

244.211 - Depression Statistics  
(1931 - Aug. 1932) 1  
Statistics

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Form No. 13

# Office Correspondence

FEDERAL RESERVE BOARD

Date August 25, 1932

To Governor Meyer

Subject: Demand for Currency

From Mr. Thompson D.T.

244  
2-8495

*b.h.*

**FILE**  
E. M.

244,211  
*Depression Stat*

For CIRCULATION: -----

Mr. Hamlin  Demand for Currency

Mr. James

Mr. Magee

Mr. Miller

Mr. Pole

Mr. Harrison

Mr. Morrill

Mr. McClelland

Mr. Wyatt

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

During the week ending August 24 demand for currency in the United States declined by \$27,000,000 more than usual for this period. The decline was general in all Federal reserve districts excepting the Richmond district where banking disturbances in Baltimore resulted in heavy withdrawals of currency on the 18th,

Please note - initial and return to GOVERNOR

19th, and 20th. A return flow in that city of substantial proportions has now set in.

A part of the greater-than-seasonal return flow of currency throughout the country during the past week represented that currency withheld from the banks on the 15th, 16th, and 17th to supplant the use of checks for middle of month transactions.

### New National Bank Notes

Approximately \$12,000,000 of new national bank notes were issued during the week of August 24, of which about \$7,500,000 went to banks in the San Francisco district, about \$1,500,000 to banks in the Philadelphia district, and about \$1,000,000 to banks in the New York district.

Total issues by Federal reserve districts since the new law went into effect and up to the close of business on August 24 were as follows:

| <u>Federal reserve district</u> | <u>Amount</u> |
|---------------------------------|---------------|
| Boston                          | \$ 603,000    |
| New York                        | 6,849,000     |
| Philadelphia                    | 2,720,000     |
| Cleveland                       | 2,080,000     |
| Richmond                        | 1,016,000     |
| Atlanta                         | 840,000       |
| Chicago                         | 2,780,000     |
| St. Louis                       | 591,000       |
| Minneapolis                     | 562,000       |
| Kansas City                     | 742,000       |
| Dallas                          | 470,000       |
| San Francisco                   | 14,790,000    |
|                                 | <hr/>         |
| Total                           | \$34,042,000  |

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

~~4193~~  
FEDERAL RESERVE BOARD  
Date August 24, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Parry

*lcp*

*544*  
*244,211.00*  
*Depression State*  
2-8495

The attached table shows the course of bank suspensions and so-called "hoarding" on a weekly basis from the beginning of 1931 to date. The tabulation was made at the request of the President, transmitted through Mr. Amos Taylor of the Department of Commerce, who is working with the President on his speech for the forthcoming conference.

The table presents for the most part merely a retrospective record of the figures which have been going to the President currently.

A copy of the memorandum to Mr. Taylor is also attached.

**FILE**  
E. M.

- For CIRCULATION: .....
- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland  *abst*
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

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and return to GOVERNOR.

RECEIVED  
AUG 24 1932  
OFFICE OF THE GOVERNOR  
FEDERAL RESERVE BOARD

August 24, 1932

Mr. Taylor

Mr. Parry

Attached is the table which you requested this morning for use in connection with the President's speech.

I should be glad to have you take up with me by phone any questions which may arise with regard to the use of this table and would suggest that such figures as you finally decide to use should be submitted to us for checking.

| Week ending--<br>(Saturday)-- | Bank suspensions<br>during week |   | Estimated change in demand for<br>currency--adjusted for seasonal<br>variation*<br>(In millions of dollars) |  |
|-------------------------------|---------------------------------|---|---|--|
|                               | Number                          | Deposits<br>(In millions<br>of dollars) | Change -<br>from preceding<br>week  | Cumulative<br>change from week<br>Dec. 27, 1930 ending |
| 1931--Jan. 3                  | 81                              | 29                                      | + 53  | + 53   |
| 10                            | 53                              | 17                                      | + 12  | + 65   |
| 17                            | 44                              | 13                                      | - 22  | + 43   |
| 24                            | 35                              | 10                                      | - 21  | + 22   |
| 31                            | 37                              | 27                                      | - 8   | + 14   |
| Feb. 7                        | 22                              | 15                                      | + 10  | + 24   |
| 14                            | 20                              | 5                                       | + 2   | + 26   |
| 21                            | 20                              | 7                                       | - 1   | + 25   |
| 28                            | 15                              | 8                                       | - 3   | + 22   |
| Mar. 7                        | 15                              | 3                                       | - 12  | + 10   |
| 14                            | 29                              | 11                                      | + 9   | + 19   |
| 21                            | 19                              | 11                                      | + 10  | + 29   |
| 28                            | 16                              | 6                                       | + 3   | + 32   |
| Apr. 4                        | 6                               | 5                                       | + 40  | + 72   |
| 11                            | 15                              | 9                                       | + 9   | + 81   |
| 18                            | 17                              | 17                                      | + 10  | + 91   |
| 25                            | 17                              | 5                                       | + 16  | +107   |
| May 2                         | 13                              | 7                                       | + 15  | +122   |
| 9                             | 28                              | 15                                      | + 32  | +154   |
| 16                            | 19                              | 15                                      | - 8   | +146   |
| 23                            | 21                              | 4                                       | + 20  | +166   |
| 30                            | 19                              | 8                                       | - 14  | +152   |
| June 6                        | 28                              | 18                                      | + 7   | +159   |
| 13                            | 62                              | 84                                      | + 69  | +228   |
| 20                            | 39                              | 61                                      | + 55  | +283   |
| 27                            | 32                              | 23                                      | - 2   | +281   |
| July 4                        | 20                              | 9                                       | + 26  | +307   |
| 11                            | 8                               | 5                                       | + 3   | +310   |
| 18                            | 21                              | 16                                      | + 23  | +333   |
| 25                            | 28                              | 7                                       | + 20  | +353   |
| Aug. 1                        | 28                              | 9                                       | + 10  | +363   |
| 8                             | 35                              | 33                                      | + 33  | +396   |
| 15                            | 28                              | 14                                      | + 28  | +424   |
| 22                            | 47                              | 100                                     | + 64  | +488   |
| 29                            | 35                              | 23                                      | + 45  | +533   |
| Sept. 5                       | 54                              | 50                                      | + 30  | +563   |
| 12                            | 42                              | 15                                      | + 15  | +578   |
| 19                            | 63                              | 66                                      | + 17  | +595   |
| 26                            | 99                              | 61                                      | + 81  | +676   |

\* Based on weekly averages of daily figures.

| Week ending<br>(Saturday)-- | Bank suspensions<br>during week |   | Estimated change in demand for<br>currency--adjusted for seasonal<br>variation *<br>(In millions of dollars) |  |
|-----------------------------|---------------------------------|---|--|--|
|                             | Number                          | Deposits<br>(In millions<br>of dollars) | Change<br>from preceding<br>week   | Cumulative<br>change from week<br>Dec. 27, 1930 ending |
| 1931--Oct. 3                | 128                             | 127                                     | + 83   | +759   |
| 10                          | 143                             | 146 *                                   | +148   | +907   |
| 17                          | 125                             | 98                                      | + 54   | +961   |
| 24                          | 109                             | 78                                      | + 57   | +1,018   |
| 31                          | 70                              | 72                                      | - 12   | +1,006   |
| Nov. 7                      | 62                              | 34                                      | + 13   | +1,019   |
| 14                          | 31                              | 8                                       | - 7  | +1,012   |
| 21                          | 34                              | 8                                       | - 24   | +988   |
| 28                          | 35                              | 12                                      | - 33   | +955   |
| Dec. 5                      | 36                              | 24                                      | + 10   | +965   |
| 12                          | 47                              | 14                                      | - 15   | +950   |
| 19                          | 128                             | 138                                     | + 20   | +970   |
| 26                          | 82                              | 75                                      | + 40   | +1,010   |
| 1932--Jan. 2                | 99                              | 99                                      | + 26   | +1,036   |
| 9                           | 73                              | 25                                      | +128   | +1,164   |
| 16                          | 95                              | 61                                      | + 79   | +1,243   |
| 23                          | 78                              | 41                                      | + 26   | +1,269   |
| 30                          | 62                              | 25                                      | + 12   | +1,281   |
| Feb. 6                      | 45                              | 29                                      | + 15   | +1,296   |
| 13                          | 28                              | 9                                       | - 15   | +1,281   |
| 20                          | 37                              | 26                                      | - 17   | +1,264   |
| 27                          | 9                               | 2                                       | - 34   | +1,230   |
| Mar. 5                      | 13                              | 3                                       | - 29   | +1,201   |
| 12                          | 13                              | 2                                       | - 17   | +1,184   |
| 19                          | 12                              | 6                                       | - 17   | +1,167   |
| 26                          | 6                               | 3                                       | - 32   | +1,135   |
| Apr. 2                      | 17                              | 4                                       | - 51   | +1,084   |
| 9                           | 16                              | 4                                       | - 5  | +1,079   |
| 16                          | 14                              | 7                                       | - 23   | +1,056   |
| 23                          | 16                              | 5                                       | + 11   | +1,067   |
| 30                          | 19                              | 14                                      | - 8  | +1,059   |
| May 7                       | 20                              | 5                                       | + 26   | +1,085   |
| 14                          | 18                              | 12                                      | + 3  | +1,088   |
| 21                          | 23                              | 9                                       | + 14   | +1,102   |
| 28                          | 18                              | 7                                       | - 27   | +1,075   |
| June 4                      | 17                              | 8                                       | 0  | +1,075   |
| 11                          | 20                              | 28                                      | + 23   | +1,098   |
| 18                          | 29                              | 37                                      | + 31   | +1,129   |
| 25                          | 55                              | 47                                      | + 81   | +1,210   |

