 identical cities from the earliest date available:

1919	33.5
1920	34.8
1921	30.7
1922	30.8
1923	32.5
1924	31.5
1925	32.7
1926	33.7

You will see that, even in the very active year of 1926, this average rate of turnover was the same as in 1919, and less than in 1920.

I have been puzzled to judge to what extent the growth of time deposits in the Member Banks is inflationary. This growth, as you will see, has been much more rapid in Reserve ~~city~~ Member Banks than in the so-called country Member Banks; but it still remains that nearly half the total time deposits in all Member Banks are in these country banks. And there is some reason to think that the more rapid growth of these time deposits in the city banks is due in large part to very active development of their savings bank departments.

MISC. 2.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ~~June 15, 1927~~ 192

To Governor Strong

SUBJECT: Growth of Time Deposits

FROM Mr. Snyder

As to the inflationary effect: In the last twelve months the increase in demand deposits in all Member Banks has been zero in place of a usual or normal increase of around 3 per cent. At the same time, we have had a slight decline in the general price level, and especially in commodities at wholesale. I doubt if this is an accidental association.

But the growth in time deposits in these twelve months was 8 per cent. With the rate of turnover of demand deposits about the same as in other active years, it seems clear that the increase in time deposits has not affected the price level, which is, of course, in conformance with theoretical considerations.

I should be glad to have any suggestions as to any different method of attacking the problem.

MISC. 4 A 126M-4-27

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ____________ 192__

TO ____________ SUBJECT: ____________

FROM ____________

SAVINGS DEPOSITS AND TIME DEPOSITS

In view of the steadily increasing proportion of time deposits to demand deposits in the Member Banks of the Reserve System, the Federal Reserve Board has instituted inquiry as to the character of these time deposits, and the attached study was forwarded to the Board as a part of this inquiry. Because this problem involves important considerations for Federal Reserve policy, and may be of interest to our Directors, copy of this memorandum is herewith sent.

MEMORANDUM

TO GOVERNOR STRONG ON

TIME DEPOSITS AND RESERVE REQUIREMENTS

June 27, 1927

By Carl Snyder

THE GROWTH OF TIME DEPOSITS.

One of the most striking developments since the founding of the Federal Reserve has been the rapid growth of time deposits as compared with demand deposits and likewise, as we shall see, as compared with ordinary savings bank deposits. The comparative figures for the first year of the System, the first year after the War's close, and for the latest available date, for all Member Banks, are as follows:

	1915	1919	1926	% Increase 1919-'26
		(Millions)		
Demand Deposits	4,976	13,195	17,380	31.7
Time Deposits	1,264	4,343	11,173	157.3
% of Time Deposits	20	25	39	

But this rapid growth of time deposits has not been confined to the Member Banks of the Reserve System, but has been generally true of commercial banks, other than savings banks. Thus the reported totals of time and savings deposits for all State banks and Trust companies, for the corresponding years, were as follows:

	(Millions)
1915	3,504
1919	5,498
1926	10,945
Increase over 1919	99%

CHARACTER OF TIME DEPOSITS.

It has been a natural inference that this growth of time deposits, in the Reserve System especially, has in large part been due to the conversion

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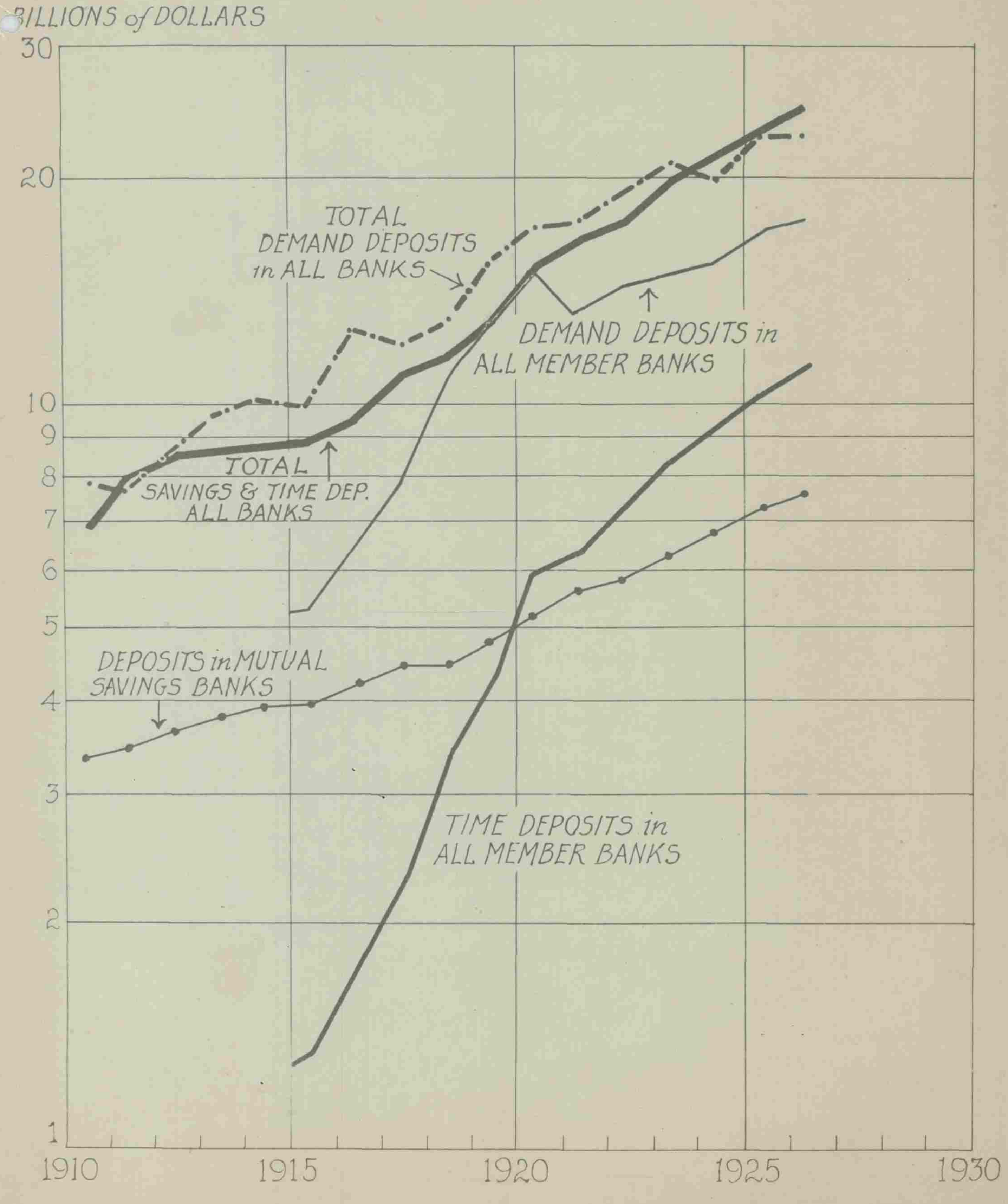


Comparative Growth of Time and Demand Deposits in All Banks and in Member Banks, and of Deposits in Mutual Savings Banks.

of inactive demand deposits to time deposits, in order to take advantage of the lower reserve requirements against the latter. There is little doubt that in many banks, and especially in the larger cities, this has been conspicuously true; and presents a real problem.

Examination reveals, however, the following:

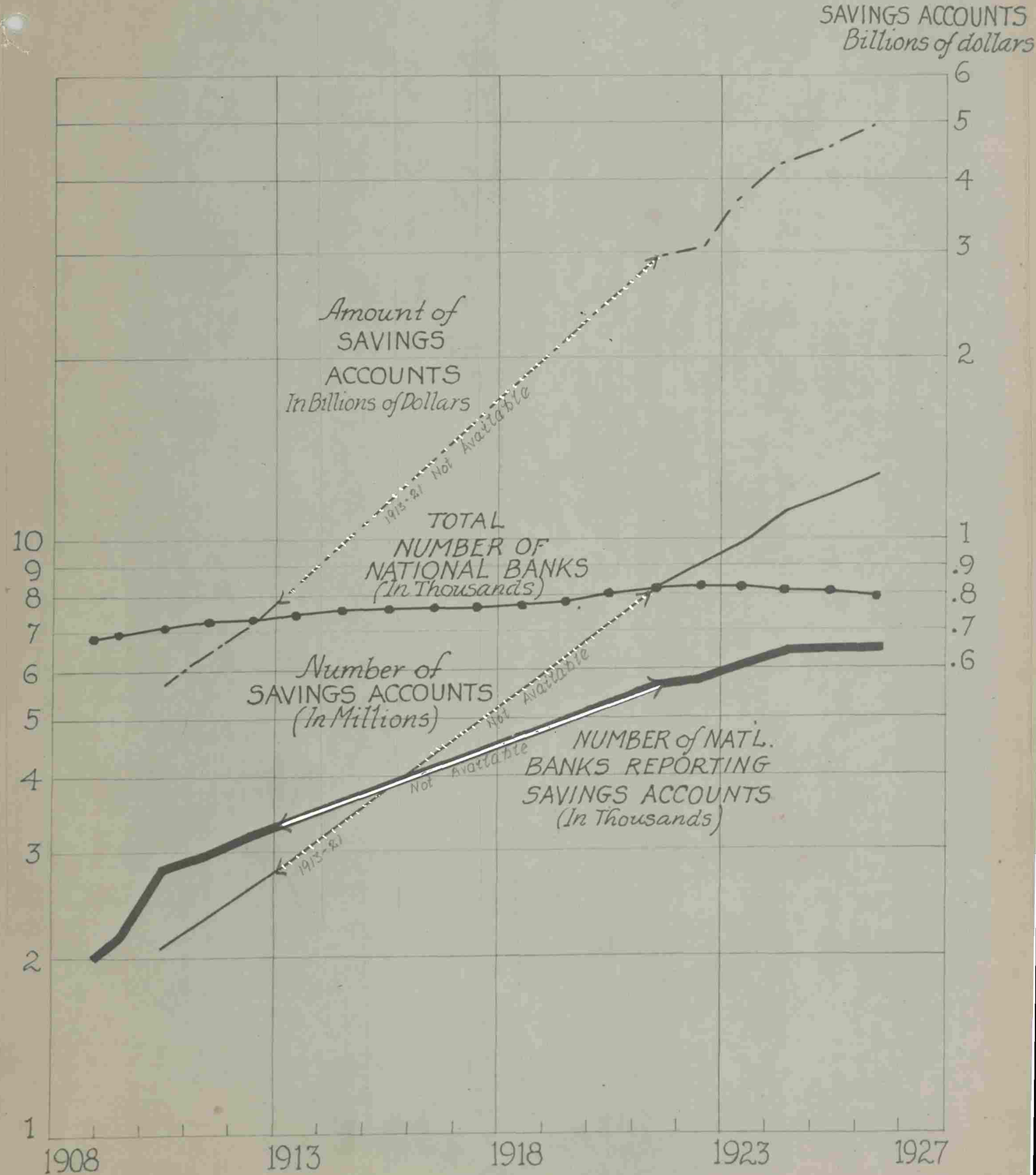
(1) That this more rapid growth of time deposits had begun before the Federal Reserve System was established, when there was no difference in the reserve requirements as to time and demand deposits; and information available does not disclose completely to what extent the growth has been affected by the lowering of reserve requirements on time deposits, first in 1914 and then in 1917.

(2) That 80 per cent or more, in the National banks at least, of these time deposits are in the form of savings deposits.

(3) That these savings deposits are distributed through an immense number of accounts--12 1/2 million accounts in the 6400 National banks which separately report these savings accounts.

(4) That the number of these savings accounts in National banks now exceeds the total number in all mutual savings banks, and that the average for each account in these National banks is under 400 dollars, while in the mutual savings banks it is just under 700 dollars.

(5) That the larger part of these time deposits are in the smaller cities and in what are classed as country banks, and that, in general, as the size of the city decreases the proportion of time deposits and of savings deposits rises.



Number of National Banks Reporting Savings Accounts Compared with Total Number of National Banks, and Growth in Number and Amount of Savings Deposits in National Banks.

(6) Finally, that in spite of the intensive campaigns carried on by banks for savings accounts, the proportion of all time and savings accounts in all banks in the country, both commercial and savings banks, to the total of individual deposits, has not materially changed since 1910, the year of the first A. B. A. compilation; that is, the greater gain in these deposits in commercial banks appears to have been at the expense of the regular savings banks.

SAVINGS DEPOSITS IN NATIONAL BANKS.

Our chief source of knowledge as to time deposits are the reports on savings deposits in National banks. These reports go back to the end of 1908. There were then 6,865 National banks, and of these 2,001 reported separately "savings" deposits. There were, even then, near to two million of these savings accounts in these 2,000 banks, with a total of well over 300 millions of savings deposits.

These reports were continued to the end of 1913 and then ceased. Even before the War the growth in these savings deposits was large, as appears from the following:

	Number of National Banks Reporting Savings Deposits	Number of Savings Accounts (000)	Amount of Savings Deposits (000)	Average Deposit
1908	2,001		$331,563	
1909	2,161		380,495	
1910	2,821	2,088	580,890	$278.20
1911	2,991	2,342	637,070	272.02
1912	3,220	2,601	719,640	276.72
1913	3,416	2,966	824,477	278.07

GROWTH SINCE 1921.

These reports were not resumed until 1921 when, out of a total of 8,154 banks, 5,620 separately reported savings. The growth since then has compared as follows:

	Number of National Banks Reporting Savings Deposits	Number of Savings Accounts (000)	Amount of Savings Deposits (000,000)	Average Deposit
1921	5,620	8,109	$2,957	$364
1922	5,785	8,875	3,046	343
1923	6,083	9,901	3,645	368
1924	6,380	11,070	4,239	382
1925	6,377	11,868	4,558	384
1926	6,428	12,573	4,963	394

SAVINGS DEPOSITS AND TIME DEPOSITS.

The interest of these reports as to savings accounts is that, for the latest year, the amount of these deposits, in the 6,400 banks separately reporting such deposits, alone represented 78.6 per cent of all time deposits in all National banks.

It is difficult to gain from the Comptroller's reports closely comparable figures prior to the formation of the Federal Reserve System, that is, from 1908 to 1913 inclusive, since the proportion of National banks reporting separately these savings accounts was very much lower, from less than a third in 1908 to considerably less than a half in 1913. But in these years the rate of increase of these savings deposits was considerably higher than in time deposits, as reported.