\* Based on weekly averages of daily figures.

| Week ending<br>(Saturday)-- | Bank suspensions<br>during week |   | Estimated change in demand for<br>currency--adjusted for seasonal<br>variation*<br>(In millions of dollars) |  |
|-----------------------------|---------------------------------|---|---|--|
|                             | Number                          | Deposits<br>(In millions<br>of dollars) | Change<br>from preceding<br>week  | Cumulative<br>change from week<br>Dec. 27, 1930 ending |
| 1932--July 2                | 45                              | 20                                      | +103  | +1,313   |
| 9                           | 26                              | 10                                      | + 19  | +1,332   |
| 16                          | 36                              | 24 <sup>a</sup>                         | + 21  | +1,353   |
| 23                          | 31                              | 13                                      | + 38  | +1,391   |
| 30                          | 21                              | 6                                       | - 29  | +1,362   |
| Aug. 6                      | 20                              | 8                                       | - 2   | +1,360   |
| 13                          | 17                              | 9                                       | - 25  | +1,335   |
| 20                          | 22                              | 5                                       | - 10  | +1,325   |

\* Based on weekly averages of daily figures.



Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date August 23, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Parry

*leap*

*244*

*244, 211  
Depression Stat*

2-8495

The attached memorandum on currency, prepared by Miss Joy

For CIRCULATION: before she went on vacation, deals with several matters: ✓

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pole ✓
- Mr. Harrison
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. *Woad* ✓
- Mr. \_\_\_\_\_

- Decline in hoarding
- Gold coin
- Return of paper currency from abroad
- Vault cash held by commercial banks

Please note - initial and return to GOVERNOR

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 AUG 24 1932  
 OFFICE OF THE GOVERNOR  
 FEDERAL RESERVE BOARD

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date August 23, 1932

To Governor Meyer

Subject: Currency

From Miss Joy

2-8495

248

## DECLINE IN HOARDING

Currency is still coming out of hiding. From the peak of demand on July 20 to August 20 the return was at least \$81,000,000, of which \$33,000,000 came back in the two weeks August 8 to August 20. We are convinced that still more money was in reality withdrawn from strong boxes although the movement was obscured by the increased use of cash instead of checks for business and personal payments.

The daily record of changes in demand for currency in circulation since August<sup>8</sup> is given below, and the course of the return flow since July 20, when the peak of hoarding was reached, is shown on the accompanying chart.

### Daily Changes in Volume of Money in Circulation Adjusted for Seasonal Variations

(In millions of dollars)

| <u>Date</u> | <u>Change from preceding day</u> | <u>Date</u> | <u>Change from preceding day</u> |
|-------------|----------------------------------|-------------|----------------------------------|
| Aug. 8      | - 13                             | Aug. 15     | + 1                              |
| 9           | + 2                              | 16          | + 12*                            |
| 10          | - 1                              | 17          | + 5                              |
| 11          | - 13*                            | 18          | - 6                              |
| 12          | - 15                             | 19          | + 3*                             |
| 13          | - 2                              | 20          | 0                                |
|             |                                  | 22          | - 10                             |

\* Revised.

The only important bank suspension during the period was in Baltimore on August 12. The run on the Union Trust of Baltimore beginning on August 18 caused considerable hoarding there--at least \$2,500,000 on the 18th, \$16,000,000 on the 19th, and \$3,000,000 on the 20th.

Around the 1st and the 15th of August the chart shows an increase in the volume of circulation, after allowance for ordinary seasonal movements. This is apparently the result of greater use of cash instead of checks for regular month-end and mid-month payrolls and other payments. On both of these occasions the increase in circulation was general in all districts and came at a time when there were no bank suspensions of consequence and when other industrial and financial developments were favorable to de-hoarding. Our records are still too brief, however, to provide the basis for estimates of the amount by which expansion in demand for currency has occurred at these times in the month.

#### GOLD COIN

Gold coin is drifting slowing back to the reserve banks. In the week ending August 17, \$1,800,000 net was returned, of which \$1,500,000 came back in New York, where withdrawals had previously been largest. Here is the weekly record since June 1.

## Weekly Changes in Demand for Gold Coin

(In millions of dollars)

| <u>Week ending<br/>Wednesday</u> | <u>Change from<br/>preceding Wednesday</u> | <u>Cumulative change<br/>from May 25</u> |
|----------------------------------|--|--|
| June 1                           | + 7.9 <sup>a</sup>                         | + 7.9                                    |
| 8                                | + 8.2                                      | + 16.1                                   |
| 15                               | + 3.3                                      | + 19.4                                   |
| 22                               | + 2.1                                      | + 21.5                                   |
| 29                               | + 3.1                                      | + 24.6                                   |
| July 6                           | + 1.2                                      | + 25.8                                   |
| 13                               | + 1.6                                      | + 27.4                                   |
| 20                               | + 1.0                                      | + 28.4                                   |
| 27                               | + 0.3                                      | + 28.7                                   |
| Aug. 3                           | - 0.3                                      | + 28.4                                   |
| 10                               | - 1.9                                      | + 26.5                                   |
| 17                               | - 1.8                                      | + 24.7                                   |

## RETURN OF AMERICAN PAPER CURRENCY FROM ABROAD

The rate of return of American paper money from Europe has definitely slowed up in the past month and a small amount of our currency has been shipped to Europe since it became apparent that the drain of gold had ended. European confidence in the dollar has apparently returned. In July \$6,700,000 was shipped from European countries to New York banks (\$4,500,000 is usual in July) in contrast with shipments of \$11,000,000 in May and \$16,000,000 in June. It may be, of course, that the European supply of our bills has simply been exhausted by the large shipments in earlier months--\$65,000,000 net from last October to the end of June--but I doubt it.

### VAULT CASH HELD BY COMMERCIAL BANKS

The commercial banks of the country have reduced their holdings of vault cash considerably in the past year. At the end of June, member banks held about \$65,000,000 less cash than a year ago, when allowance is made for the fact that the call report came on Thursday this year, when holdings are near their highest point for the week, and on Tuesday in 1931. The call report shows a decline of \$41,000,000, with no allowance for differences in days of the call, distributed among classes of banks as shown in the table.

#### Vault Cash Held by Member Banks

(June 30 call reports. In millions of dollars)

|                            | <u>1932</u> | <u>1931</u> | <u>1930</u> | <u>Change from</u>          |                             |
|----------------------------|-------------|-------------|-------------|-----------------------------|-----------------------------|
|                            |             |             |             | <u>1931-</u><br><u>1932</u> | <u>1930-</u><br><u>1932</u> |
| All member banks           | 478         | 519         | 484         | - 41                        | - 6                         |
| Central reserve city banks | 94          | 71          | 68          | + 23                        | + 26                        |
| New York                   | 52          | 54          | 58          | - 2                         | - 6                         |
| Chicago                    | 42          | 17          | 10          | + 25                        | + 32                        |
| Other reserve city banks   | 131         | 151         | 136         | - 20                        | - 5                         |
| Country banks              | 253         | 297         | 280         | - 44                        | - 27                        |

Note:- These call reports were made on different days of the week; 1930--Monday; 1931--Tuesday; 1932--Thursday. This makes a very considerable difference in the banks' cash holdings. If these figures were all adjusted to a Wednesday basis, the changes for holdings of all member banks would be: 1931 to 1932--\$66,000,000; 1930 to 1932--\$33,000,000.

Except for central reserve city banks in Chicago all classes of member banks held less cash in the aggregate than in 1931. The suspen-

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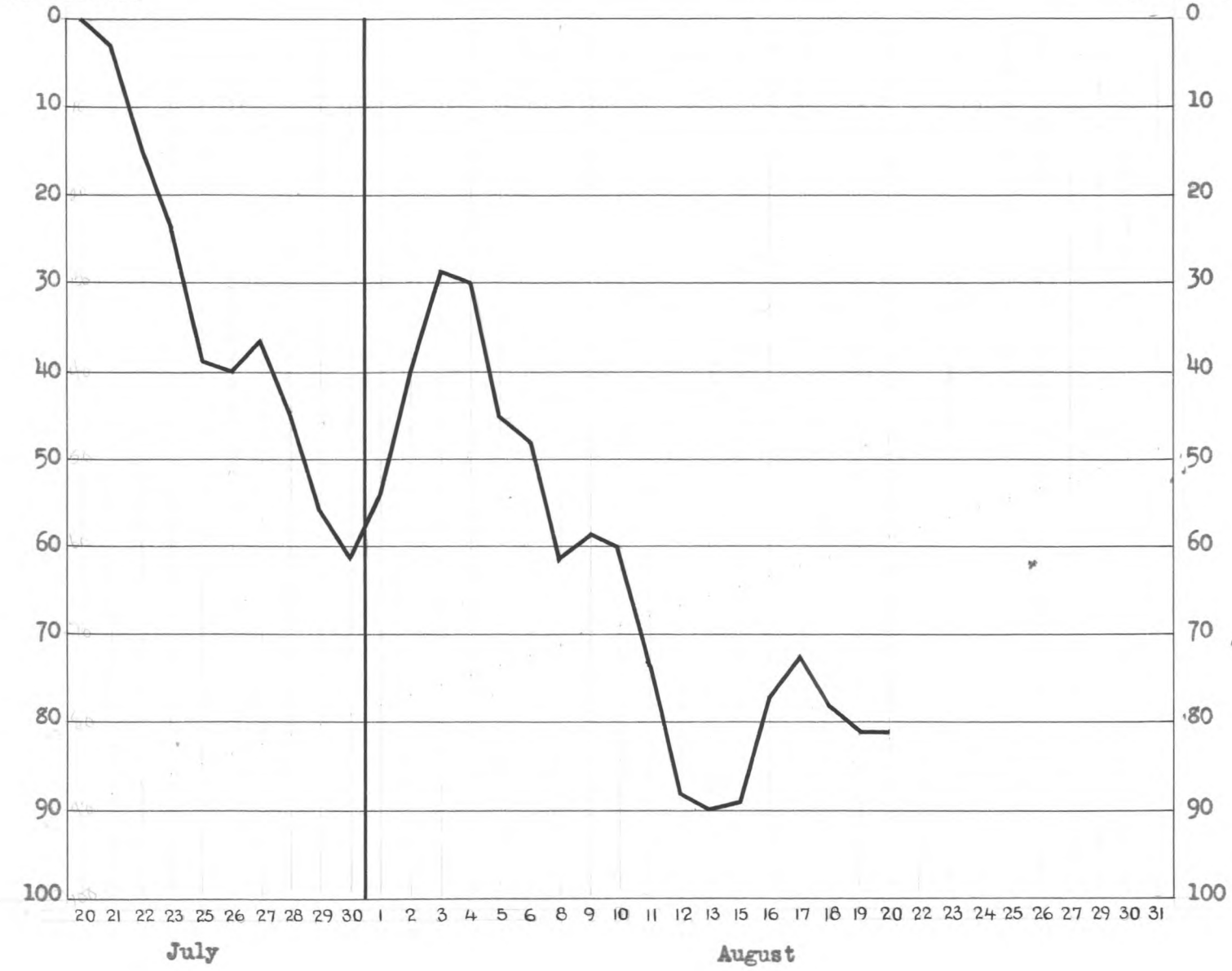
sion of a large number of banks contributed to this decline, of course. Chicago banks, still in the midst of the near-panic of June, had three times as much cash as in 1931 (and even in 1931 the banking situation was strained) and four times as much as in 1930, when the banking situation was comparatively peaceful. It is to be noted that since the end of June almost all of the extra cash withdrawn by reporting member banks in Chicago has come back to the Federal reserve bank, and on August 10, their holdings were only slightly larger than before the runs began in June.

CUMULATIVE CHANGES IN DEMAND FOR CURRENCY SINCE JULY 20, 1932

Adjusted for Seasonal Variations

In millions of dollars

In millions of dollars



## FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
 244  
 Date: August 23, 1932  
 244.211  
 Depreciation Sta

## MEMORANDUM

To: Governor Meyer  
 From: Mr. Gardner

Subject: Effect of the Depreciation  
 of Sterling Exchange on British  
 Prices.

British prices are now lower than when England suspended the gold standard on September 21, 1931. The suspension allowed sterling to go to a discount on the exchanges, and this in turn tended to raise sterling prices of international goods on the British market relative to the prices of these goods in gold standard countries. Many factors, however -- particularly tariffs, quotas, and exchange restrictions -- interfered with this tendency; and since "gold" prices continued to fall, even the relative rise meant no permanent heightening of the British price structure. Through June -- the latest date for which detailed figures are available -- prices in England rose steadily with relation to prices in the United States; yet they were lower in June than they were at the time of the gold suspension, for they had risen on a falling base.

As for the prices of strictly British -- i.e., domestic -- commodities, no considerable stimulus through trade expansion or credit expansion was set in motion by England's departure from gold, and in the course of this memorandum they have been touched upon but lightly. It is the effects upon the relative prices of international commodities that are especially subjected to examination.

Effect on prices of goods traded internationally. - The suspension of the gold standard was followed by a depreciation of sterling relative to gold standard currencies. The same factors which forced the gold suspension



forced the depreciation. The discount on sterling in turn compelled those who sold to England to raise sterling prices by a corresponding amount if they were to obtain the same gold prices as before; and it enabled English exporters to charge correspondingly higher sterling prices without altering the gold prices at which they were selling in world markets. The indicated adjustment did not, of course, have to work out through a rise in sterling prices; it might equally be effected through a fall in gold prices, and indeed there is reason to believe that the difficulties of selling to depreciated-paper countries and the keener competition from these countries on world markets have exerted a depressive effect on gold prices generally. But whether sterling prices of international commodities moved up or gold prices down, one would expect a rise of the former relative to the latter equivalent to the full discount on sterling exchange. That is, one would expect it under conditions of perfect competition. Actually, however, we are further from such conditions today than at any time since the war.

In part the barriers to international trade are inevitable. It costs something to ship goods from market to market, and these costs vary according to the country. Furthermore the organization of markets, the existence of established selling connections, and the persistent habits of consumers, prevent large shifts overnight in the channels of international trade. Under these circumstances differentials among gold prices for substantially the same commodity in various markets of the world are unavoidable.

To inevitable factors of difference of this sort, however, have been added influences deliberately imposed by governments in the form of tariffs and quota systems. The increasingly severe application of these barriers to trade has been characteristic of the whole period of the depression; but it has been particularly in evidence since England's departure from the gold standard. Furthermore with the actual or threatened breakdown of currencies has come a further impediment to international transactions in the form of government monopolies of dealings in exchange. The purpose of these monopolies is to maintain a country's currency internationally at a level which could never be maintained in a free market. This is achieved by rationing the volume of funds which can be transferred abroad. Whether or not an importer can obtain funds to pay his foreign creditor is wholly a matter of the discretion of the central bank or exchange commission which administers the monopoly. This situation may result in absolute prohibition of certain classes of imports and the serious embarrassment of all importing transactions so that what otherwise might be profitable trades are never consummated. Even where exchange markets are left free, the risk of fluctuating currencies must be faced unless there is a well-developed forward business. And always there is the chance that under present conditions individual credit may not prove good -- particularly when it is a question of developing new business abroad.