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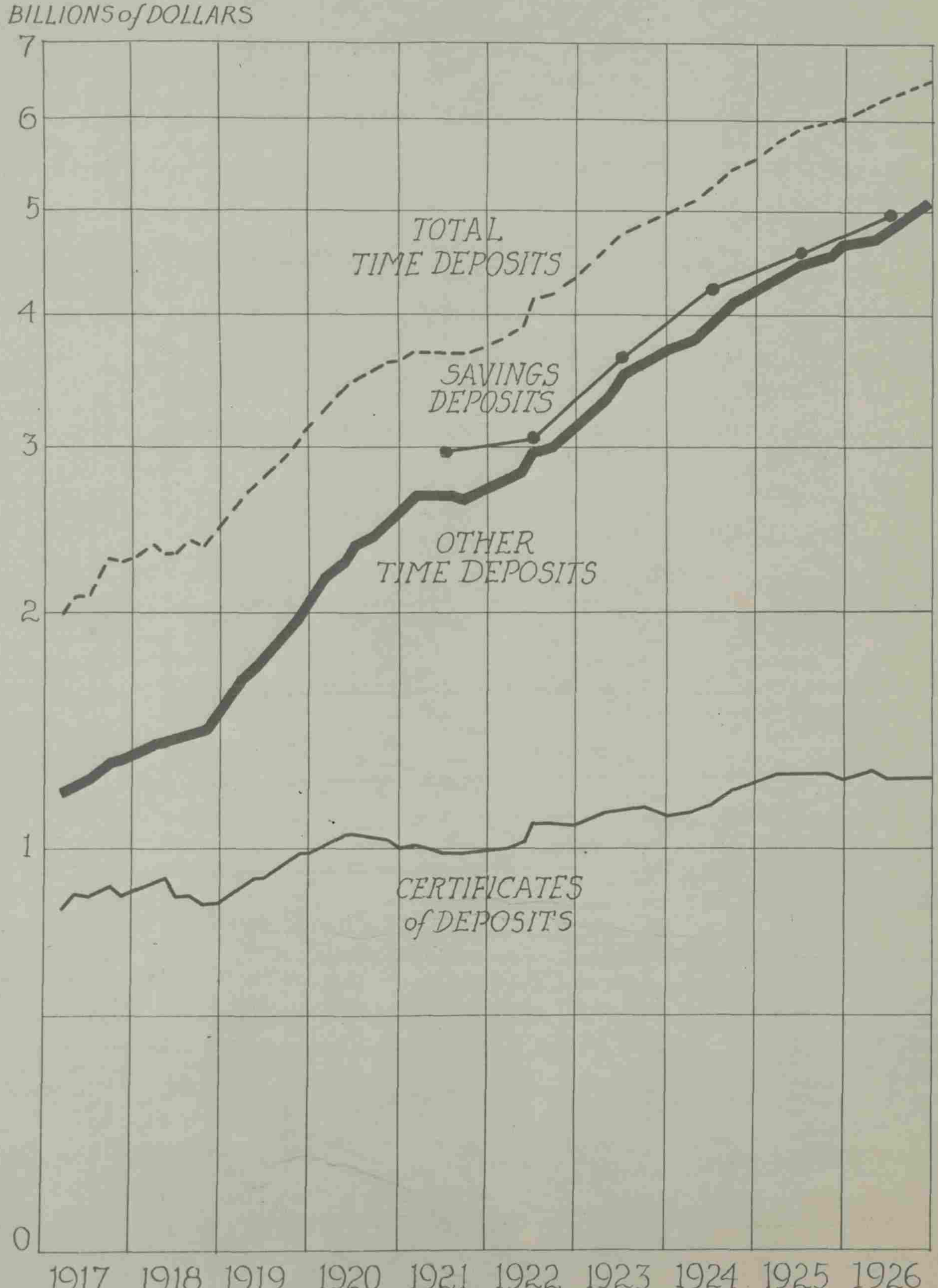
Increase in Time Deposits in National Banks, Showing Relatively Slow Growth of Certificates of Deposit, and Rapid Growth of Other Time Deposits which Follow Closely the Increase in Savings Deposits.



From 1921 onwards the reported "savings deposits" in National banks corresponded closely with the item of "other" time deposits, reports for which are available in earlier years. The growth of these "other" time deposits from 1915 was at first much more rapid than the pre-war rates; but this was true of total deposits, due to the War's inflation.

After the reduction of reserve requirements from 5 per cent to 3 per cent, in June of 1917, this rate of growth was much lower than in the three preceding years, and has been still lower since the end of the inflationary period in 1920.

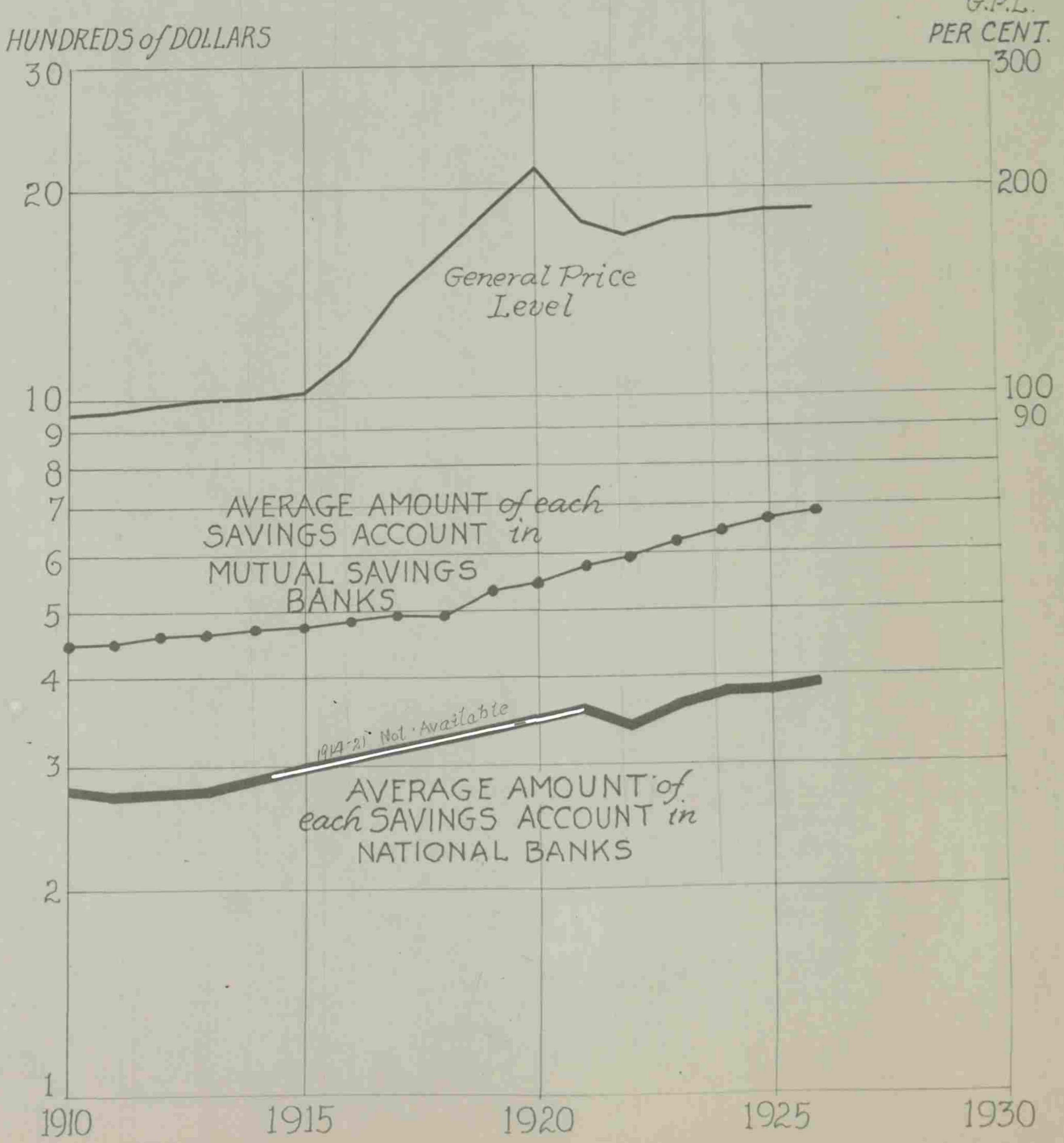
It is also of some interest to note that if the pre-war line of growth in the number of these savings accounts be continued across the gap of seven years in which they were not reported, it would thereafter coincide closely with the number reported from 1921 onwards to date.

COMPARISON WITH OTHER SAVINGS BANK DEPOSITS.

If now we compare this growth of time and savings deposits in National banks with those of mutual savings banks we find that, both before and during the War, but not so conspicuously since, the rate of growth in the National banks has been higher than in the mutual savings banks. This is true alike as to the amount of these deposits and the number of separate accounts, or "depositors."

Furthermore, the number of these savings accounts in National banks now exceeds the number in the mutual savings banks, 12 1/2 millions against 11 millions in the mutual banks.

In pre-war years mutual savings banks held nearly one-half of the total of time and savings deposits in all banks of the country. In 1926 this proportion



Average Amount of Savings Accounts in National Banks and in Mutual Savings Banks; Increase since 1910 Compared with Change in the General Price Level.

had fallen to considerably under one-third. The computation of Mr. Albig, of the American Bankers Association, is as follows:

Year	Mutual Savings	"State" Banks	Trust Companies	Private Banks	National Banks	Total Time and Savings Deposits
			(In millions)			
1911	$3,459	$2,009	$ 964	$51	$1,480	$ 7,963
1926	7,525	7,675	3,270	47	6,178	24,696

It appears, then, that the more rapid growth of these accounts in the commercial banks, and especially in the National banks, has been, as noted, at the expense of the mutual savings banks. This is in spite of the fact that, in a large number of states, there are no fixed reserve requirements for savings banks.

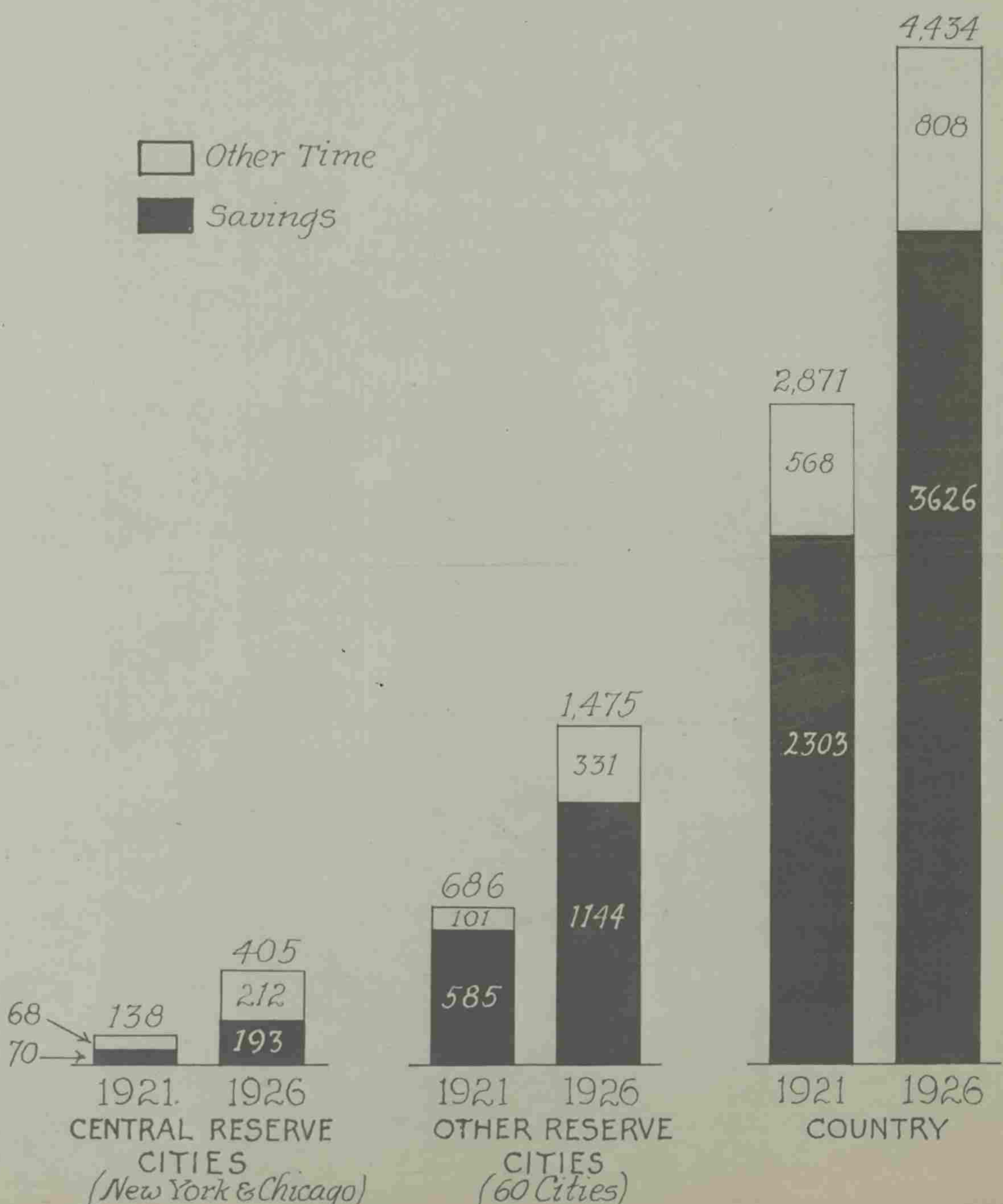
AVERAGE SAVINGS DEPOSIT ACCOUNTS.

It is of further interest to note that the average of these savings accounts in National banks is very much lower than in other savings banks, 394 dollars for each deposit against 685 dollars in the mutual savings banks and 492 dollars per deposit in the stock savings banks. Inasmuch as there is practically no limit on the amount allowed in these savings deposits in National banks, while in most of the savings banks there is a limit of about 7,500 dollars or less, one might be led to the conclusion that the reverse of this position as to average deposits would be true.

LOCATION OF SAVINGS DEPOSITS.

As between the larger cities and smaller cities and towns, it appears that, of the 5 billions of savings accounts reported in National banks, over

Amount of Savings and Other Time Deposits in National Banks in Central Reserve Cities and Other Reserve Cities, and in "Country" National Banks (In millions of dollars).



two-thirds are outside of banks in the 62 Reserve cities, that is, are in the so-called country banks.

In the two Central Reserve cities, New York and Chicago, where the amount of time deposits compared with demand deposits is relatively small, the savings accounts are still smaller. Thus, out of 404 millions of time deposits in these two cities, only 193 millions are reported as savings deposits; but a number of National banks in these cities do not report any separate savings accounts.

In the 60 other Reserve cities, a much larger percentage of banks reported these savings accounts and the total so reported makes up 77 per cent of all time deposits in all National banks in these cities.

In the National banks outside of the Reserve cities there are 6,000 or five-sixths of the whole number, reporting savings accounts, and here the proportion of savings accounts to total time deposits, in all National banks in this group, is 82 per cent. All of which is set forth in the following table:

	Number of National Banks Reporting Savings Deposits	Number of Savings Accounts	Amount of Savings Deposits (1,000)	Average Deposit	Per cent "Savings" to all Time Deposits in Group
Central Reserve Cities, 1926	26	576,959	$ 193,071	$334	47.7
Other Reserve Cities, 1926	333	2,793,078	1,144,140	409	77.6
Country Banks, 1926	6,069	9,202,964	3,625,653	393	81.8

DISTRIBUTION BY NUMBER OF ACCOUNTS.

The immensely larger part of the 12 1/2 million savings accounts in National banks are in the smaller cities. Thus, in New York and Chicago the total number of these savings accounts is only 576 thousand; in the 60 other Reserve cities, 2,793 thousand; while in the country banks the number of these accounts is over 9 millions.

In other words, the larger part of these time deposits appear to be located in areas and in banks where competition with savings banks is the keenest.

INCREASE IN SAVINGS ACCOUNTS.

In the five years from 1921 to 1926 the increase in the amount of deposits reported in these savings accounts was distributed as follows:

Central Reserve cities	$ 123	millions
Other Reserve cities	560	"
Country banks	1,323	"
	2,006	"

This two billions of increase in savings made up nearly four-fifths of the 2,618 millions of gain in all time deposits in all National banks in this period.

NON-NATIONAL TIME DEPOSITS.

We have no such definite information regarding the character of time deposits in non-National banks of the System, but it is at least interesting to note that the proportion of time deposits to combined demand and time deposits in these non-National Member Banks is at the present time about the same as for National Banks.