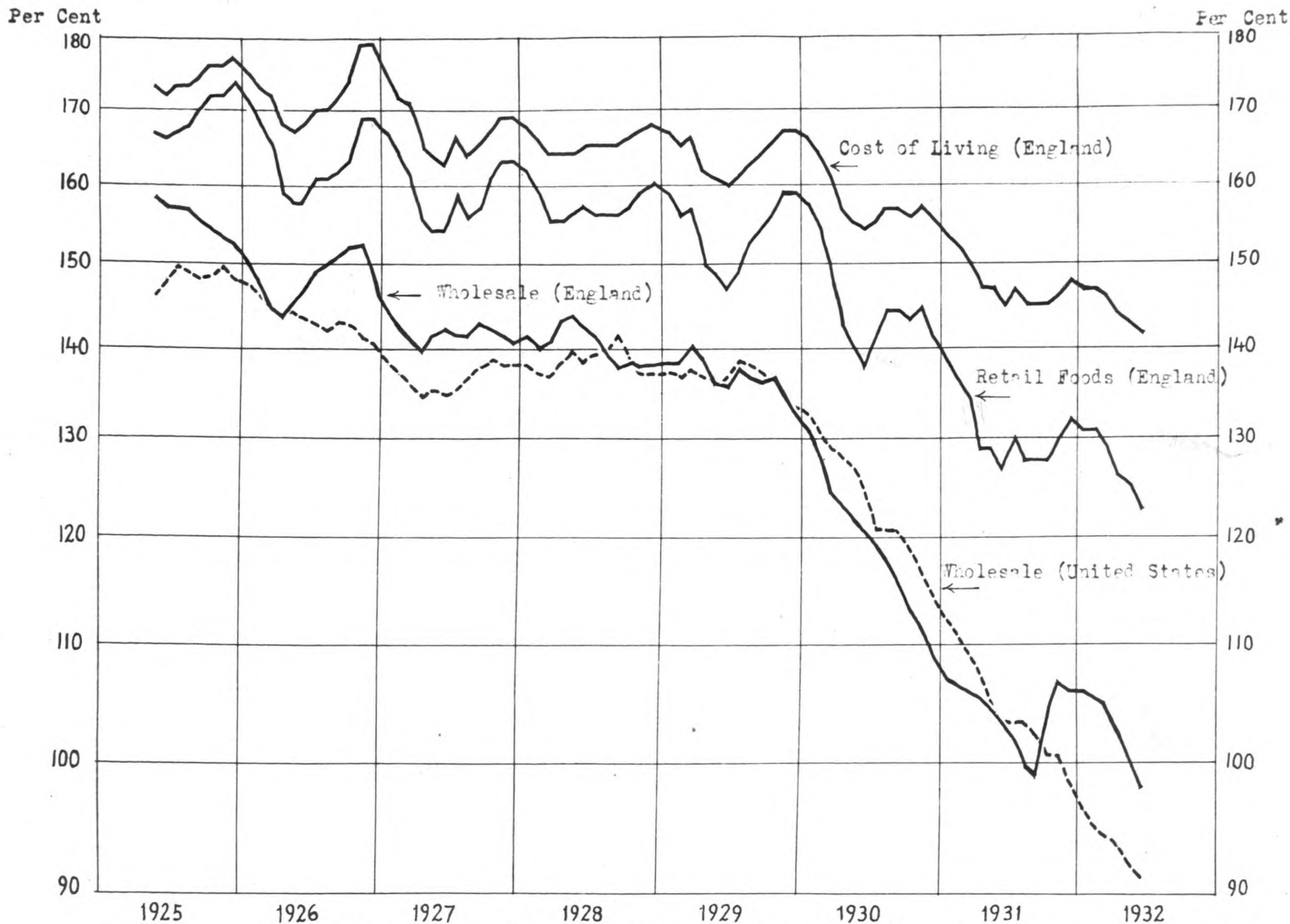
This complex of factors has led to a considerable degree of isolation

of markets. Within broad limits price movements in coal, butter, or meat may occur in the United States quite without relation to price movements in the same commodities in England. Where this is the case, there is no reason to expect the discount on sterling to be reflected at all closely even in the prices of international commodities. Yet it is in the markets for such commodities that the whole initial effect of the departure from the gold standard must be sought.

Evidence of the charts. - Notwithstanding the considerable degree of isolation which exists between markets of the world today, prices in England and the United States (to use the United States as a representative gold standard country) reflect relative exchange rates fairly closely. Chart 1 is designed to show in perspective the movement of the three major types of British prices -- wholesale, retail, and cost-of-living; but by way of comparison the wholesale index for the United States is also shown. The American wholesale index is more heavily weighted with manufactured products than the English and in other respects it is not entirely comparable. Yet the broad relationship is clear. The story on the surface of it looks somewhat as follows.

When England returned to the gold standard in April, 1925, British prices were on a higher level, relative to the pre-war base, than those in the United States. They continued to fall, until early in 1926 they drew even. Then came the great coal strike in England and prices mounted; but following the settlement they fell, the gap finally closing again in

PRICES IN ENGLAND AND THE UNITED STATES  
1925 to 1932



Base periods: cost of living and retail foods indexes, July, 1914 = 100; wholesale prices, 1913 = 100.

Sources: England, cost of living and retail foods indexes, Ministry of Labour; and wholesale prices, Board of Trade; United States, wholesale prices, Bureau of Labor Statistics

1928. In 1930 the English index, composed mainly of raw materials, dropped somewhat more steeply than the American. Our new tariff may have been an influence in this situation. The similarity of movement persisted, however, until in September, 1931, England left the gold standard and a discount of from 20 to 30 per cent on sterling developed. The British index immediately jumped above the American -- though not by the full amount of the sterling premium on the dollar -- and then, as the American index continued to decline, English prices followed.

The apparent relationship here pictured is a close one. It would seem that, notwithstanding considerable dissimilarity in the commodities compared and the obstacles to international competition that have existed throughout the period, the exchange ratio between sterling and the dollar has dominated the relationship between the two indexes.

As one passes from wholesale commodities, representing in the English index mainly international goods, to retail commodities which reflect domestic labor, transportation, and distributing costs, the movement of prices becomes more sluggish. In a general way the prices of retail foods in England have followed wholesale prices. There has, however, been a marked seasonal rise in the fall of each year; and it is noteworthy that the rise in 1931 -- the one that followed the departure from the gold standard -- was certainly no more marked than those of other years. In fact it was rather less marked. And the same is true of the yet more sluggish cost-of-living index. So far as the