Further, as the growth of these savings accounts in National banks has closely paralleled the growth of time deposits, and as, in turn, the growth of total time deposits in National banks has been in recent years on about the same order as in non-National Member Banks, the inference would be that the character of these time deposits in these two groups does not greatly differ.

DISTRIBUTION OF ALL TIME DEPOSITS.

Taking all time deposits (savings deposits and other) in all Member Banks, we have the following distribution, at the latest reporting date, March 23, 1927:

Central Reserve City Banks (New York and Chicago)	1,341	millions
Other Reserve Cities (60 cities)	4,368	"
Country Banks	6,107	"
	11,816	"

Classified as to size of cities in which banks are located, we have the following proportions:

Towns and Cities of less than 5,000	1,844	millions
Towns and Cities, 5,000 to 14,999	1,211	"
Towns and Cities, 15,000 to 99,999	2,316	"
Towns and Cities, 100,000 and over	6,478	"

It is evident from this classification that a full half or more of time deposits in all Member Banks are in the so-called country banks, that is, in cities outside of the largest 62 cities of the country. Put in another way, the larger part of these time deposits appear to be in cities of less than 200,000 population, and the proportion seems to rise as the size of the cities decreases.

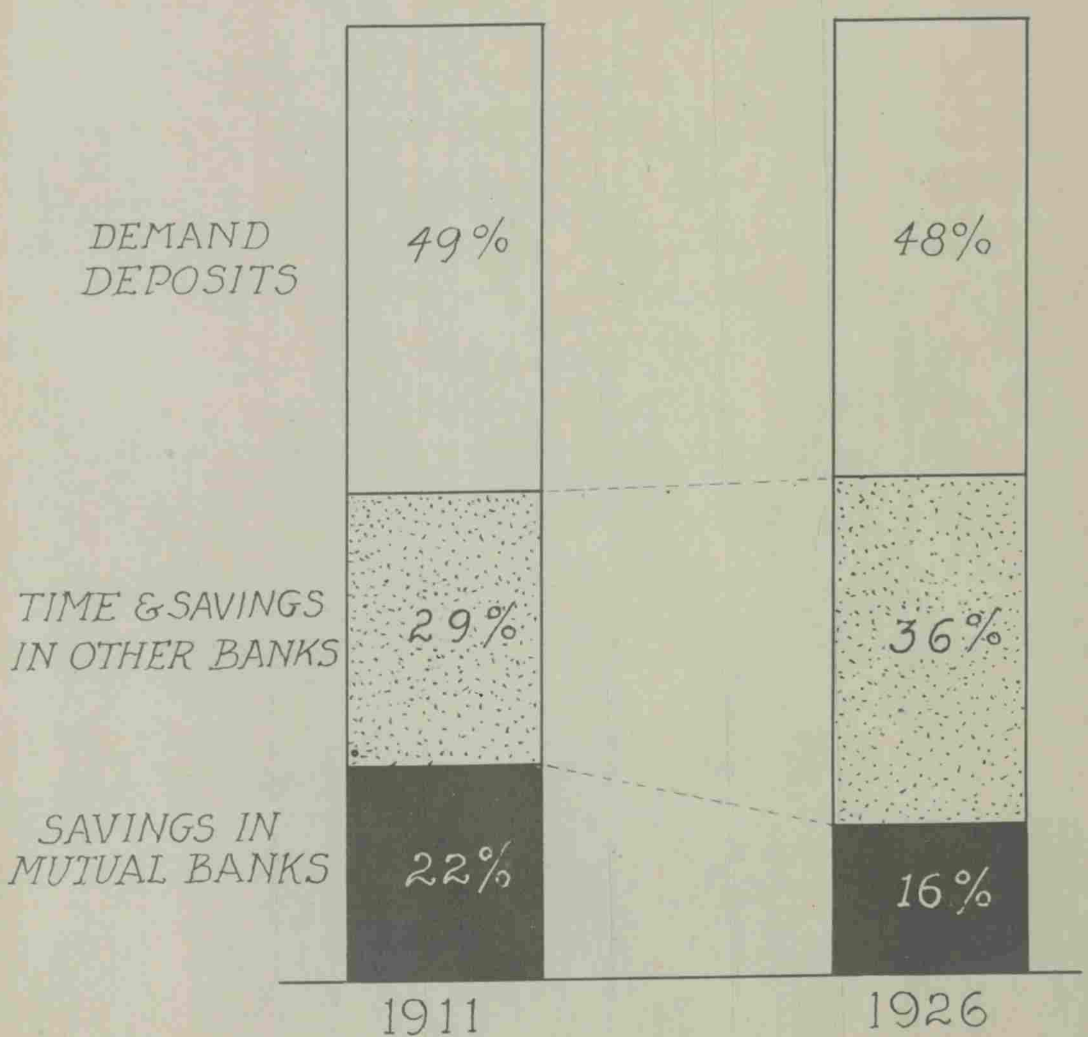
Nevertheless, one-half of these time deposits are contained in the four northeast Reserve districts, of Boston, New York, Philadelphia and Cleveland. If we add in the Chicago district, so as to take in the chief industrial or manufacturing area of the country, the proportion would rise to two-thirds.

SAVINGS GROWTH IN ALL BANKS.

Another fact of some interest is that brought out by the computation of the American Bankers Association, that, if all time and savings accounts in all banks of the United States, both commercial and savings, be combined, they represented, in 1926, over 24 billions out of a total of 47 billions of reported "individual deposits," that is, 52 per cent.

In 1911, the first year in which a complete summary was made, the proportion of total time and savings deposits to total individual deposits was 51 per cent.

In other words, taking all the banks of the country, the increase in both classes of deposits, demand deposits and time and savings deposits, in the intervening fifteen years was practically the same. It seems, therefore, to



Percentage Distribution of Total Individual Deposits in all Banks 1911 and 1926.

follow that, as suggested, the gain in these time and savings deposits in the National banks and the non-National Member Banks of the System has been at the expense of the savings banks and non-Member Banks generally.

THE TRANSFER OF DEMAND TO TIME DEPOSITS.

The rapid increase of time deposits, as compared with demand deposits, in Member Banks has naturally given rise to the supposition that, in considerable part, at least, this represented simply a transfer of inactive demand deposits to time deposits, and a number of striking instances have been cited where large corporations have actually made such transfers.

It seems impossible to ascertain how far this has gone. But we may, to some degree, test the extent and effect of such transfers by the rate of turnover or so-called "velocity" of demand deposits. Presumably, if there was a really large transfer of demand deposits to time deposits, other things being equal, that is, business and bank debits continuing their usual rate of growth, the computed rate of turnover of demand deposits would automatically rise; that is, debits would grow faster than demand deposits, and the ratio between the two would increase.

Since time deposits in New York City are of negligible amount, New York may be excluded from this calculation. Extended studies by this Department have shown that debits in 140 centres outside New York City may be compared without substantial error with the average demand deposits for each month in the weekly reporting banks. The annual averages of these computed rates of turnover, since 1919, compare as follows:

	Annual Average		Annual Average
1919	33.6	1923	32.5
1920	34.8	1924	31.5
1921	30.7	1925	32.7
1922	30.8	1926	33.7

It will be seen that, in the very active year of 1926, this rate of turnover was practically the same as in 1919, and less than that in 1920.

We have also carried out somewhat similar calculations for National banks for the fifty years back to 1875, and these show that, with minor and slow oscillations, these rates of turnover have varied little throughout the entire period. The variations shown were of a cyclical nature and corresponded closely to our measures of the oscillations of trade; and, taken in ten-year periods, at least, represented little change in the average; and were apparently in large degree independent of changes in price levels.

INCREASE IN ALL TIME DEPOSITS.

It is true that the proportion of time deposits to demand deposits was rising much more rapidly in the city banks (the 62 Reserve cities) than in the country banks, up to about 1924. But since then the rate of growth has been much more nearly equal. It seems, therefore, not very clear that the present regulations, at least in the last three years, have stimulated the relative increase of these deposits in the larger cities more than in the smaller cities and towns.

It might be added that this is further information as to the extent of the conversion of inactive demand deposits to time deposits. It seems probable that such conversions would be largest in the 62 largest cities of the country, in which by far the greater proportion of large corporations have their seats of business, and in the banks of which their surplus funds are largely held.

COMPARATIVE TOTAL RESERVES: 1919-'27.

It is of interest to note how far this increased proportion of time deposits has reduced the percentage of total reserves to total net demand and time deposits. The computation was as follows:

ALL MEMBER BANKS

(In millions of dollars)

	1919	1927
Reserves held in F. R. Banks	$1,726	$2,321
Cash in Vault	560	538
---Total Reserves	2,286	2,859
Total Net Demand and Time Deposits	19,044	30,334
---% of Reserves	12.0%	9.4%

It is extremely difficult to make comparison of the reserves held in this country with those of other countries, but it is interesting to note that the percentage of reserves held by the Member Banks in our two largest cities, New York and Chicago, compares favorably with the reported reserves in the ten clearing house banks of London. For our two Central Reserve cities the computation for June 30, 1919 and for the present year, call of March 23, is as follows:

CENTRAL RESERVE CITIES

(In millions of dollars)

	1919	1927
Reserve held in F. R. Banks	$ 772	$ 920
Cash in Vault	142	70
---Total Reserves	914	990
Total Net Demand and Time Deposits	5,821	7,677
---% of Reserves	15.7%	12.9%

In the last year or two the proportion of cash in bank and with the Bank of England to total deposits in the ten clearing house banks has ranged about 12 per cent.

These clearing banks in London have, of course, branches all over Great Britain and Ireland, so that the comparison is not exact. It may be that, on the average, the reserves in Member Banks in this country are slightly below the average for all of Great Britain.

THE APPARENT INDICATIONS.

All in all, the result of this inquiry seems to be that, in the main, the remarkable increase in time deposits in commercial banks has been in savings deposits and that while these may, especially in the cities, represent a considerable conversion of inactive demand deposits, the extent and effect of this conversion is relatively small.

So far as the reserves against these time and savings deposits are concerned, it would not appear that the more rapid growth of these deposits in commercial banks, and especially in Member Banks of the System, has resulted in a decrease of average reserves, against savings but probably quite the contrary, a considerable increase; that is to say, the required reserves in Member Banks seems much higher than the average reserves in savings banks proper.

If all this be true, it would seem that the required reserves against these deposits, or at least the main part of them, is adequate so far as experience can suggest. It may be that, in the Member Banks of the larger cities, these time deposits are to some extent only nominally such, and if so this might well lead to some change in the regulations as to the classification of these deposits. But in general it would appear that, even in the larger cities, the larger proportion of these time deposits is in the smaller banks which specialize in savings deposits.

TIME DEPOSITS AND CREDIT INFLATION.

There remains the more vital question as to whether the great increase in the proportion of time deposits has not, through the lower reserve requirements, led to an undue expansion of bank credit, beyond the needs of trade. Our main form of "currency," or circulating medium, is now bank deposits, and if these rise much more rapidly than does the volume of production and trade, one might expect that we should have the excess credit finding an outlet of some kind and bringing about a rise in the level of prices in one form or another.

There is no question that banking expansion in the Reserve System has been considerably greater than if the previous relations of time deposits and demand deposits had been preserved. We may take the difference even from the close of the War.

If, since 1919, demand and time deposits had expanded at the same rate, a calculation shows that, to reach the totals for 1926, something like 330 millions more of reserves would have been required. Or, to put it another way, on the basis of present Member Bank reserves the total of deposits of these Member Banks would now be near to 4 billion dollars less than they are, that is, around 26 billions for 1926 in lieu of close to 30 billions.

But if this extra three or four billions of deposits, resulting from the larger increase of time deposits, represented an undue increase in the effective medium of exchange of the country, it would seem that this would be reflected in a general rise in price levels.

If we take the general average of all kinds of prices, retail prices and consumers' prices generally, as well as wholesale prices, it appears that the price level of 1926 was about the same as that of 1919; at least, such is the result of several different computations which have been made by this Department, and another by the National Bureau of Economic Research.

If we take commodity prices alone the contrast is still more striking. Almost all our familiar indexes of commodity prices at wholesale are markedly below the 1919 level. Taking the most widely used index, we have this result:

Bureau of Labor Index of All Commodities,	1919	average,	206
" "	1926	"	151
Decline			26.7%

THE RELATIONSHIP BETWEEN BANK DEPOSITS AND TRADE.

All this does not at all imply that there is no relation between the credit expansion and the volume of trade, but simply that time deposits do not form a part of the active circulating medium of the country. This appears fairly clear from the following:

We have now very good measures of production and trade in this country, and the evidence is that the average rate of increase, taken over a period of years, is from 3 1/2 to 4 per cent per annum. This would mean an increase since 1919, for example, of around 30 per cent.

The Federal Reserve Board's index of production since 1919 shows an increase of just 30 per cent.

Taking the expansion of deposits in all Member Banks as a representative cross section of all the commercial banks of the country (they actually form about 70 per cent of the total), we should then have the following comparison:

Estimated Increase in Production and Trade, 1919-'26		30%
Increase in Demand Deposits	"	32%
Increase in Time Deposits	"	157%

If time deposits entered into the equation, an increase of 157 per cent would have quite upset this balance, and implied a marked rise in the price level.

AN AUTOMATIC CHECK TO INFLATION.

The above calculations suggest that, in our present reserve requirements, we have, at least to a limited extent, a kind of automatic check or balance which prevents any very serious expansion of bank credit growing out of the low required reserves against time deposits. If, for example, the reserve requirements had been such as to produce an equal growth of time and demand deposits, the possible expansion, on the actual reserves would have been, as noted above, considerably less.

As it stands, a large part of time deposits seems to flow into more or less permanent investments, in securities, and thus become a part of the more or less permanent or "fixed" capital of the country. Their rate of turnover, so far as we are able to judge, is extremely slow, and the total amount of turnover, as registered in bank debits, appears to be extremely small as compared with the colossal volume of exchanges (from 600 to 700 billions of dollars per annum) effected by demand deposits.

SAFETY OF TIME DEPOSITS.

There remains yet another question which may prove to be the most important of all, that is, the safety of these savings accounts in the Member Banks of the System and in commercial banks generally.

Mr. Albig's tabulation gives the total number in all banks of the country of these time and savings accounts, for 1926, as close to 47 millions. More than a quarter of these are accounts in National banks alone.

Twenty-three millions of these time and savings accounts are in the State banks and trust companies of which about one-half according to resources, are included in the non-National Member Banks of the System.

This means that there are something like 35 million of these time and savings bank accounts, outside of the mutual savings banks of the country, and that of these something like 20 million are in the Member Banks of the System.

Even if these time deposits continue their relative growth only at the more moderate rate of the last three years, it is still only a question of time when they will considerably exceed the total of demand deposits.

In the so-called country banks, or banks outside the Reserve cities, this condition has already been reached.