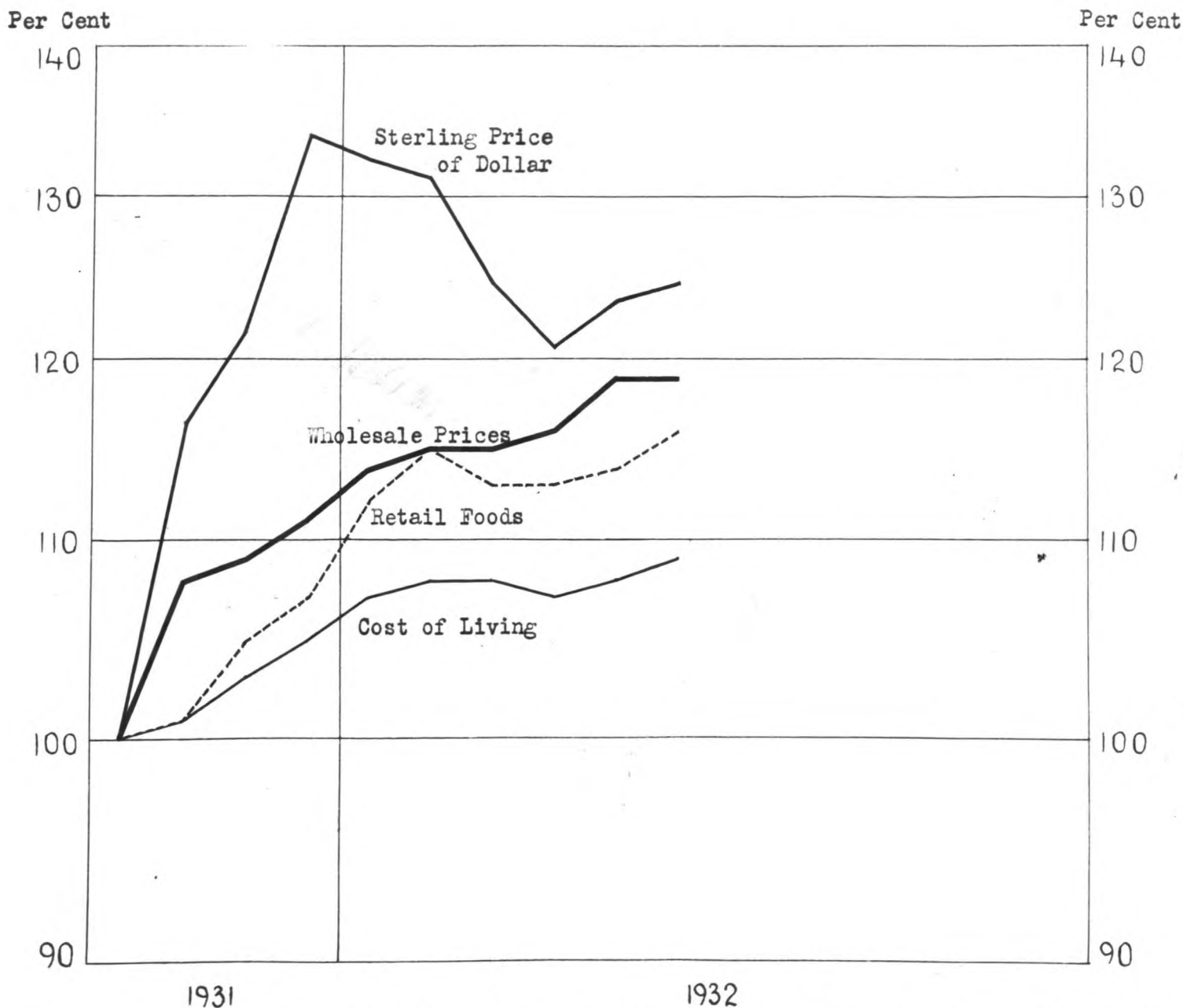
consumer in England is concerned there has been almost no reflection of the momentous shift in England's monetary standard last September.

This is true even though, as shown in Chart 2, both retail foods and cost of living in England have risen in price relative to similar groups in the United States. Particularly is this noticeable in the case of retail foods; but there is no direct connection between retail prices in England and the United States, nor between cost of living in the two countries. The link is indirect and works out through those international markets which are common to the two countries. The really significant comparison shown on Chart 2 is that between the relative rise of wholesale prices in England and the sterling price of the dollar.

For the purposes of Chart 2 a special index of American wholesale prices has been used. This index is composed, so far as possible, of the same types of price quotations as compose the British wholesale index. It is not entirely comparable. No index can be made so and still represent conditions in the American market. But it is far more comparable than the Bureau-of-Labor-Statistics index of 784 price series, the official index for this country, which was used in Chart 1.

The line on Chart 2 showing wholesale prices represents the ratio of the English index to the comparable American index. It is evident from the rising line that since the departure of England from the gold standard sterling prices have risen relative to dollar prices but not

RATIO OF ENGLISH TO AMERICAN PRICES  
(Sept. 1931 = 100)



Wholesale Prices = Board of Trade index (150 prices) for England ÷ Federal Reserve Board special index (150 prices) for United States.

Retail Foods = Ministry of Labour index for England ÷ Bureau of Labor Statistics index for United States.

Cost of Living = Ministry of Labour index for England ÷ National Industrial Conference Board index for United States.

7.

by as much as the sterling price of the dollar itself. At first the gap was wide; but as sterling developed strength in 1932 and the price of the dollar fell, while relative sterling prices continued to rise, the gap closed. By spring the adjustment between (a) relative wholesale prices in the two countries and (b) exchange rates, had been worked out to a considerable degree. The lines would indicate that the price relationship of the two countries on the average reflected the exchange rates of their currencies, notwithstanding the often widely diverse fluctuations of prices of the same commodity in England and the United States.

One technical point with regard to Chart 2 should be noted. All the lines on this chart are based on the month of September, 1931, as 100. During most of September England was on the gold standard and it was not until October that there was an important upward movement of prices. Exchange, however, reacted immediately to the gold suspension, and the sterling price of the dollar for September on a daily average basis was 7 per cent above par. By measuring the exchange level in subsequent months relative to the level in September, this 7 per cent premium is lost; and the line showing the sterling price of the dollar is lower throughout its course than it would have been had the first three weeks of September been taken as a base. Since it was not feasible to do this with commodity prices, the entire month of September



was used as a base for all lines. The chart as it stands, therefore, overstates somewhat the closeness of the adjustment of prices to exchange.

Evidence of individual commodity prices. -- That the prices of different commodities -- bacon, coffee, cotton cloth -- should not move in unison with one another is quite to be expected. Even if markets were free and competition close, one would look for considerable variation in the movement of individual prices. This variation is the very essence of the process whereby supply and demand are in some measure kept in balance in the face of shifts in climatic conditions, available natural resources, technical knowledge, or consumer preferences. The major adjustments of our economic life as at present organized are predicated upon the diversity of movement of individual prices. Hence if any dominant influence were making for an upward movement, one would not expect it to be reflected uniformly through the entire range of prices. As a whole, the price structure might be raised, say, by 20 per cent; but meanwhile the price of a given commodity might rise by 60 per cent, while that of another might fall by 10 per cent. There would be nothing surprising in this; and it is not the sort of problem we are dealing with in comparing British with American prices.

The problem we are dealing with in making this comparison is that

of the different movement of prices of the same commodity in two markets. If competition between the two markets were free and unhampered, the prices of different commodities might move in different directions, but the prices of the same commodity in both markets would move together except for the variations in the rate of exchange between the two currencies concerned. If the sterling price of the dollar rose 25 per cent, one would expect the sterling price of cotton to rise 25 per cent with relation to the dollar price of cotton -- and throughout the entire range of individual commodities one would expect to find the same differential even though prices of some were moving up and prices of others down. All assuming close and unhampered competition -- such as definitely does not exist in the world today. As a matter of fact the available evidence shows that there is enormous variation in the differentials which have developed since September in the sterling and dollar prices of approximately the same commodities.

Data are not available to enable us to compare all the individual commodities of the English wholesale price index with corresponding commodities of the American index. In the table following, however, the comparison is made for a considerable list of individual commodities or groups of closely similar commodities. About four-fifths of all the price quotations in the respective indexes are represented.

PRICES OF INDIVIDUAL COMMODITIES IN  
ENGLAND AND THE UNITED STATES

(September, 1931 = 100)