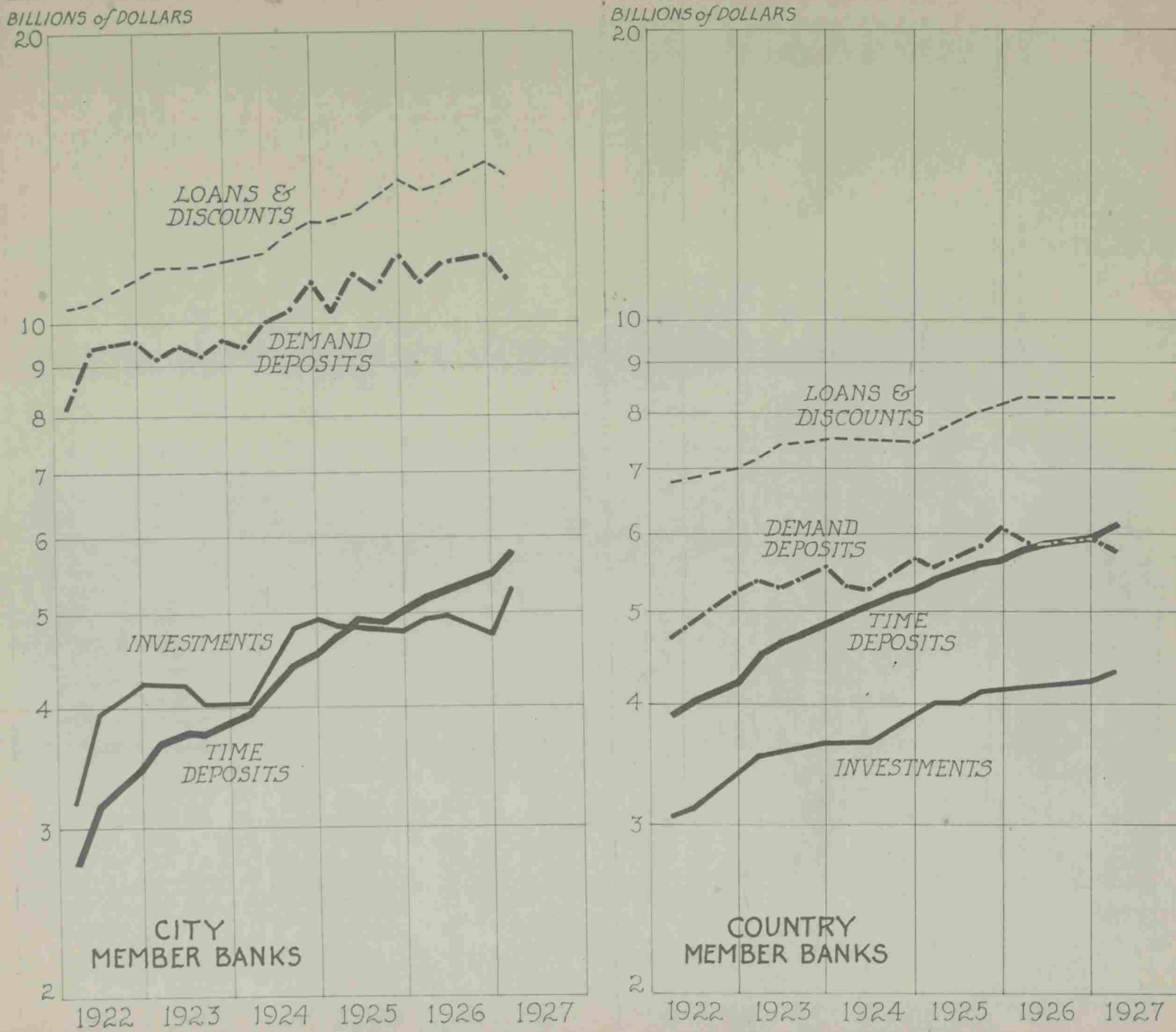
If, now, the far greater part of these time deposits, three-fourths or more, represent the savings accounts of millions of small depositors, with average accounts of not more than 500 dollars each, adequate protection of these savings depositors is a matter of serious concern.

This question has become more urgent in view of the failure of 3,000 banks in the last six years, most of them small banks in the smaller cities.

MORE ADEQUATE PROTECTION NEEDED.

It scarcely needs mention at the present time that the demand depositor in these banks may make immediate withdrawal of his funds while the time depositor may be required to give notice. In other words, in case of trouble the demand depositor has the first call on the quick assets of the bank. The time depositor must wait. If time deposits are to become the more important part of the deposits, and already involve the immensely larger number of depositors, this is a matter of real concern.

Perhaps the most obvious solution would appear to be the segregation, both actual and legal, of these savings bank accounts and the segregation, as



Growth of Time Deposits Compared with Investments, and of Demand Deposits Compared with Loans and Discounts, in City and Country Member Banks.

well, of assets against these accounts. It is not clear that higher reserves would be needfully required. A reserve of 3 per cent, with additional till money needed, would be considerably larger than the reserves now carried, for example, in the mutual savings banks of the State of New York. In these latter the combined amount of cash and "due from banks" amounts to only about 3 1/2 per cent of the total deposits of these mutual banks. The amount of actual cash, or till money, is extremely small.

SAVINGS ACCOUNTS AND INVESTMENTS.

It has been noted that a large part of the gain in time deposits has gone into the more or less permanent investments of the banks. The total amount of these investments in securities in the Member Banks of the System now amounts to over 9 1/2 billions of dollars. If 80 per cent of the time deposits in these banks are savings accounts, the total amount of investments then just about equals the total amount of their savings deposits.

The question is whether these stocks and bonds represent for the most part safe and fairly liquid investments, and whether consideration should be given to the proposal that these investments be segregated and held as security for savings deposits.

Under such an arrangement the savings bank departments of the commercial banks would then take on much more the character of true savings banks, with corresponding safeguards. Demand deposits are more typically created directly as the result of loans than is true of time deposits, and the loans of the commercial banks might, therefore, be held more directly against demand deposits.

SUMMARY

It would appear from the foregoing:

(1) That the larger part of the increase in savings deposits in the last fifteen years or more has been going into such deposits in commercial banks rather than savings banks proper.

(2) That this great increase in savings deposits in commercial banks has resulted in a corresponding rise in time deposits in these banks.

(3) That the beginning of this increase in savings and time deposits antedated the formation of the Federal Reserve System; and,

(4) It is not clear that the lowering of the reserve requirements has stimulated the growth of these savings deposits.

(5) From the rate of growth of these savings deposits it is obvious that these deposits will soon overtop all other deposits in commercial banks, and this is resulting in a transformation in the character of these banks; that is, they are being converted from essentially loan bureaus to savings and investment institutions.

(6) Evidence from particular cases indicates that these savings and time deposits include in many instances excessively large temporary deposits which should more logically be classified as demand deposits. But the evidence seems to be that these have been relatively a minor factor in the increase in time deposits.

(7) Under the present law it is difficult to correct this situation, and at some future time when the Reserve Act is being amended it would be well if the nature of time deposits could be more closely defined. In the meantime, Federal and State Examiners could do much to discover and correct more flagrant abuses.

(8) Much more important is a careful scrutiny of the nature of employment of these deposits in loans or investments, their profitability and safety, to ascertain if savings deposits are being employed in such manner that the security is inferior to that required of regular savings banks; and, secondly,

(9) A decision as to whether these loans and investments should not, in whole or in large part, be segregated against savings and time deposits, with a view to safeguarding the prompt payment of these latter in case of need.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1927 192

TO Governor Strong

SUBJECT: Time Deposits and Savings Deposits

FROM Mr. Snyder

This has required so much of digging and computation that it has been very slow. It has been worked out with Dr. Burgess, and, rather than delay further, I am sending it up in the hope that you may find time to look through it and give us any suggestions for further inquiry or any needed changes that may occur to you.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 18, 1927

TO Governor Strong

FROM Mr. Snyder

SUBJECT: The State of Trade in Other Districts

Reports of slow trade in the Boston, Cleveland and Chicago districts, at the luncheon the other day, were of such interest that I was prompted to take note of the figures.

For the last four weeks, taken up to last Thursday night, they were, for the 140 principal cities of ~~the United States~~, outside of N.Y. 5.3 per cent above the corresponding period of last year; and, as you will note, these four-weeks averages have been persistently above 1926 ever since last February.

This finding is confirmed by the averages for merchandise car loadings, which have again turned up sharply above 1926, after being temporarily below owing to the very heavy increase of shipments in April and May.

For the three Federal Reserve Districts mentioned, debits in the last four weeks have compared with the same four weeks of a year ago as follows:

Boston District	+ 5.4
Cleveland District	+17.6
Chicago District	+ 5.4

It will be seen, therefore, that the volume of trade in the Boston and Chicago districts has compared closely with the increase in the whole country, while that for the Cleveland district has been far above.

This scarcely seems evidence of "slow trade," since the same period for 1926 was much above any previous year.

Noted

B.S.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 4, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

In acknowledging receipt of a very careful and interesting index of production in Canada, from Prof. Michel, I noted the very high rate of annual increase since the close of the War--rather above 5 per cent. per year.

His comment on this is of interest; and I wonder if we are not doing something of the same thing in this country ourselves.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 8, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

This was the brief summary which was finally agreed upon with Dr. Burgess, and I should be very glad if you would let me know if this is suitable and whether any changes or additions should be made.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 9, 1927 192

TO Governor Strong

SUBJECT: Memo. on Time and Savings Deposits

FROM Mr. Snyder

Dr. Burgess suggests that, aside from copies of the memorandum on "Time and Savings Deposits" for the Federal Reserve Board, the Directors might also be interested to have this, and with your approval I am having extra copies made for this purpose.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 10, 1927 192

TO Governor Strong

SUBJECT: International Trade Balance

FROM Mr. Snyder

Mr. Grosvenor Jones will send me tomorrow the Commerce Department's final estimates of the international trade balance for 1926, and I shall then be able to make up a comparative table of their estimates for the last three or four years so that we may see how the items look.

From this it should be possible to make up a tentative budget for the next two or three years.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 10, 1927 192

TO Governor Strong

SUBJECT: Memo. on Time Deposits

FROM Mr. Snyder

This carbon copy is the same, with a few minor revisions, as that which you have.

The original, or first copy, Mr. Goldenweiser took back to Washington with him last week, promising to return it with his criticisms in a few days. I telephoned to him about it yesterday.

Shall I wait for his suggestions, or go ahead with a clean copy of the revised text?

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 15, 1927 192

TO Governor Strong

SUBJECT: Article on Poincare

FROM Mr. Snyder

This little article on Poincare gives a very different viewpoint than most that I have seen, as to his future hold.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 15, 1927 192

To Governor Strong

SUBJECT: Price Indexes

FROM Mr. Snyder

A very interesting index of construction costs for electric railway cars we have just obtained through the Philadelphia Reserve Bank. You will note that they figure their cost of materials at 100 per cent over 1914, while the Bureau of Labor group index of metals and metal products is only about 30 per cent above pre-war. This seems to me to set forth clearly the difference between the cost of raw materials and finished and semi-finished goods, and to show anew the very misleading character of our familiar indexes of commodity prices at wholesale (and how worthless these would be for purposes of determining bank credit).

Also, you will note that this company figures its wages at 160 per cent above pre-war. Which is going some.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 15, 1927 192

To Governor Strong

SUBJECT: The Course of Trade

FROM Mr. Snyder

You will note by the attached that the very strong bulge in trade in the second quarter of the year, and through July, has tended to flatten out since the first of the month.

This is in the face of very active stock speculation and very heavy financial transactions; which illustrates anew, I believe, how extremely well outside debits reflect real business conditions.

Just as confirming this, may I recall again how extraordinarily each week's movements duplicate those of the same week of the preceding year, as you will note by the chart of weekly movements?

Loans not far from Seasonal Normal!

BS

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 15, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

The Fisher syndicated article, usually in Monday's World, was omitted this week, and I do not know of any other place to find it. Perhaps something like the following would be an adequate reply:

"Dear Sir:

"I have not seen the article by Professor Irving Fisher, and it was not enclosed in your note. The sentence you quote, however, is a correct statement of fact.

"I am not aware that Professor Fisher is known as 'a notorious liar.'

"Sincerely yours,"

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 16, 1927 192

TO Mr. Case

SUBJECT: Savings and Time Deposits

FROM Mr. Snyder

We have been making a quite elaborate study for the Board of the character of time deposits, and as our results were rather surprising, and, I felt, very interesting, you may like to look the report over. Attached herewith.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 17, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Attached is Mr. Goldenweiser's letter regarding the memorandum on "Time Deposits and Savings Deposits," with Miss Bagwell's comments thereon. In view of the latter I see nothing to change in the estimates made.

Charts on ratio paper:
Loans, Inv., Demand & T. Dep. in Country Bks of F.R.S.
" " " " " City Mem. " " "
Growth of Ind. Dep. in Natl. Bks.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 17, 1927 192

TO Mr. Snyder

SUBJECT: Mr. Goldenweiser's Comments on "Time and Savings Deposits"

FROM Miss Bagwell

I. First of all, I agree that there is absence of reliable statistics for earlier years. The figures I found for savings deposits were not in the condition reports of National banks, but in the classifications of individual deposits in all banks, or in some remote part of the text or foot-note. Time certificates, however, were given rather consistently. And I added these to the "savings" deposits to represent total time deposits, 1909 to 1913. After 1914, with the inauguration of the Federal Reserve System, the report of savings deposits was dropped entirely and total time deposits seemed to show something like a default. The series of time certificates did not seem quite continuous with "certificates of deposit due on or after 30 days." Hence, I do not think that Mr. Goldenweiser's comparison is correct for 1909 and 1915, as regards relative increase of time and demand deposits. The following tabulation, although none can be strictly comparable, seems fairer:

	Demand Deposits	Time Deposits	Ratio of Time to Demand Deposits %	% Increase Over Previous Report	% Increase per Annum
Apr. 28, 1909	4,084	743*	18	--	--
Mar. 4, 1914	4,680**	1,431*	31	72	11.5
May 1, 1915	5,325	1,294	24	--	--
Apr. 28, 1921	8,881	3,699	42	75	9.8
Mar. 23, 1927	10,827	7,054	65	55	7.6

*Time certificates plus savings.
**Total individual minus time deposits.

Also, you did not make any absolute claim that growth of the relative of time to demand deposits in National banks for which the above tabulation was made was as rapid before the F. R. System. You said:

"That this more rapid growth of time deposits had begun before the Federal Reserve System was established. . ." p. 2. And with regard to National banks, you said:

"Even before the War the growth of these savings deposits was large," p. 3.

You have repeated that time deposits in National banks have grown at the expense of savings banks proper, and that the total of time deposits in all banks to the total individual deposits in all banks is not very different from the proportion in 1911.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 17, 1927 192

TO Mr. Snyder

SUBJECT: Mr. Goldenweiser's Comments on "Time and Savings Deposits"

FROM Miss Bagwell

II. With regard to the more rapid growth of time deposits relative to demand deposits in city banks than country banks, you stated that this was true up to 1924, and that since then the growth was more nearly equal. (See p. 12) That one may see from the charts.

III. The question of the value of reported "savings deposits" is more or less a matter of personal opinion, but the number of banks reporting, and amount of deposits, seem fairly consistent, and the latter compare well with "other time" deposits, the only important item of total time deposits excepting "time certificates." The "savings" data seem to be the result of a rather good questionnaire.

All together, there seems to be nothing in Mr. Goldenweiser's suggestions to refute any of your arguments.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 8/16 1927

TO Mr. Snyder

FROM Lucile Bagwell

SUBJECT: ~~Regarding~~ Mr. Goldenweiser's ~~comments on your~~ "Time and Savings Deposits ~~and Reserve Requirements~~" memo ~~to Gov. Strong~~.