| Commodities                  | Weight<br>relative<br>to<br>150 | June, 1932       |                    |  |
|------------------------------|---------------------------------|------------------|--------------------|--|
|                              |                                 | English<br>index | American<br>index* | English index<br>relative to<br>American |
| All commodities .....        | 150                             | 98.9             | 83.2               | 119                                      |
| Bacon .....                  | 2                               | 107.5            | 59.0               | 182                                      |
| Corn .....                   | 2                               | 128.5            | 71.5               | 180                                      |
| Cheese .....                 | 2                               | 117.3            | 69.2               | 170                                      |
| Butter .....                 | 3                               | 83.6             | 54.2               | 154                                      |
| Hemp .....                   | 1                               | 106.4            | 69.4               | 153                                      |
| Leather: hides .....         | 4                               | 71.8             | 47.8               | 150                                      |
| Cocoa .....                  | 1                               | 109.8            | 74.1               | 148                                      |
| Wool: raw .....              | 1                               | 94.2             | 68.4               | 138                                      |
| Wheat .....                  | 3                               | 123.1            | 90.0               | 137                                      |
| Zinc .....                   | 1                               | 101.8            | 78.0               | 131                                      |
| Lead .....                   | 1                               | 90.1             | 69.0               | 131                                      |
| Rubber .....                 | 1                               | 69.0             | 52.9               | 130                                      |
| Tin .....                    | 1                               | 100.3            | 79.0               | 127                                      |
| Jute .....                   | 1                               | 86.2             | 69.2               | 125                                      |
| Cotton: cloth .....          | 9                               | 96.3             | 77.9               | 124                                      |
| Cotton: yarns .....          | 5                               | 100.7            | 81.9               | 123                                      |
| Woodpulp: chemical sulphite. | 2                               | 87.6             | 73.3               | 120                                      |
| Cotton: raw .....            | 2                               | 97.7             | 82.0               | 119                                      |
| Flour .....                  | 3                               | 115.5            | 98.0               | 118                                      |
| Beef .....                   | 6                               | 99.3             | 84.1               | 118                                      |
| Sugar .....                  | 2                               | 97.3             | 82.2               | 118                                      |
| Copper .....                 | 4                               | 85.3             | 73.2               | 117                                      |
| Linen: yarns .....           | 2                               | 115.8            | 100.0              | 116                                      |
| Wool: yarns .....            | 8                               | 95.4             | 82.9               | 115                                      |
| Tea .....                    | 1                               | 79.2             | 72.4               | 109                                      |
| Iron and steel .....         | 24                              | 101.1            | 97.0               | 104                                      |
| Timber .....                 | 4                               | 89.1             | 86.1               | 103                                      |
| Sulphuric acid .....         | 1                               | 100.0            | 100.0              | 100                                      |
| Coal .....                   | 10                              | 96.0             | 97.5               | 98                                       |
| Sodium carbonate .....       | 1                               | 100.0            | 102.2              | 98                                       |
| Barley .....                 | 5                               | 70.6             | 74.3               | 95                                       |
| Mutton .....                 | 2                               | 85.7             | 95.7               | 90                                       |
| Glass .....                  | 1                               | 106.3            | 117.8              | 90                                       |
| Lamb .....                   | 1                               | 79.4             | 101.4              | 78                                       |
| Coffee .....                 | 1                               | 96.5             | 127.5              | 76                                       |

\* Federal Reserve Board special index.

The table shows a range from a relative rise in bacon of 82 per cent to a relative fall in coffee of 24 per cent. Were the commodities really identical and were there no barriers to competition, they would all show a uniform rise of 24 per cent, the amount by which the sterling price of the dollar increased during the period. In considerable measure it is possible to account for the divergences.

The American tariff is at the root of most of the cases in which the ratio of English to American prices has risen by more than the discount on sterling. Take, for instance, the first commodity on the list -- bacon. By June the price of bacon in New York had fallen 41 per cent from its September level. In England the price had risen. Allowance must be made in the English price for the depreciation of sterling during the period; but even on a gold basis the decline was far more drastic in this country. Had prices in the two countries been competitive in September, a relative drop of such severity here in subsequent months would have been impossible since it would have led to exports of bacon and consequent equalization of markets. But costs of transportation and the American tariff isolated our bacon industry, permitting prices here to stand in September well above those prevailing abroad. From this high protected level it was possible for American prices to drop steeply without placing the American producer in position to take advantage of markets abroad where the price decline had been more moderate.

A similar story of tariff-isolated markets with independent price

movements could be told of the next three commodities on the list -- corn, cheese, and butter. To some extent the preferences and habits of the British consumer play into the situation. He prefers Danish butter and bacon, and he is used to Argentine corn. The direction of international trade is not easily changed. But the chief difficulty has been that in each of these cases the severe decline in American prices has been from a high protected level and has left the American producer still unable to compete abroad.

Much the same analysis can be made of those metals which stand high on the list. It is true that the relative rise in the English price of zinc and lead (largely the result of falling prices here) was much less in June than in May. In June prices of both these metals fell in England, while zinc recovered sharply here, and lead held its own. There can now be no question of exporting either metal to England. But even in May this opportunity did not exist; for at that time a decline of 34 per cent from the high tariff-protected price in the United States in September still left zinc producers unable to dispose of their product in London, although the sterling price had risen 10 per cent. On a more moderate scale this situation was repeated in the case of lead.

On the other hand tin, which comes largely from British Malaya

and to which no tariffs apply either here or in England, has behaved as a competitive commodity should. Both in September and June it was selling at nearly the same gold price in England and the United States, which means that the sterling price almost exactly reflected the discount on sterling. Broadly speaking, this was also true of copper in the month of May before we applied a tariff. The case is not quite as clear as that of tin because we produce most of our own copper while an increasing proportion of the English supply is being drawn from sources outside the United States. Nevertheless until our tariff went into effect in June, forcing South American, African, and Canadian supplies directly upon foreign markets (including London), the sterling price differential corresponded in considerable degree to the discount on sterling.

Among the textiles the same close competitive situation exists with respect to jute, on which there is no tariff. Raw cotton shows a somewhat smaller differential; but that is on account of the inclusion of an Egyptian quotation in the English index. The price of American cotton alone in the two markets reflects the full discount on sterling. Rubber, also, which is free of tariff, shows a differential not much greater than the altered exchange rate of the currencies, the actual prices on a dollar basis in London and New York for ribbed sheets being much the same.

Indeed it may in general be said that where identical commo-

dities are being compared and no tariff is in effect to isolate the markets, the British price relative to the American substantially reflects the discount on sterling. This is particularly true when the commodity in question is imported by both countries from a common source. When this is the case, even the tariff, providing it is unchanged, makes little difference.

Just how widely, however, commodities may differ though designated by the same general name, is shown in the case of coffee. Coffee in England means the more expensive Central American types. Coffee here is chiefly the common Brazilian. Since England left the gold standard the sterling price of coffee has actually fallen in the face of a substantial recovery in the price of the Brazilian product in New York. Brazilian coffee still remains, however, by far the cheaper product and there is no incentive for Americans to change.

The tea which finds its mass consumption in England comes from India and Ceylon, whereas it is Formosan tea which figures in the American index. The British barley quotation is for malting barley; ours for feeding barley in Chicago. Even in a common raw material like hemp, what are in effect two commodities may be created by the practices of the respective markets. Almost of necessity the English use a low-grade hemp, for their machinery is adjusted to it. The higher grades preferred by Americans may drop

relatively in price, but the English go on consuming low-grade hemp.

The familiar mutton of the Englishman is a high quality product representing the slaughter of comparatively young sheep. The American mutton, a product of older sheep reared chiefly for wool, is destined in the main for stews. Under such circumstances the English product is so far above the American in price that even a sharp decline fails to interest Americans -- quite aside from the prohibitive tariff, which, in this case, is irrelevant. In the case of lamb the tariff may have had some effect, though the fact that Americans are not accustomed to frozen lamb would probably have been sufficient to keep out the New Zealand product consumed in England, even after it had fallen in terms of gold somewhat below the price for fresh lamb here.

The tariff certainly has had some effect on the situation in wheat and beef; but there again the difference in types compared, subject as they are to different seasonal movements, has played a considerable part in permitting relative price changes greater or less than the discount on sterling.

The same differences in types compared, as well as heavy transportation costs, underlie the failure of two important British export groups -- coal, and iron and steel -- to reflect the discount on sterling. It is probable, however, that another



factor is at work in the case of exports -- namely, the efforts of British producers to expand their foreign markets by undercutting prevailing prices. Particularly in a commodity like coal where leading customers such as France and Germany have raised obstacles to the purchase of the British product, the necessity of an inducement in the way of price concessions is apparent. Incidentally it may be noted that coal prices in Germany have fallen considerably more than in the United States, which is a difficult market for English coal exporters to reach.

Other British exports have done rather better, especially cotton cloth. Not only have prices of cotton cloth risen by the full amount of the discount on sterling, but there has been a notable expansion in the volume exported since the gold standard was abandoned. By far the largest relative increase, however, was to China where the popular embargo on Japanese goods was a more important factor than the exchange differential. Furthermore, although cotton cloth is the highest export commodity in the list given on page 10, its relative price increase no more than matches the rise in the sterling price of the dollar. The British are seeking volume in their export trade rather than high unit prices.