I. First of all, I agree that there is absence of reliable statistics for earlier years. The figures I found for savings deposits were not in the condition reports of national banks, but in the classifications of individual deposits in all banks, or in some remote part of the text or foot-note. Time certificates, however, were given rather consistently. And I added these to the "savings" deposits to represent total time deposits, 1909 to 1913. After 1914, with the inauguration of the Federal Reserve System, the report of savings deposits was dropped entirely and total time deposits seemed to show something like a default. The series of time certificates did not seem quite continuous with "certificates of deposit due on or after 30 days". Hence, I do not think that Mr. Goldenweiser's comparison is ~~fair~~ correct for 1909 and 1915, as regards relative increase of time and demand deposits. The following tabulation, although none can be strictly comparable, seems fairer:

	Demand Deposits	Time Deposits	Ratio of Time to Demand Deposits %	Percentage Increase over Previous Report	% In. per Annum
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May 1, 1915	5,325	1,294	24	—	—
Apr. 28, 1921	8,881	3,699	42	75	9.8
Mar. 23, 1927	10,827	7,054	65	55	7.5

* Time certificates plus savings. ** Total individual minus time deposits.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 8/16 1927

To Mr. Snyder

SUBJECT:

FROM Lucile Bagwell

Also, you did not make any absolute claim that growth of the relative ~~of~~ time to demand deposits in national banks, for which the above tabulation was made, was as rapid before the F.R. system. You said:

"That this more rapid growth of time deposits had begun before the Federal Reserve System was established...." p.2 And with regard to national banks, you said:

"Even before the War the growth of these savings deposits was large." p.3

You have repeated that time deposits in national banks have grown at the expense of savings banks proper, and that the total of time deposits in all banks to ~~these~~ the total individual deposits in all banks is not very different from the proportion in 1911.

II With regard to the more rapid growth ~~of~~ ~~time deposits~~ relative to demand deposits ~~in~~ city banks than country banks, you stated that this was true up to 1924, and that since then the growth was more nearly equal. (See p.12) That one may see from the charts.

III The question of the value of reported "savings deposits" is more or less a matter of personal opinion, but the number of banks reporting, amount of deposits seem fairly consistent, and to compare well with "other time" deposits, the only ~~other~~ important item of total time deposits, excepting ~~than~~ "time certificates". The "savings" data seem to be the result of a good questionaire.

All together there ~~is~~ seems to be nothing in Mr. Goldenweiser's suggestions to refute any of your arguments.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 17, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

Mr. Sterrett gave us some rather interesting details of the work of the Transfer Committee, most of which you are doubtless familiar with--especially as to the cooperation which Gilbert and the Committee had been able to secure from the members of the Reparations Committee, the degree of unanimity which had been secured in the Transfer Committee itself--that they have to date never made a decision, of any importance I suppose he meant, with a divided vote.

As you may possibly know, Sterrett takes the view that if it should become clear that the transfer of any such amounts in exchange as those proposed for the fifth and maximum annuity is impossible, negotiations will be begun in sufficient time to avert any serious crisis and probably bring about some sort of modification of the terms. He thinks that Gilbert has won the confidence of the different governments and the different members of the Reparations Committee to an extraordinary degree, and established very fine relations with Germany itself.

Mr. Sterrett gave the history of the compounding, last year, of the supplementary payment for 1927 and 1928, of 500 million marks for 300 million cash, as an instance where Germany might well have pleaded poverty and difficulties and, instead of that, made an advance payment in order to secure a heavy discount. He looked upon this as clear evidence of Germany's good intent to carry out the agreement to the limit of its ability. He does not feel apprehensive of any serious crisis and thinks that time will bring about some reasonable compromise.

I wonder if, from reading Gilbert's last report, you did not get the impression that Gilbert himself has something of the same view or feeling.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Aug. 18, 1927 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

You may like just to see this, as an interesting bit.

Letter from Mr. Grosvenor Jones of Aug. 17, '27

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 3, 1927 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT: Christian Science Monitor

Letter of 9/29/27 from John A. St. Cro[illegible]

RECEIVED-3
OCT 4 '27
DISPATCHED
FEDERAL RESERVE BANK
NEW YORK, N.Y.

I talked with Burgess about this letter and his idea was that an article of three hundred words, as part of an extended series, was hardly worth while. But possibly you had some special idea about it--or something you would like to see said?

No - just as you decide. But this is a chance to get something in a good publication B.S.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 3, 1927 192

TO ~~Governor~~ Strong

SUBJECT: Rising Bank Debits

FROM Mr. Snyder

Mr. Keyser has estimated the last two days of September, and here are the returns comparing New York City with the outside and then cutting out three other large financial centres (Boston, Philadelphia and Chicago).

You will note that relatively the upturn in Sept was stronger in the 137 cities than in New York City.

Further: note that the contour of the week-to-week plottings on the large chart are very closely the same, especially as last year--just a difference in degree.

Much the same is true of the plottings of the four weeks' sliding average on the other chart.

None of us down here ~~are~~ is able to think of any "conjuncture" that would especially influence the course of the last four weeks. If there were any such conjunction, would not the week-to-week plottings on the big chart be apt to show a distinctly different shape, from last year?

The car loadings figures, which will be in in a day or two, should be instructive.

Looks as though we always grow!

BS

Misc. 4 A 180 M 1-26

Mr Snyder

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1927

TO Governor Strong

SUBJECT: Publicity

FROM Mr. Snyder

Here is another opportunity which you may like to consider, of a rather more attractive character.

He has already approached with you & G.L.H. this is for Governor to decide

B.S.

W.R.B.

On National Affairs
A Weekly Section of
Yale Daily News
YALE STATION
NEW HAVEN, CONN.

September 21, 1927.

Carl Snyder, Gen. Statistician,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Mr. Snyder:

When talking to many of the country's most representative men concerning my work on the Yale Daily News, practically all have suggested that I write you as the most representative and authoritative man in your field. I am writing at the particular suggestion of Mr. J. B. Anderson, Asst. Federal Reserve Agent, Federal Reserve Bank of Cleveland.

Throughout the coming academic uear the Yale Daily News will publish a special weekly section, ON NATIONAL AFFAIRS, which has as its object the education of the nation's youth upon affairs of national importance. The articles in this section will come from the pens of the most authoritative and representative men in the United States.

The influence of ON NATIONAL AFFAIRS will not be limited to those who read the Yale Daily News. By syndicating the articles, which the Yale Daily News secures, to the publications of preparatory schools and colleges, it is hoped that it may be possible to benefit the younger generation at large. Few of the students in question have anything but a superficial knowledge concerning national issues; surely a comprehension of affairs of nationwide importance will be of material help to them after graduation.

Enclosed sheet explains in great detail ON NATIONAL AFFAIRS, its aim and scope.

The editors of the Yale Daily News, whom I represent, feel that it would be a great honor to include in this section an article signed by you. Undoubtedly you have material at hand from which you could have written for your signature 1,000 - 2,000 words on The Strong Stabilization Bill, or some other subject of your own choosing.

I realize that it is perhaps presumptuous for me to ask a favor of this nature from you. My excuse is that your name will supply the impetus toward a broadening influence upon the youth of America.

Because I am anxious to have the first issues of ON NATIONAL AFFAIRS sterling in quality and because of the necessity of having the articles set-up long in advance, I am taking the liberty of asking whether I could have a manuscript from you by October 15th. If, however, other matters require all of your attention at the present time, it would be preferable to wait upon your convenience than not to have your article at all, merely because you are tied up at the moment.

I would greatly appreciate your advising me care Yale Daily News, New Haven, Conn., whether you think my plan is a worthy one and whether you are inclined to comply with the request for an article.

Yours very truly,

T. B. Grandin

Thomas B. Grandin,
Editor.

TBG:MF

ON NATIONAL AFFAIRS

A weekly Section of

YALE DAILY NEWS

By having articles from the most authoritative and representative men in the United States upon affairs of nationwide importance, ON NATIONAL AFFAIRS, a weekly section of the Yale Daily News, hopes to benefit the undergraduates of Yale University, and, by syndicating these articles to preparatory school and college newspapers, to promote as well a beneficial interest in such topics among the nation's youth.

There are approximately 400 preparatory school and college papers which are published weekly or oftener. These have a combined average guaranteed circulation of approximately 465,000. When taking into consideration the fact that two roommates take one subscription and that about five subscriptions cover fifty or more members of a fraternity, the above estimate would be doubled.

ON NATIONAL AFFAIRS is entirely non-partisan in policy and does not necessarily endorse any sentiments expressed therein. Although in most cases objective opinion only is printed, it is felt that the subjective sentiments of nationally prominent persons form interesting variety. In order to prevent encyclopedic tendencies, articles valuable for their timeliness will be in the majority, although interspersed with these will be a few papers fundamentally authoritative in nature. For the purpose of making this section readable, a photograph of each author will be published in conjunction with his article. Human interest will be provided by the publication of a brief biography of each writer. A resume of every contribution will be featured in order that the reader may decide whether the thoughts of the writer are of interest to him.

It is impossible to interest every reader in every subject. For this reason ON NATIONAL AFFAIRS has sufficient scope to afford a large choice. The section is a convenient medium for education upon timely, national issues from authorities in each particular field.

ON NATIONAL AFFAIRS will cover the following: (1) GOVERNMENT (Federal, Municipal); (2) NATIONAL PROBLEMS (Aviation, China, Crime, Charity, Debts, Flood, Foreign Relations, Hospitals, Immigration, Latin America, Law Reform, Politics, Prohibition, Negro Problem, Reform of State Government, Russia, Woman Suffrage, World Peace, The Vote); (3) BUSINESS (Accounting, Advertising, Agriculture, Automobiles, Aviation, Banking and Commerce, Business Ratings, Cement, Coal, Chain Stores, Copper, Fruit, General Economic View, Hotels, Installment Plan of Purchase, Insurance, Investment Banking, Journalism, Lumber, Mail Order Stores, Motion Pictures, New York Stock Exchange, Oil, Paint, Paper, Public Utilities, Public Utility Financing, Publishing, Railroads, Real Estate, Rubber, Shipping, Silk, The Stage, Tobacco, Steel and Iron, U. S. Chamber of Commerce, Warehousing, Woolens); (4) CULTURE (Architecture, Dancing, Drama, Education, Music, Painting, Poetry, Prose, Sculpture, Science); (5) GENERAL (Exploration and Hunting, How the World Gets Its News, Sport).

The following have promised to write articles for ON NATIONAL AFFAIRS and in many cases the manuscripts have been received:

Ackerman, Frederick L., architect.
Addinsell, Harry M., Harris, Forbes & Co. and authority on public utility financing.
Allen, Florence E., Justice Supreme Court of Ohio.
Atterbury, Gen. W. W., Pres., Penna. R. R. Company.
Ayres, Col. Leonard P., Vice Pres., Cleveland Trust Co.

Baker, Newton D., ex-Sec'y of War.
Bowman, John McE., Bowman-Biltmore Hotels.
Boynton, Charles H., Atlas Portland Cement Co.
Burton, Theodore E.. Congressman and Ex-Senator from Ohio.

Calkins, Ernest E., Calkins & Holden.
Cobb, B. C., Vice Pres., Commonwealth Power Co.
Coit, Dr. J. Eliot, Coit Agricultural Service.
Compton, Dr. Wilson, Sec'y and Mgr., National Lumber Manufacturers Association.
Cook. W. W.. Professor at Yale University.
Curtiss, Frederick H., Chairman, Federal Reserve Bank of Boston.

Daniels, W. M., Professor at Yale University and authority on Railroad Consolidation.
Danielson, Richard E., Pres. and Editor of "The Sportsman."
Davis, Malcolm W., Editor Yale University Press.
Denny, Reginald, Motion Picture Actor.
Dodd. William E., Professor at Chicago University.
Dodd. W. F., Professor at Yale University.
Doran, George H., Pres., Geo. H. Doran Co.
Doran, J K., Commissioner of Prohibition.
Douglas, J. F., Pres., Metropolitan Bldg. Co.

Ernst. A. C., Managing Partner, Ernst and Ernst.

Fancher, E. R., Governor, Federal Reserve Bank of Cleveland.
Farrar, John, author.

Gandy, Harry S., Pres., National Coal Ass'n.
Garfield, Abram, architect.
Gary, the late Judge Elbert H.
Geer, William C., Dir. and Technical Advisor, B. F. Goodrich Co.
Gehlke, Dr. C. E., Professor at Western Reserve University and authority on statistics on crime.
Graves, Provost H. S., Dean of Yale School of Forestry.
Graustein, A. R., Pres., International Paper Co.
Gulick, Paul, Universal Pictures Corp.

Holsey, Albon L., Sec'y, Tuskegee Institute.
Hatton, Dr. A. R., Originator of City Managership Plan.
Hays, Will H., Pres., Motion Picture Producers and Distributors of America.
Hogan, W. J., Pres. and Treas., Interstate Terminals Corp.
Husband, W. W., 2nd Ass't Sec'y of Labor.
Hutcheson, Ernest, Juilliard Graduate School.

Johnson, Pyke, National Automobile Chamber of Commerce.

Kulas, Elroy John, Pres., Otis Steel Co. and Midland Steel Products Co.

Laemmle, Carl Sr., Pres., Universal Pictures Corp.
Lawrence, David, Pres., United States Daily.
Lippman, Walter, author.
Long, R. A., Chairman, Long-Bell Lumber Co.
Ludington, Katharine, 1st Vice Pres., National League of Women Voters.

Macomber, John R., Pres., Harris, Forbes & Co., Inc.
Mason, Julian S., Editor, New York Evening Post.
Merritt, Schuyler, Congressman from Connecticut.
Morris, Frederick K., American Museum of Natural History.

O'Leary, John W., Pres., U. S. Chamber of Commerce.

Parker, Dr. E. W., Dir., Anthracite Bureau of Information.
Pew, Marlen E., "Editor and Publisher."
Powers, Marsh K., Powers-House Co.

Redfield, William C., author.
Reynolds, George M., Chairman, Continental and Commercial Bank of Chicago.

Sill, Dr. Frederick H., O. H. C., Headmaster, Kent School.
Simmons, E. H. H., Pres., New York Stock Exchange.
Stayton, W. H., Nat. Chairman, Ass'n against Prohibition Amendment.
Sullivan, Mark.

Teagle, Walter C., Pres., Standard Oil Co. of New Jersey.
Trowbridge, Alexander Buel, Pres., Architectural League of New York.

Vasconcelos, Dr. Jose, Professor at Chicago University.
Van Beuren, Dr. Frederick T. Jr., Columbia University.

Wright, Howell, Dir. of Public Utilities in City Manager's Cabinet,
Wickersham, George W., ex-Attorney-General of United States.
Cleveland.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 19, 1927 192

TO Governor Strong

SUBJECT: Expanding Trade

FROM Mr. Snyder

Another heavy increase this week in the volume of bank debits outside New York City, carrying the four-weeks moving average to 8 per cent over the same period a year ago.

This week's outside clearings, by the way, were a record.

Nor, apparently, was the increase largely in the financial centres.

If we take the total of 258 centres now reporting, and exclude the four largest clearings centres, New York, Boston, Philadelphia and Chicago, the percentage of increase over last week and over the same week a year ago is practically the same as for the whole, although the amount of clearings so remaining is less than one-third of the total. That is to say, the indications are that the increase was practically the same in the smaller reporting centres as in the larger.

Noted

BS.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 28, 1927 192

TO Governor Strong

FROM Mr. Snyder

SUBJECT: German Imports in 1927

We have the detailed figures for German imports for the first eight months of the year, and these have increased 3 billion marks over the same period of 1926, or at the rate of about 4½ billions for the year.

The increased imports of foodstuffs amounted to about 550 million marks, of which the principal items were barley and corn; which may have been for more beer and alcohol.

The principal increase was in raw materials, which amounted to nearly 1700 million marks. The chief items were the increases in wool, cotton and copper.

The total amount of manufactures imported increased by about 750 million marks and was just about double the year previous. These increases were distributed rather evenly over a great variety of wares.

Exports for these eight months had run almost exactly the same as last year, and the same was true for September and for nine months. But in explanation of the increase in imports it should be noted that in the earlier part of 1926 imports had a sharp fall from the levels of 1925, so that actually this year's imports look more like the normal thing.

Both imports and exports have been running at something like 1913 figures, i.e., around 10 billions of marks, and there must be a difference of at least 40 to 50 per cent in the average of prices here involved, so that really Germany's imports in 1926 appear to ~~be~~ have been somewhere around 30 per cent less than pre-war (1913 being a good representative year), taken in relative values.

Would you like a detailed study of German trade, or does this suffice for your purpose? There is a great abundance of materials.

But that Germany is coming back strongly, industrially, is evident among other things in the appearance of several new and rather expensive industrial and trade journals, of which the attached is the latest.

MISC. 3.1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 4, 1927 192

TO Governor Strong

SUBJECT: Lansburgh on the Gold Exchange Standard

FROM Mr. Snyder

I have been reading the article by Alfred Lansburgh, which you had translated, on the policy of Central Banks of having large holdings of foreign bills of exchange. Does it not seem to you that he is rather setting up a man of straw, in his theory that this policy would bring the Central Banks more into conflict than under the more rigid gold standard?

What difference does it make to a Central Bank whether it is to lose gold or have foreign balances drawn down? And if the policy of large foreign balances were generally followed, would not this, under wise management and proper cooperation, form just as stable a system as one involving the actual transport of gold?

Is not, in either case, the final test the effect upon each nation's volume of credit? And is not the test of the proper size of this volume the question whether a country's price levels are out of line with those of other countries, i.e., the world level?

After all, is not the universal tendency of banking, as it develops and integrates, always towards lower reserve ratios, and will this not be true in turn of Central Banks as they also learn to cooperate and, in a sense, to integrate, i.e., mutually display a proper regard for the interests of other nations?

And is not this development clearly ahead?

Mr. Snyder

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 15, 1927 192

TO Governor Strong

SUBJECT: State of Trade

FROM Mr. Snyder

It is puzzling to reconcile the view that "business is now on a downward trend" with the course of outside bank debits in the last two or three months. You get very much the same picture if you take debits outside the four largest trading centres.

We have made a careful study of the relationship with speculation and new financing, and find that the trend of debits does not needfully agree with either or the combination of the two.

For example, in July new domestic corporate financing was nearly 25 per cent below the previous July, and shares sold on the New York Exchange about the same, but outside debits were very much higher.

In the next month, of August, both shares sold and new financing rose abruptly, new financing being more than double, and outside debits declined to a little above the previous year.

In the next month, of September, there was no increase either in shares sold or in new financing, but outside debits rose considerably.

In the next month, October, debits followed much the same course as speculation and financing.

In October speculation and new financing were practically at record. Would you say that these are the usual accompaniments of declining trade?

No by Jove!

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 16, 1927 192

TO Governor Strong

SUBJECT: English Bank Note Elasticity

FROM Mr. Snyder

According to the published figures, the amount of Bank of England notes in circulation before the War appeared to vary slightly with the season and to grow very slowly from year to year, and that was all. In nearly forty years the amount in circulation rose from only about £20 million to £27 million, and the seasonal swing within the year was, at the extremes, in the proportion of about 20 to 22 in latter years.

In the forty-eight years from the last great English panic, of 1866, to the outbreak of the War, the year of severest strain, and of the highest bank rate, both actual and average for the year, was the Baring failure year of 1890, and you will see by the attached that the amount of note circulation changed extremely little and in about the usual seasonal way.

The combined gold in both departments varied considerably more, but even in November and December, when the bank rate went to the highest point, the total was about the same as the amount held in February and March; about £24 millions.

The extreme drain was from this March figure to £19.7 million in October, and, as you see, the recovery was very strong, the net gold imports for November amounting to £5 million.

The actual amount of gold exports in September and October, the months of extreme strain, was under £1,500 thousand, but the previous net gain from the first of the year had amounted to over £3,000 thousand. And in the next month of November the £1,500 thousand loss was turned into a £5,000 thousand gain.

These figures, it seems to me, do not give any very clear picture of the pressure on the bank because we do not know how much of the imported gold went into general circulation and how much was held outside of the Bank of England in other banks.

In a period of ten years, from 1889 to 1899, the Bank of England gained only about £10 million in total gold holdings, while the net imports of gold for the period were around £40 million; and the note issue rose very slowly.

Perhaps you can suggest a better mode of approach to the question of currency elasticity in Great Britain before the War. Apparently the English stock of gold in this period was always much larger outside the Bank of England than in it, and latterly was very much larger than the total of net circulation. And it would appear from this that the main variations in circulation, as they must have occurred, were in the amount of gold in circulation and not of notes. Does this tally with your impression? I had never thought of it that way.

Mr. Carl Snyder

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 16, 1927 192

TO Governor Strong

SUBJECT: State of Trade

FROM Mr. Snyder

With yesterday's memorandum, as to whether we are in "a period of declining trade," I meant to send you the chart of outside bank debits to date.

Still climbing!

Curious how each year repeats the las

B.S.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 16, 1927

TO Governor Strong

SUBJECT: Our Banking Strength

FROM Mr. Snyder

Your question as to whether our preponderant banking and financial strength is a source of possible weakness is extremely interesting, and I have pondered it. But it seems to me that our banking strength is not so far out of line with our amazing position in the world as to our physical possessions and production. Consider our proportion in a few items:

Railway freight traffic (ton miles)	52 per cent
Petroleum Production	72 "
Telephones, Number	62 "
Cotton Production	54 "
Steel Production	51 "
Automobiles, Number	81 "

Our percentages of world consumption:

Rubber	65 per cent
Silk	63 "
Tin	52 "
Nickel	53 "
Coffee	50 "
Sugar	24 "

Is it not astounding to find that we drink half the world's coffee? Hardly believable.

Miss Bagwell has made a calculation of the ten leading mineral products and gets a proportion of 47 per cent of the world's total (average of the ten percentages).

I have continued the bank deposit study in a little comparison of currency, gold holdings, and international trade, which also seems to point to more or less the same idea of what an overwhelming position, industrially and financially, the United States now holds. I feel as though we had hardly awakened to the reality yet.

Possibly you recall a suggestion I made four or five years ago that, having so much of the gold and such banking strength and industrial capacity and wealth and all, it seemed to me as though the United States might well become a kind of reservoir of the world's gold. Seeing that it now seems as if we were the one country in the world which could direct its bank policy on a truly scientific basis, unhampered by governmental or other restrictions, and with such preponderant power, I cannot escape the feeling that this is "our manifest destiny."

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 16, 1927 192

TO Governor Strong

SUBJECT: Our Banking Strength

FROM Mr. Snyder

And, what is more, does it not seem as though, in the last five years or so, this is exactly what we have been doing? Consider that we now have nearly five times the banking strength and gold, and at least three times the wealth, income and industrial product of the next most powerful nation, and the above thought does not seem so unreasonable; i.e., is it not the reality which stirs the imagination? And haven't we a really wonderful role to fulfill and, as I feel, the background, the strength, and the statistical information needed to play it?

Referred to Mr. McGarrah
by Mr. Strong.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 28, 1927 192

To Governor Strong

SUBJECT: Department Store Sales (New York City and the whole country)

FROM Mr. Snyder

Here is another curious finding, as illustrating business stability, to match the extraordinary likeness of the week by week movements of outside debits compared with previous years.

New York's district sales make up a little over 20 per cent of the total reported by the Federal Reserve Board now. And yet, month by month, with a little difference, you will note, of the seasonal movement, they are almost identical. (No corrections here for trend or seasonal of any kind.)

This reminds me very much of the index of trade gotten up by the Federal Reserve Bank at San Francisco for the Twelfth Federal Reserve District, based upon bank debits in twelve Pacific Coast cities, which I think I never sent you. It was almost a replica, month by month, of our index of debits in 140 cities outside of New York.

This index, which I thought was extremely interesting and valuable, was suppressed by the powers at Washington, whether because it did resemble our index of outside debits, or what, I do not know.

Outside debits continue very high--average for last four weeks 11 per cent over same period last year. This is the widest spread in some years.

Mr. Snyder

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 2, 1927 192

TO Governor Strong

SUBJECT: Farming and the Federal Reserve

FROM Mr. Snyder

Is there no limit to the everlasting blah about farming, and the Federal Reserve, and the stock market? Here is the spokesman for a supposedly serious organization of business men, peddling out the same old stuff, as if the loans arising out of speculation did not add to the volume of cheap credit and thus provide a certain stimulus to business and eventually purchasing power for the farmers' products.

I do not know whether it is worth while taking note of this stuff, but this National Industrious Publicity Board, as I call it, manages in one way and another to get a vast amount of newspaper space, and I think there are a good many business men and others who take its pronouncements rather seriously. I have wondered if it would not be worth while to take up these matters with some person of distinction and standing--I had in mind Professor Kemmerer--to make an address that would deal with some of these questions in a sane way. They have asked Kemmerer, by the way, to take the Presidency of the Stable Money Association, and he could easily use that as a fulcrum, if he should accept. I suggested he have a talk with you about the question of accepting.

Burgess -

Pls do needful

BS

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 5, 1928 192

TO Governor Strong

SUBJECT: English Bank Clearings

FROM Mr. Snyder

I have been deeply interested in a little study of English bank clearings, and you may like to look at the result. The chart shows:

(1) Actual London clearings from 1900.

(2) These clearings "deflated" by the Cost of Living Index to 1919 and a computation of the "General Price Level," similar to our original computation for this country, to date.

This index is shown in the star-and-dash pencil line.

(3) By way of comparison I have added the New York City debits, in actual dollars.

The odd thing is that the rate of growth shown by the deflated figures from 1922 on has been the same as the pre-war rate of growth, 1900-1913.

The actual pre-war figures rose at a higher rate than in the last five years, but then you had steadily rising prices whereas in the last five years, in England the price level has been declining.

Now, in these last five years England has had no great boom in stocks, no building boom comparable with our own at least, and it has had extreme depression in at least four of its principal industries. Its export trade has likewise not shown the usual pre-war growth and apparently is but little larger relatively than 1913.

Also, the volume of new security issues seems, price levels allowed for, only about the same as 1913.

I can only explain this growth in the volume of clearings on the theory that there has been a real growth of domestic trade in Great Britain even while its export trade and some of its leading industries have languished; and, after all, this domestic trade must always have been near to three-fourths of the total of English trade.

I should be much indebted if you could shed any light on the problem.

You will note, incidentally, that the ratio of New York to London clearings in 1925-'26, when the price levels of the two countries had again reached something like parity, was very nearly the same as twenty-five

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 5, 1928 192

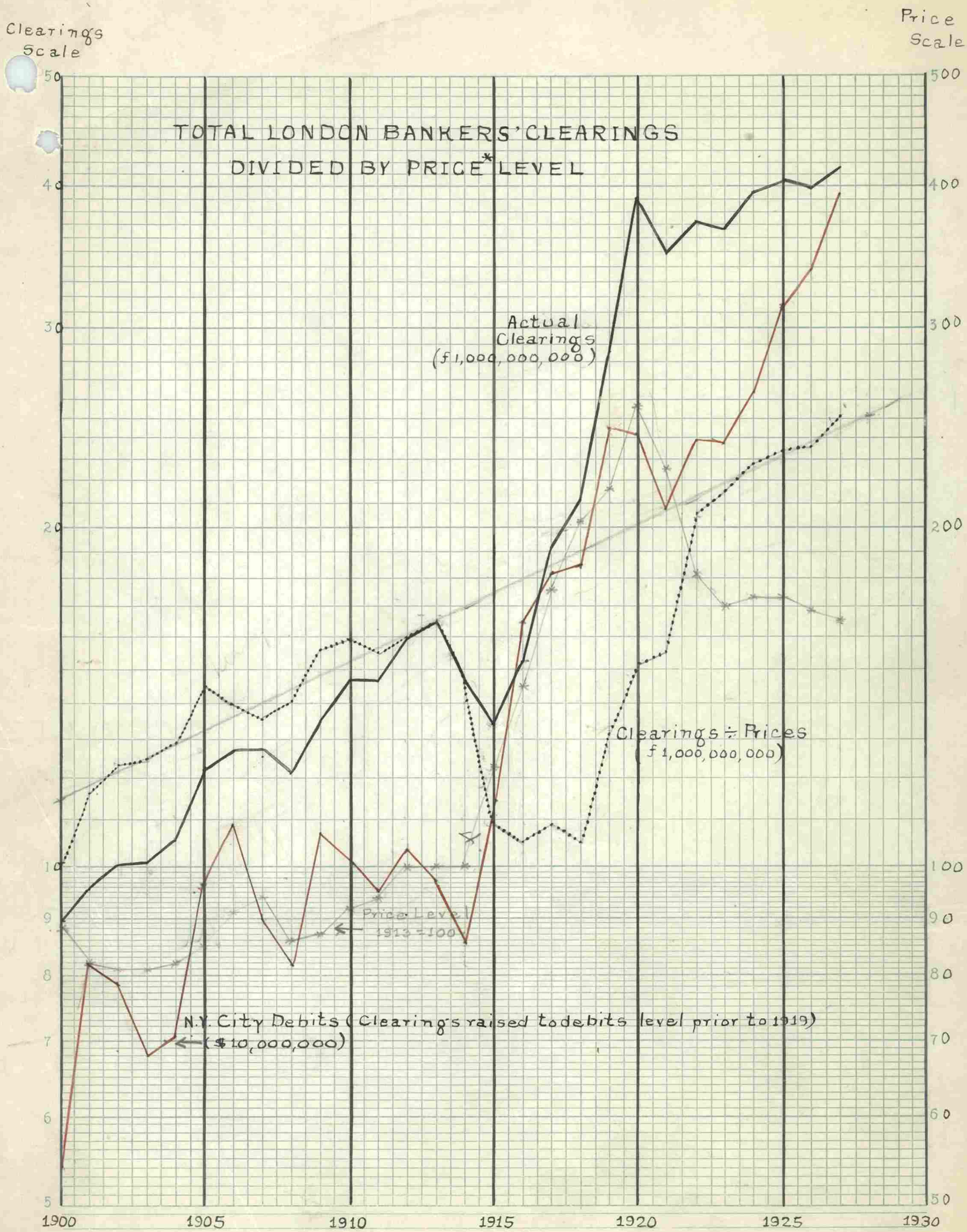
TO Governor Strong

SUBJECT: English Bank Clearings

FROM Mr. Snyder

years previous. In other words, their rate of growth, excluding differences in price levels, appears to have been very nearly the same; which is also very interesting, if, of course, it is correct.

It seems to me, also, curious that the rate of growth in English bank clearings should be so consistent in view of the great consolidations in the past thirty years, for I am told that checks on bank branches, cashed by another branch of the same bank, do not get into the reported clearings. Do you happen to know if this is correct?



* 1900 - 1913, Statist' wholesale prices; 1914 - 1918, Labour Gazette' cost of living; 1919 - 1927, F. R. B. of New York, General Price Level in Great Britain.

L. Bagwell 2/29/28

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 15, 1928

TO Governor Strong

SUBJECT: Production and Trade in France

FROM Mr. Snyder

In connection with our endeavors to get at some sort of an estimate of the relations of gold, currency deposits and trade, we have been assembling available data on particular countries, and I attach herewith the sheets showing a quite remarkanle growth of industry in France in recent years. Their progress along many lines has been quite contrary to the pessimism that has been so widely expressed in many quarters as to French conditions and stability, over here.