Note on British trade. - The effect of the depreciation of sterling on the volume of British trade is somewhat aside from the main purpose of this memorandum, except in so far as trade

recovery would in itself lead to a rise in prices. In general it may be said that several British industries -- textiles, iron and steel, and even coal -- have stood up better than those of competitors abroad. But world markets have been deteriorating so rapidly that such relative advantages as have developed still leave England in the midst of depression. Even had general recovery set in, it would probably have been signalized, at least in its initial stages, more by an expanded volume of production and the absorption of the unemployed than by a rise of prices. The ultimate effects would depend upon whether the recovery of business in England spread to the rest of the world.

Actually the depreciation of sterling has not brought anything approaching full-fledged industrial recovery in England. Together with the tariff it undoubtedly is responsible for the better balance of merchandise trade enjoyed by the country since the gold standard was suspended. This particular difficulty of the British situation is by way of being cured. But at the outset the effect has been to add to the complications faced by other countries; and, taken alone, the improved international trading position of England has been quite inadequate to cure a depression which is due to a multitude of factors the world over.

Conclusion. - It is apparent that the only immediately effective price-raising influence of the departure from the gold standard

in England has been the spread introduced between sterling and gold prices in the markets for international commodities. Even with regard to international commodities the evidence points to the great variety of spread -- sometimes actually of a reverse character -- which has followed the depreciation of sterling. A study of individual commodities leaves one with the impression that the barriers to international trade in the world today are so numerous and important that markets are in considerable measure isolated -- particularly where heavy tariffs are in effect. Certainly there is wide room for divergence; and the effect of the sterling discount has been far from uniform.

It would be easy to underestimate, however, the forces of competition that are still at work throughout the field. In a large number of cases the apparently unrelated movement of the sterling and dollar prices of a given commodity is attributable to the fact that really two different commodities are being compared. Were comparison made between identical commodities in countries in which they are habitually traded, the movement of relative sterling prices would in general be found to reflect the movement of the exchange rate of sterling with the currencies concerned. Even where the American tariff is the factor which permits a divergent movement of sterling and dollar prices, it is still generally true that the

price in England relative to the price in the country from which England has imported the commodity reflects the discount on sterling. Furthermore few of the obstacles to international trade are absolute. The isolation of markets is only a matter of degree.

The nexus of competitive relationship, therefore, between England and the rest of the world is real, if somewhat loose. And directly and indirectly that nexus extends to the United States. Hence notwithstanding the diversity of situations surrounding individual commodities, the general relative position of British wholesale prices reflects to a large extent the discount on sterling relative to the dollar.

As was noted at the beginning of this memorandum, however, the increase in sterling prices has been only relative. They have continued to fluctuate as much as prices in the United States and other gold standard countries; and after a substantial initial rise they have fallen till today they are lower than when the gold standard was suspended in September, 1931.

Form No. 131

For CIRCULATION: -----

# Office Correspondence

FEDERAL RESERVE BOARD

Mr. Hamilton ✓  
 Mr. James ✓  
 Mr. Magee ✓  
 Mr. Miller ✓  
 Mr. Pole ✓  
 Mr. Harrison ✓  
 Mr. Morrill ✓  
 Mr. McClelland ✓  
 Mr. Wyatt ✓  
 Mr. \_\_\_\_\_

Date August 18, 1932

To Governor Meyer

From Mr. Parry

Subject: Commodities - Opinion of Fore-  
casting Services: Brookmire

Please note - initial and return to GOVERNOR

244,277  
Depression Stat.

The Brookmire Commodity Bulletin of August 15, 1932 shows that this service continues to be cautious, in fact, very cautious. The gist of their position, freed from surplus verbiage, is indicated by the following extracts:

Confidence. - "There remain enough elements of weakness to precipitate trouble if the situation is not handled with such delicate care as to avoid shocks to confidence."

Wheat. - "Heavy stocks of wheat are only symptoms of the basic malady of world over-production. .... Any encouragement given to the wheat farmer in the late summer is likely to induce him to plant wheat heavily in the sowing season immediately ahead."

"The effort (to stimulate exports) would meet considerable difficulty in wheat ..... when Chicago is the highest market in the world."

General advice. - "Users of commodities (in general) should have their requirements protected moderately, except in cases where such sharp run-ups have occurred as to warrant the caution not to follow up advances."

Specific advices:

Steel--"Forward purchases are not necessary," (scrap excepted).

Copper--"Moderate protection of requirements is sufficient."

Tin, Lead, and Zinc--"Some protection is advisable, but buyers should not follow up advances."

Other building materials--"Continue hand-to-mouth basis on lumber, plate glass, window glass. Contract for cement only on old basis."

Fuels--No forward buying emphasized, except to some extent in anthracite coal.

Form No. 131

7

# Office Correspondence

FEDERAL RESERVE BOARD

Date August 6, 1932

To Governor Meyer

Subject: Return of U. S. Gold Coin

From Miss Joy

from Circulation

*a.s. [Signature]*

*[Handwritten signature]*

2-8495

*244,211  
Depositor Statistics*

About \$340,000 of U. S. gold coin returned from domestic circulation during the week ending August 3, largely in the New York district. There was also a return of about \$35,000 at Philadelphia. Withdrawals continued at San Francisco and in the Richmond districts, although they were considerably smaller than last week.

FOR CIRCULATION: .....

- Mr. Hamlin .....
- Mr. James .....
- Mr. Magee .....
- Mr. Miller .....
- Mr. Pole .....
- Mr. Harrison .....
- Mr. Merrill .....
- Mr. McClelland .....
- Mr. Wyatt .....
- .....
- .....

Please note - initial and return to GOVERNOR.

RECEIVED  
 AUG - 8 1932  
 OFFICE OF THE GOVERNOR  
 FEDERAL RESERVE BOARD

FORM NO. 111

*Gov. Meyer*  
*S.A.S.*  
**Office Correspondence**

FEDERAL RESERVE BOARD

Date August 5, 1932

To Mr. Goldenweiser  
From Mr. Thompson

Subject: Demand for Currency

244,211

2-8495

*Depression Statistics*

*MBR*  
*a.j.*

Following a reduction of approximately \$60,000,000 in "hoarding" during the last ten days of July, there was an increase of approximately \$30,000,000 during the first three days of August as shown in the following table:

**DAILY CHANGES IN DEMAND FOR CURRENCY**

(In millions of dollars)

| <u>Date</u> | <u>Actual</u> |
|-------------|---------------|
| July 21     | + 11          |
| 22          | + 20          |
| 23          | 0             |
| 25          | + 4           |
| 26          | - 26          |
| 27          | - 18          |
| 28          | + 20          |
| 29          | + 34          |
| 30          | + 8           |
| Aug. 1      | + 1           |
| 2           | - 17          |
| 3           | - 14          |

| <u>Seasonally adjusted</u> | For CIRCULATION: |
|----------------------------|------------------|
| - 3                        | Mr. Hamlin       |
| - 12                       | Mr. James        |
| - 8                        | Mr. Magee        |
| - 14                       | Mr. Miller       |
| - 3                        | Mr. Pole         |
| + 4                        | Mr. Harrison     |
| - 8                        | Mr. Morrill      |
| - 12                       | Mr. McClelland   |
| - 3                        | Mr. Wyatt        |
| + 7                        | Mr.              |
| + 10                       | Mr.              |
| + 12                       | Mr.              |

Please note - initial and return to GOVERNOR.

From July 20 to July 27 the return flow of currency was concentrated largely in the Richmond and Chicago districts, following the banking disturbances in earlier weeks, representing a real return of money from hoarding. There was also a decrease in other eastern industrial areas.

During the last three days of July the month-end demand for cur-

2.

rency was smaller than usual in all districts and probably reflected in considerable part the relatively small volume of month-end wage payments.

Partly in consequence of the small volume of month-end withdrawals and partly because of the tax on checks, the return of currency to the reserve banks during the first three days of August was also smaller than usual, and thus the day-to-day changes in money in circulation adjusted for seasonal variations show an increase. Since many wage earners now keep a larger share of cash from their pay checks for payment of bills instead of depositing it directly in the bank and paying bills by check as they have formerly done, the return flow of end-of-month currency may be expected to be somewhat slower than in the past.