I shall summarize this in a memo., but you may like to know that we have the material ready.

French Crop Production – Post-war and Pre-war.

	Wheat (1,000 bu.)	Rye (1,000 bu.)	Corn (1,000 bu.)	Potatoes (1,000 bu.)	Beet Sugar (1,000 short tons)	Wool (1,000 lbs.)
1909-1913 av.	325,644	52,501	22,467	526,793	6,544	81,600
. . .	. . . . .	. . . . .	. . . .	- - - . .	. . . . . .	- . . . . .
1924	281,179	40,241	18,027	564,020	6,369	44,092 ~~43,210~~
1925	330,844	43,662	20,003	558,316	5,921	44,974 ~~44,092~~
1926	231,767	30,170	12,423	409,193	5,357	46,517
1927	284,356	36,809	21,534	629,964	6,143	47,447

Source: U.S. Dept. of Agriculture, Foreign Crops and Markets, Oct. 10, 1927, p. 529; Nov. 28, 1927, p. 732; Dec. 27, 1927, pp. 858 and 892.

L. Bagwell 3/14/28

Industrial Statistics for France — Post-war Growth Compared with Pre-war.

Year	Mineral Production 1,000 metric tons: Coal (monthly av.)	Pig Iron (monthly av.)	Steel Ingots (monthly av.)	Bauxite (annual total)	Potashes (annual total)	Super-phosphates of Lime (annual total)	Basic Slag (annual total)	Zinc (smelter) (annual total)	Aluminium (smelter) (annual total)
1913	3,338	434	391	309	58 (1)	1,920	730	6[illegible].1	14.5
....	....	....	...	...	...	...	...	...	...
....	...	....	...	...	...	...	...	...	...
1916	1,712	109	149	...	...	...	...	...	...
1917	2,313	117	166	...	...	...	...	...	...
1918	2,078	108	150	...	...	...	...	...	...
1919	1,796*	204**	180***	...	...	...	...	...	...
1920	2,024	279	226	...	199	1,843	331	20.1	12.3
1921	2,351	287	258	...	146	1,404	392	24.2	8.4
1922	2,595	440	378	236	207	2,133	612	40.4	12.0
1923	3,140	456	426	314	249	2,215	585	43.[illegible]	17.0
1924	3,668	641	575	336	272	2,304	945	58.[illegible]	18.5
1925	3,921	708	621	407	312	2,381	1,136	67.[illegible]	20.0
1926	4,285	783	703						
1927	4,314 e	773 e	686 e						
1928									

Year	Transportation and Communication: Total No. Automobile Registration (1st of yr.)	Railway Passengers Carried (1,000)	Railway Freight Ton-miles (1,000,000)	Number of Pieces of Mail Postal Service (1,000,000)	Number of Telegrams Sent (1,000)	Number of Government Telephones (Instruments)
1913	—	541,342	16,264	1912 3,295	67,120	293,195
...	...	...	...	...	...	...
...	...	...	...	...	...	...
1916	...	...	...	...	...	...
1917	96,434	...	...	...	...	...
1918	...	...	...	...	...	...
1919	...	...	...	...	...	...
1920	202,000	...	...	...	...	...
1921	202,500	...	...	...	...	...
1922	236,148	...	...	...	...	...
1923	295,876	772,642	14,866	...	...	...
1924	444,812	778,272	17,012	5,158	60,831	660,127
1925	575,000	809,577	23,930	5,466	59,143	737,198
1926	735,000					
1927	891,000					
1928	960,000					

* Since 1919 including Alsace-Lorraine, the average monthly production of which in 1918 amounted to 221,800 tons.

** " " " " " " " " " " " " " " 149,000 "

*** " " " " " " " " " " " " " " 122,500 " of crude steel.

(1) Alsace-only

e 11 months average

Sources: (1) Coal, pig iron, steel ingots, League of Nations Monthly Bulletin of Statistics, Dec. 1927, pp. 449 and 450; (2) Potashes, superphosphates of lime, basic slag, zinc and aluminium, League of Nations, International Statistical Yearbook, 1926, pp. 102, 104, 105, 93, and 96, respectively. (3) Bauxite production, railway passengers carried, railway freight traffic (ton-miles), number of pieces of mail, telegrams, and telephones, U.S. Dep't. of Commerce, Yearbook 1926, Vol. II, pp. 248, 249 and 250. (4) Automobile registrations, U.S. National Automobile Chamber of Commerce, "Facts and Figures of the Automobile Industry", April 1919, p. 24; 1920, p. 47; 1921, p. 42; 1922, p. 52; 1923, p. 48; 1924, p. 33; 1925, p. 59; 1926, p. 62; 1927, p. 44. Automotive Industries Annual Statistical Issue 1928, p. 240

L. Bagwell 3/14/28.

French Bank Clearings Divided by Prices

	Bank Clearings (1,000,000 francs)		Index of Wholesale Prices* (Av. for yr.)	Index of Cost of Living** (July of each yr.)		Bank Clearings ÷ Wholesale Prices (1,000,000 francs)	Bank Clearings ÷ Cost of Living (1,000,000 francs)
	(1)		(2)	(3)		(4)	(5)
1913	183,612		100.0	100.0 (July 1914)	100	183,612	183,612
...	....		...	...		....	....
1917	213,288		261.6	183		81,532	116,550
1918	277,969	327	339.2	206		81,948	134,936
1919	551,560	465	356.2	261	238	154,846	211,326
1920	871,660	903	509.5	373	341	171,081	233,689
1921	787,749		345.0	306	307	228,333	257,434
1922	760,035		326.6	297	302	232,711	255,904
1923	952,109		418.9	321	334	227,288	296,607
1924	1,265,377		488.5	360	366	259,033	351,494
1925	1,321,883		549.8	421	390	240,429	313,986
1926	1,828,479		702.6	574	485	260,245	318,550
1927	1,395,179		617.2*	557	525	226,050	250,481

* Statistique Generale. ** 13 articles, 11 of which are foods. Paris.

* Average 1st 11 mos.

Sources: Clearings (1) 1913 and 1917, Memorandum on Currency and Central Banks. 1913-1925, Vol. II, p. 129 (Monthly averages for Paris' clearings and Bank of France clearings x 12). (2) 1918-1927, (incl.) London Economist, Feb. 18, 1928, p. 322. Prices. Canadian Dominion Bureau of Statistics, mimeographed report on "Prices and Price Indexes", Feb. 1928.

L. Bagwell 3/14/28

French Exports and Imports of Merchandise

	General Imports ($1,000,000)	General Exports ($1,000,000)	Monthly Average Tonnage of Vessels Cleared (1,000 tons)	Quantity Imports of 6 Leading Commodities: Raw Wool and Waste (1,000 lbs.)	Cotton Raw and Waste (1,000 lbs.)	Silk Raw and Floss (1,000 lbs.)	Oilseeds & Oil-nuts (1,000,000 lbs.)	Coal (1,000 tons)	Petroleum Kerosene & Gasoline (1,000 bbls.)	Quantity Exports of 6 Leading Commodities: Silk Fabrics and Piece Goods (1,000 lbs.)	Cotton Fabrics and Piece Goods (1,000 lbs.)	Woolen Fabrics and Piece Goods (1,000 lbs.)	Iron & Steel (1,000 tons)	Apparel (1,000 lbs.)	Chemical Products (1,000,000 lbs.)
1913	2,067	1,785	3,176	629,568	725,613	43,624	2,258	18,415	3,180	24,313	203,036	68,219	992	9,119	2,370
4	1,541	1,270	...	...	...	...	...	...	...	...	...	...	...	...	...
5	2,306	1,051	...	...	...	...	...	...	...	...	...	...	...	...	...
6	4,043	1,576	713	...	...	...	...	...	...	...	...	...	...	...	...
7	5,398	1,663	550	...	...	...	...	...	...	...	...	...	...	...	...
8	4,517	1,392	438	...	...	...	...	...	...	...	...	...	...	...	...
9	5,628	2,264	782	...	...	...	...	...	...	...	...	...	...	...	...
1920	4,242	2,564	1,413	...	...	...	...	...	...	...	...	...	...	...	...
1	2,114	1,883	1,803	...	...	...	...	...	...	...	...	...	...	...	...
2	2,492	2,232	2,228	...	...	...	...	...	...	...	...	...	...	...	...
3	2,643	2,527	2,562	...	...	...	...	...	...	...	...	...	...	...	...
4	2,906	2,996	2,722	512,649	665,734	35,243	2,102	24,756	9,776	32,683	256,522	129,287	2,977	11,787	4,599
5	2,805	2,958	3,069	558,899	750,100	32,756	2,217	18,009	11,225	34,866	204,235	89,631	3,972	8,542	5,193
6			3,147	660,855	811,833	32,815	2,188	15,100	11,165	34,371	239,004	109,847	3,716	15,589	5,643
7			3,494e												

Source: Commerce Yearbook 1926, Vol. II - Foreign Countries, pp. 250-252. League of Nations Monthly Bulletin, Dec. 1927, p. 458.

e. Estimate based on 10 mos.

L. Bagwell 3/15/28

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 9, 1928 192

TO Governor Strong

SUBJECT:

FROM Mr. Snyder

At the Annual Meeting of the Statistical and Economic Associations, at Chicago next Christmas week, we are planning for Saturday morning a discussion of the relations of statistics to business and business policy, and I am asking the heads of a number of large corporations, Mr. Huston, Mr. Gifford, and others, to participate. And we should like ever so much to have a participant from Chicago. Of course the outstanding figure is your friend, James Simpson, and I am wondering as to the best way to approach him, and whether I might possibly ask a line to him from you.

While I am writing this: It has occurred to me that, in view of all the misunderstanding as to Federal Reserve policy in the last year, you might consider the idea of a paper on the subject at these meetings, perhaps especially dealing with the international aspect and the ever present gold problem. It had occurred to me that possibly these meetings might offer an almost ideal opportunity for a proper discussion. I should appreciate it very much if you would consider this a little before you definitely say no.

We have asked Lord d'Abernon, who is this year President of the Royal Statistical Society, to come over and give us an address.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 13, 1928 19

TO Governor Strong

SUBJECT: Growth of English Industry

FROM Mr. Snyder

You may recall that last March we made a study of the growth of bank clearings in Great Britain, which seemed to indicate that growth in recent years had, when allowance is made for price changes, been equal to if not slightly above the pre-war rate of growth.

Some very striking new figures of production and manufacture have just become available, which I am making use of this week. These seem to bear out the conclusions of the previous memo. in a very striking way.

Further than this, comparison of British production, bank deposits, and price levels seems to reveal practically the same relations as apparently obtain in this country. Am I wrong in thinking that all this is of value in the approach to the gold problem?

c. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 15, 1927

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

Thank you for the attached. I want you to keep me posted regarding developments as they occur and your own reaction to them. This is a time where especially we must be vigilant and not make mistakes.

Exchange & Trade
June 15, 1927

Misc. 4. 1-100M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 13, 1927 192

TO Mr. Snyder: (copy to Dr. Burgess)

SUBJECT:

FROM Benj. Strong

I have read your memorandum of June 27 on the subject of time deposits and reserve requirements with a great deal of interest. It is most illuminating.

This it seems to me should be put into shape for submission to the Federal Reserve Board, together with a letter of transmittal in which would be embodied the two recommendations which are suggested in the memorandum, - the principal one being, of course, as to the more general study of the question of reserve requirements.

Will you please collaborate with Dr. Burgess in preparing such a memorandum.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 9, 1927 192

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

Thank you for the attached memorandum. It suits me alright, but I have not before me the correspondence with the Federal Reserve Board to know just what we should now do. If you will let me have that, I will try to get up another letter.

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 3, 1927

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

What are you going to do about the Christain Science Monitor article? I suppose if we are to get the sort of publicity we have in mind we have got to take advantage of these opportunities.

Would you mind talking it over with Dr. Burgess?

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 9, 1927

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

The crux of the matter is in the next to the last paragraph. The reason why we can operate with lower reserve ratios is because

(a) the world has become accustomed to it, and

(b) the central banks are cooperating.

Without both of these influences it would be dangerous.

[Kemmerer on the Gold Exchange Standard, Nov. 5, 1927]

MISC. 4 A 126M-4-27

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 14, 1927.

TO Mr. Carl Snyder

SUBJECT:

FROM Benj. Strong

Ref to Snyder supplement of 11-9-27

The Banking Strength of the World is mighty interesting. The question in my mind is whether the figures there exposed are an indication of strength or weakness for this country. It is a rather important point. What do you think about it?

MISC. 4 A 126M-4-27

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Nov. 21, 1927. 192

TO Mr. Carl Snyder

SUBJECT:

FROM Benj. Strong

I would agree with your attached memorandum had you added the question as to whether we had the wisdom and experience to enable us to successfully fulfill the role.

[Carl Snyder memo attached Nov 16 1927]

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 30, 1928

TO Mr. Carl Snyder

FROM Governor Strong

SUBJECT: Eng. Bank Clearings

This is very interesting.

I cannot answer the question in the last paragraph. You will have to inquire of someone else.

MISC. 4 A 126M-4-27

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 14, 1928 192

TO Mr. Carl Snyder

SUBJECT:

FROM Governor Strong

If you wish a line from me to Mr. Simpson I shall be glad to sign such a letter as you prepare.

There is not the slightest prospect of my taking part in the meeting. As you know that is one of the dissipations which I have been obliged to deny myself. I know it would be helpful to you, and I should like to do it on my account, but it is really beyond me just now, although my desire ordinarily would very strongly be to do it.

Many thanks, just the same.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 15, 1927

TO Mr. Snyder

SUBJECT:

FROM Benj. Strong

While you did not send me the "Times" account of your address and I did not happen to catch it for some reason, those things do not worry me very much, and I am sorry if they caused you any uneasiness.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 21, 1927.

Dear Mr. Snyder:

I am much interested in the chart accompanying your memorandum of February 15th. Of course, as you say, it is not conclusive, but the lines are certainly striking and significant, and I would like to see them explained, if that is possible. Of course, if our Bank rate moves in response to the initiative of the money market, then we can hardly attribute gold movement to changes in our Bank rate. If, on the other hand, changes in the Bank rate are responsible for movements in the money market, then the change in the relative levels of interest rates may induce these gold movements.

It seems to me this chart should be passed around to our directors; they would certainly be interested in it.

Sincerely yours,

Benj. Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 22, 1927.

Dear Mr. Snyder:

Your memorandum about Professor Commons' testimony has just reached me. Sometimes I despair as to the economists, professors, students, bankers, and sometimes even our own people ever gaining any comprehension of what the Federal Reserve System is all about. This idea of a spigot which controls credit and on which we have our hand, which may be turned off and on at will, thereby lowering or raising prices, is one of the most hopeless of all the fixed ideas that we have to deal with. So few of these gentlemen pay any attention to the gold movement, and none of them seem to comprehend that our open market operations simply lay the foundations for rate changes, that it is the rate that penalizes or invites borrowings from the Federal Reserve Banks, and that it is the merciless grind of a high rate or the insidious inducement of a low rate which results in changes in the volume of credit. Sometimes I think we should prepare a very careful analysis of this operation and place it in the hands of the instructors in all of our universities, and even then the result would be that they probably would disagree with us anyway.

Mr. Harrison has not sent me the full testimony, and I am not awfully keen to read it, first because it does not do much good to read erroneous material, and second because it is a bit depressing and just now I would rather be elevated than depressed. Thank you very much for sending me the resume, however, which throws an interesting sidelight on the men, even if it gives no information about the affair.

I have been thinking over that chart you wrote me about, setting up a contrast between the money rates and the gold movement. The more I think of it, the more I think it is worth some more extended discussion; but even if we conclude that rates have caused these major movements of gold throughout the period covered, I doubt if we could make practical use of it just now, because while lower rates might indeed arrest gold imports and induce even some withdrawals of gold, we are just now in that delicate position where the accomplishment of this desirable result might be at the risk of other untoward developments, such as a revival of speculation, which we would all deplore to see arise just now.

Some day I may get ambitious to discuss this in some detail and ask you to come down here for a short visit. I will let you know if the opportunity arises.

Very sincerely yours,

Benj. Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 23, 1927.

Dear Mr. Snyder:

I have been over your memorandum about the Mc Nary-Haugen Bill, but cannot say that I agree even as to the possibility under favorable circumstances that the plan could be made to work. My reason for this feeling is that the essential difference between the situation as to our five crops dealt with by this bill and those which you refer to is that in each of the other instances, that is to say, rubber, coffee and sugar, I believe, a very skillful scheme of control of production was undertaken which is not contemplated by the Mc Nary-Haugen plan at all. As I recall the valorization scheme undertaken by Brazil a good many years ago, when there was no plan for limiting production, it proved to be a failure. The details of the more recent plans I am not acquainted with.

In fact, generally speaking, I think a complete answer to your memorandum is contained in the analysis of the bill which you made at my request over a year ago. The fundamental fact remains that any plan which will put a premium on wheat consumed at home and tax everybody to cover the loss on wheat sold abroad, it seems to me, is bound to increase production and ultimately swamp the stabilizers, whoever they may be.

Sincerely yours,

B.S.

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 27, 1927.

Dear Mr. Snyder:

Thank you for your memorandum of the 25th. Your conclusions from Mr. Hamlogue Dodge's talk are much similar to my own. There is, however, this to be borne in mind about what shall become of the gold. With the balancing of European budgets, governments are collecting surplus revenues and reducing their borrowings from the public. The effect of this abroad, as with us at home, is to create a species of liquidation which, under their banking systems, is almost immediately reflected in the earning assets of the banks of issue. Those banks are no longer buyers of gold, but rather are piling up large balances abroad, where they are investing their surplus funds from motives of profit. Under these circumstances, the tendency for gold to drift to this market is somewhat exaggerated. If banks like the Swiss, Dutch, Swedish, British and other European banks of issue were willing to pile up gold and run along without earnings, the whole gold situation would change. It would greatly strengthen our own domestic position in the control of credit.

This has been discussed with some of our colleagues abroad, but I am rather hopeless of bringing about any change of policy except as a result of a more concerted attempt in which the Reichsbank, the Bank of France and the Bank of England all joined us. As to the outlook for the future, I believe once France, Italy and Poland accomplish a reorganization of their currencies, it would then be possible to bring the managers of the banks of issue together in some understanding towards controlling the tides of gold. Doesn't it strike you as feasible?

Sincerely yours,

Benj: Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 5, 1927.

Dear Mr. Snyder:

I shall ~~not~~ write but a few lines to thank you for your fine letter of March 2nd. Whenever you get at that book, let me know and I will help if I can.

My best to you.

Sincerely yours,

Benj. Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 7, 1927.

Dear Mr. Snyder:

I have your memorandum of the 4th and the chart, which I am returning, as I think Mr. Harrison and some of the others should be thinking about this general subject.

It would require a book for me to put in writing all the various possibilities that occur to me in connection with this important subject. I must save it until we can have a chance for a chat.

Many thanks for having me in mind.

Sincerely yours,

Benj. Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.

FEDERAL RESERVE BANK

OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 5, 1927.

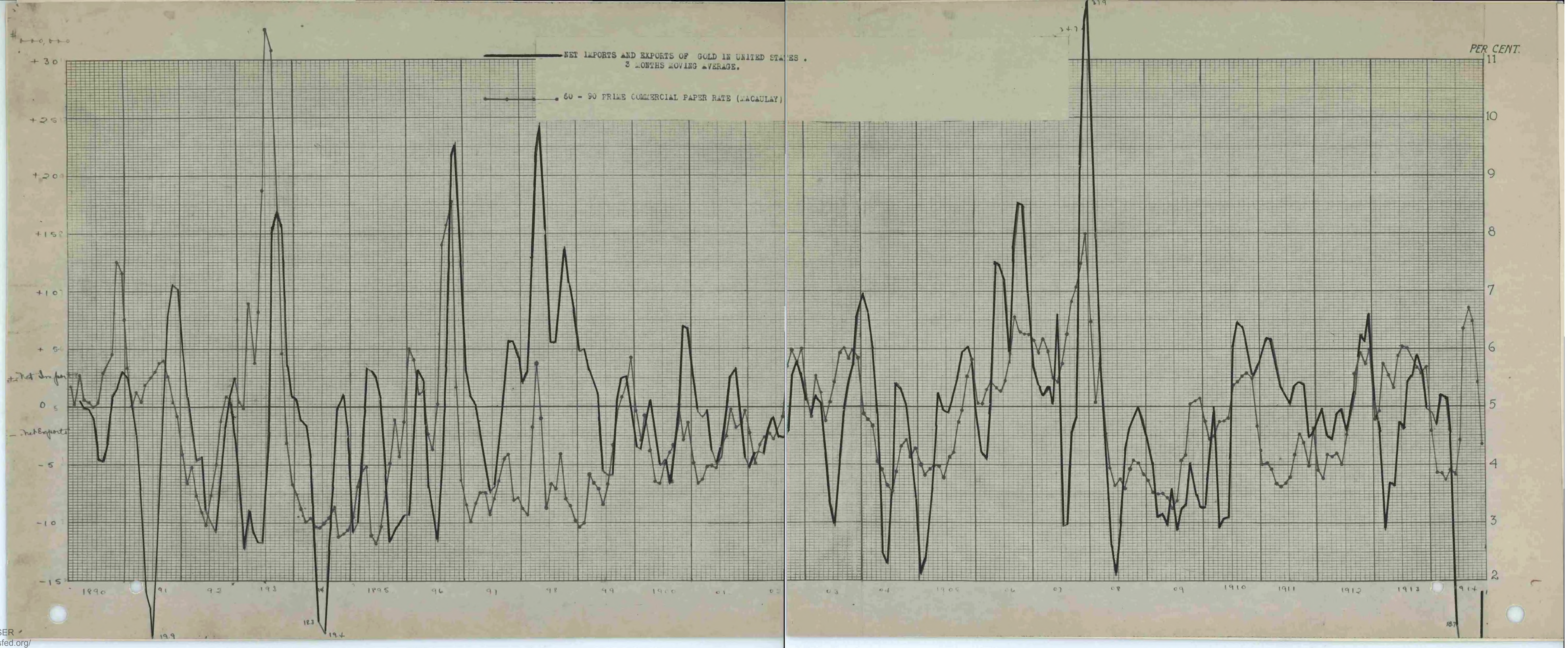
Dear Mr. Snyder:

I have your memorandum, which I have read with great interest. I won't attempt by correspondence to discuss a very abstruse problem, beyond saying that much depends upon the choice of alternative points of view. On the one hand, may we consider that our present large gold reserves are the outgrowth of a temporary disorder in the financial and credit system of the world, which some day will be remedied and result in a distribution of the gold? Or on the other hand, may it be understood that this gold is in fact simply the manifestation of the enormous growth in wealth and activity of the United States and that, to a greater or less degree, somewhat, the gold would have come to us anyway? While I rather incline to the latter view in part, it is nevertheless modified by my conviction that some day we will likely have to give up some of this gold, and our policy should therefore be shaped so as to provide for possible further very heavy increases of the amount, and ultimately possible very heavy losses. Some time we can talk this over rather fully. Meanwhile I am making some use of your memorandum, which I am sure you will not object to.

Sincerely yours,

Benj. Strong

Mr. Carl Snyder,
33 Liberty Street,
New York City.


NET IMPORTS AND EXPORTS OF GOLD IN UNITED STATES.
3 MONTHS MOVING AVERAGE.
60 - 90 PRIME COMMERCIAL PAPER RATE (MACAULAY)
PER CENT.
+30
+25
+20
+15
+10
+5
0
-5
-10
-15
11
10
9
8
7
6
5
4
3
2
1890
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1913

JW

FEDERAL RESERVE BANK

OF NEW YORK

March 15, 1927.

Dear Mr. Snyder:

Your memorandum of March 8, as you say, explains that there is a puzzle but makes no effort at its solution. I can only surmise that there is a rather simple solution, partly due to coincidence. May it not be that what appears to be a pulsation of great regularity in the payments exhibited in the chart is due to a time coincidence relating to trade custom as to the dates when accounts are settled, to the payments of transfers made in connection with the member banks of the Federal Reserve System correcting their reserve position, and a few such factors as that of the same sort which would bring large groups of payments together on almost the same dates? This might even include payments of wages by check, and would certainly include such payments as dividends and interest where made by check. Then we have the enormous payments made by the Government for pensions and the like. And these all tend to follow certain calendar dates.

This is the only guess that I can hazard.

Very truly yours,

BS.

Mr. Carl Snyder,
C/o Federal Reserve Bank,
33 Liberty Street, New York.

1000 JMc

FEDERAL RESERVE BANK

OF NEW YORK

March 15, 1927.

Dear Mr. Snyder:

Of course, you know that I agree with the sentence in your memorandum of the 8th as to there being no nearby prospect of a serious gold shortage. That was one of the principal points where I felt a sharp disagreement with the whole philosophy of the Genoa resolution as to the meeting of central banks. But after all it is not the absolute volume of gold which is going to count hereafter, but it is how the gold is treated both by law and by social custom. If the world will tolerate a continued expansion in the use of paper money accompanied by debasements of the gold exchange standard and decline to restore gold to circulation as coin, and if the world continues to produce $8,000,000 of new gold every week, and if India finds that during the next five years for one or another reason she can get along without as much gold as formerly, and if it proves to be impossible to bring about central bank cooperation, then I should say there would be a possibility of some calamity which would likely be charged to a plethora of gold, but should really be charged to the stupidity of governments and banks in the way gold is used. To my mind the ideal program would be for all banks of issue of consequence to get together and decide arbitrarily how much gold they are willing to absorb, and how they might under given circumstances progressively on the one hand put gold into circulation, and on the other hand increase the proportion of required reserves in their own vaults and deposited reserve carried with them by the banking community generally.

The solution of this problem is as simple as making taffy candy, if men could only agree. My fear is that greed, that is the desire for dividends by central banks, and ambition, that is the desire to be boss or leader, and vanity, that is the desire to have one's own opinion prevail rather than some other fellow's, may defeat such an understanding. If we ever arrive at an understanding we can thank ourselves rather than anyone else, for I can assure you that most of the central banks of Europe are thinking more of themselves and their individual problems than they are of the whole world and the world problem. All that we can do is to keep pegging away in our efforts to bring about an understanding, and that cannot be done until France and Italy stabilize their currencies.

This letter, of course, is quite personal.

Sincerely yours,

Benj. Strong

Mr. Carl Snyder,
C/o Federal Reserve Bank,
33 Liberty Street, New York.

MISC. 3. 1 60 M 12-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1927

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

I have just been over your memorandum of April 1 about trade in February, as well as the longer memorandum entitled, "Another High Year in Corporate Profits." The question in my mind is whether this is real trade and whether the profits are real profits or whether we may have reached a point where we are just swapping goods without adequate consumption, and whether the profits are real profits or represent Chinese money and accumulated inventories. It's hard to say. Information cannot disclose a sufficiently current cross section of affairs to enable us to judge. It is important that we should not be fooled by falling prices into the belief that the basis of our prosperity is secure.

I think this question causes me about as much concern as anything in the immediate outlook. If you and the others have any thought on the subject, trot it out.

Strong: Snyder

FEDERAL RESERVE BANK

OF NEW YORK

Hotel Brighton,
Atlantic City, N.J.,
April 15, 1927.

Dear Mr. Snyder:

For the last year or two I have been wondering whether the problem of the so-called business cycle should not be approached from an angle rather different from any that I have heard suggested. The business cycle, so-called, is the pulsation of business activity which becomes evident in those highly organized countries where these phenomena are subject to study, but where the machinery or the type of organization in economic matters nevertheless varies in form, character and efficiency tremendously. For example, the mechanism of business in China is archaic. It is hardly less in some parts of South America. To express it differently, until the war came, and even at the present time in some countries, there were enormous areas with very large population and trade which had no well-organized monetary and banking machinery. This would include China, the southern portion of Africa, all of Australia, the principal part of South America, Central America and Mexico and, with shame we must confess, the United States. May it not be that the real source from which the impetus to these swings of business has arisen can be found in those countries where there was no regulation of credit whatever prior to the war?

Looking back we find that the great panics of the past have arisen to a considerable extent in those countries, (or in business relations of European countries with those countries) which have been backward in monetary reform; 1907, the early 90s both arising in our disorganized monetary system, the Baring panic growing out of disordered Argentine finances, the panic of '73 a typical American affair, the Overend, Guerney panic as I recall in 1856 which originated in England but I believe was due to the unorganized mushroom growth of speculative banking ventures which became involved too heavily in foreign and especially oriental commitments. In other words, may it not be possible to assign much of the disorder of prices and of extreme fluctuations of business primarily to war and, next in importance, to lack of organization in large areas of the world where extreme activity and speculation has been under no control and where, consequently the collapse has been extreme and has had repercussion the world around?

This is just an idea. Do you suppose there is any support for it empirically as Dr. Miller would say, or statistically, as I suppose you would. If you think there is anything in it the man to discuss it with is Wesley Mitchell.

Best regards,

Sincerely yours,

B. S.

Mr. Carl Snyder,
C/o Federal Reserve Bank,
33 Liberty Street, New York City.

affair, the Overend, Guerney panic as I recall in 1856 which originated in England but I believe was due to the unorganized mushroom growth of speculative banking ventures which became involved too heavily in foreign and especially oriental commitments. In other words, may it not be possible to assign much of the disorder of prices and of extreme fluctuations of business primarily to war and, next in importance, to lack of organization in large areas of the world where extreme activity and speculation has been under no control and where, consequently the collapse has been extreme and has had repercussion the world around?

This is just an idea. Do you suppose there is any support for it empirically as Dr. Miller would say, or statistically, as I suppose you would. If you think there is anything in it the man to discuss it with is Wesley Mitchell.

Best regards,

Sincerely yours,

B.S.

Mr. Carl Snyder,
C/o Federal Reserve Bank,
33 Liberty Street, New York City.

MISC. 4A 130M 9-26

FEDERAL RESERVE BANK
OF NEW YORK

7

OFFICE CORRESPONDENCE

DATE April 28, 1927. 192

Mr. Carl Snyder, General Statistician

SUBJECT:

FROM Governor Strong

I have considered your application for permission to give some lectures on Business Cycles at the New School of Social Research next winter outside of business hours. I am glad to say that this outside employment is in no sense a violation of the rule adopted by the directors of the bank, and you are, therefore, entirely free to carry on this work so long as it does not interfere with your work in the bank.

Benj. Strong

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

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 18, 1927

TO Mr. Snyder

SUBJECT:

FROM Governor Strong

I have just been reading the attached memorandum. It is like every other picture of this sort which appears susceptible of explanation as to the past but, nevertheless, puzzles us greatly as to our attitude towards the future. I confess to being puzzled about our policy, and am wondering if you have any ideas. If so, trot them out.

Mr Snyder

Please note that

? Thelbert Stewart considers

that your inclusion of

"wages" in your

Composite price index

is a duplication.

You may wish to

add something to your

statement in memo

form.

B.S.