There is no reason to believe that the increase in the first three days of August reflected any considerable amount of "hoarding" in the strict sense of the word. There were no bank failures of any consequence during this period, the demand was of greater than seasonal proportions in all districts, and only in the San Francisco district is there evidence that withdrawals were occasioned by banking disturbances.



Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date August 4, 1932

To Governor Meyer

Subject: Demand for Currency

From Miss Joy

*as. [signature]*

**FILE**  
E. M.

*244.211*

*Opusculum*

The volume of money in circulation on Wednesday, August 3, showed an increase of \$38,000,000 as compared with the preceding week, about \$5,000,000 more than the usual amount.

Demand for currency increased less than usual during the last three days of July, but on August 1 there was a larger withdrawal than in past years, followed by an exceptionally small return flow on August 2 and 3, as shown in the following table:

**ESTIMATED DAILY CHANGE IN MONEY IN CIRCULATION  
ADJUSTED FOR SEASONAL VARIATION**

|         |      |
|---------|------|
| July 28 | - 8  |
| 29      | - 12 |
| 30      | - 3  |
| Aug. 1  | + 7  |
| 2       | + 10 |
| 3       | + 12 |

For CIRCULATION:-----

- Mr. Hamlin -----
- Mr. James  -----
- Mr. Magee  -----
- Mr. Miller  -----
- Mr. Pole  -----
- ~~Mr. Harrison~~ -----
- Mr. Morrill -----
- Mr. McClelland  -----
- Mr. Wyatt  -----
- Mr. -----
- Mr. -----

Please note - initial and return to GOVERNOR.

This high level of circulation in the first three days of the month, which also occurred in July, may be due in large part to the substitution of cash for checks in making payments. Wage-earners and salaried workers who are still being paid by check may be cashing their pay checks instead of depositing them in the bank, and retaining the proceeds to be expended gradually during the month.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date July 29, 1932

To Governor Meyer

Subject: Demand for Gold Coin

From Miss Joy

Please note - Initial and return to GOVERNOR.

244.111

2-8495

*Depression Hit*

**FILE**  
*a.i.*  
*E. M.*

|              |           |          |            |          |              |             |                |           |
|--------------|-----------|----------|------------|----------|--------------|-------------|----------------|-----------|
| Mr. Hamilton | Mr. James | Mr. Mege | Mr. Miller | Mr. Pole | Mr. Harrison | Mr. Morrill | Mr. McClelland | Mr. Wyatt |
|--------------|-----------|----------|------------|----------|--------------|-------------|----------------|-----------|

*3000*

There was a net withdrawal of only \$300,000 of gold coin for domestic use in the country as a whole during the week ending July 27--the smallest in any week covered by our records, which begin with the last week in May. Withdrawals of about \$300,000 at Chicago and \$100,000 at San Francisco, with small demands in other districts, more than offset a return flow of about \$300,000 at the Federal Reserve Bank of New York and some return at the Philadelphia and Richmond Federal Reserve Banks.

However, the net return at New York is encouraging, since gold movements in that district have been as important as those in all the other districts combined. Between May 25 and July 27 \$29,000,000 in United States gold coin was withdrawn for domestic use, and of this half was absorbed in the New York district, another \$4,000,000 in Chicago, and about \$3,000,000 in San Francisco. In other districts demand was comparatively small. The accompanying table shows net demand for United States gold coin by weeks, beginning with the week ending June 1.

The demand has been definitely slackening since the first week in June. At that time withdrawals were about \$8,000,000 a week. Thereafter they declined steadily until, in July, they were less than \$2,000,000 a week, and for the past week dwindled to \$300,000.

Since last year at this time, when the circulation of gold coin was near its lowest level in recent years, \$90,000,000 has been paid out for domestic use, most of it in two periods--during the gold outflow of last

2.

September and early October and during May and June of this year.

CHANGES IN DEMAND FOR GOLD COIN BY DISTRICTS

June 1 to July 27

(In millions of dollars)

| Federal<br>reserve district | Week ending |        |         |         |         |        |         |         |         | May 25<br>June 27 |
|-----------------------------|-------------|--------|---------|---------|---------|--------|---------|---------|---------|-------------------|
|                             | June 1      | June 8 | June 15 | June 22 | June 29 | July 6 | July 13 | July 20 | July 27 |                   |
| Boston                      | + 0.3       | + 0.2  | + 0.3   | + 0.1   | + 0.1   | 0.0    | 0.0     | - 0.1   | 0.0     | +0.9              |
| New York                    | + 5.5       | + 5.0  | + 1.6   | + 0.7   | + 0.8   | + 0.4  | + 0.7   | + 0.2   | - 0.3   | +14.6             |
| Philadelphia                | + 0.5       | + 0.4  | + 0.2   | + 0.2   | + 0.1   | + 0.1  | 0.0     | + 0.1   | - 0.1   | + 1.5             |
| Cleveland                   | 0.0         | + 0.1  | 0.0     | 0.0     | 0.0     | 0.0    | 0.0     | 0.0     | 0.0     | + 0.1             |
| Richmond                    | + 0.2       | + 0.3  | + 0.1   | 0.0     | 0.0     | 0.0    | 0.0     | + 0.1   | - 0.1   | + 0.6             |
| Atlanta                     | + 0.1       | 0.0    | + 0.1   | 0.0     | 0.0     | 0.0    | 0.0     | 0.0     | 0.0     | + 0.2             |
| Chicago                     | + 0.5       | + 1.3  | + 0.5   | + 0.8   | + 1.5   | + 0.3  | - 1.1   | + 0.3   | + 0.3   | + 4.4             |
| St. Louis                   | 0.0         | 0.0    | 0.0     | 0.0     | + 0.1   | 0.0    | 0.0     | + 0.1   | 0.0     | + 0.2             |
| Minneapolis                 | + 0.1       | + 0.1  | + 0.1   | 0.0     | - 0.1   | 0.0    | 0.0     | 0.0     | 0.0     | + 0.2             |
| Kansas City                 | + 0.1       | - 0.1  | + 0.1   | 0.0     | + 0.1   | + 0.1  | + 0.1   | 0.0     | 0.0     | + 0.4             |
| Dallas                      | 0.0         | 0.0    | 0.0     | 0.0     | 0.0     | 0.0    | + 1.5   | 0.0     | 0.0     | + 1.5             |
| San Francisco               | + 0.6       | + 0.9  | + 0.2   | + 0.1   | + 0.3   | + 0.3  | + 0.2   | + 0.2   | + 0.1   | + 2.9             |
| Total                       | + 7.9       | + 8.1  | + 3.3   | + 2.1   | + 3.1   | + 1.2  | + 1.6   | + 1.0   | + 0.3   | +28.6             |

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date July 25, 1932

To Governor Meyer

Subject: Demand for Currency, July 20-23

From Miss Joy

*a.J. Kelly*

FILE  
244,211  
*W.H.P.*  
2-8495  
*Depression that*

During the latter part of the past week, July 20 to July 23, there was a much smaller increase than usual in demand for currency, indicating a return of some currency from inactive use. Ordinarily demand increases as the week end approaches, and on Saturday, July 23, the amount in use is ordinarily 30 millions larger than on the preceding Wednesday. This year the amount outstanding increased only 8 million dollars.

- For CIRCULATION: -----
- Mr. Hamlin
  - Mr. James
  - Mr. Magee
  - Mr. Miller
  - Mr. Pole
  - Mr. Harrison
  - Mr. Morrill
  - Mr. McClelland
  - Mr. Wyatt
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

FILE  
E. M. ✓

Please note - initial  
and return to GOVERNOR.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
 Date July 22, 1932  
244,211

To Governor Meyer ✓  
 From Miss Joy  
*a.j. [Handwritten Signature]*

Subject: Demand for Currency  
*Depression that*

There was a growth of \$21,000,000 in the volume of currency outstanding in the week ending July 20, compared with a decline of about \$30,000,000 in past years. This was the fourth week in which demand was somewhat larger than usual in most Federal reserve districts, although for the week just past there was a return flow in the Boston and New York districts.

The Richmond and Chicago districts account for two-fifths of the non-seasonal demand for currency. Withdrawals of about \$16,000,000 in the Richmond district were concentrated in the City of Washington from July 14 to 18; an equally large withdrawal in Chicago accompanied a number of bank suspensions in Iowa during the latter part of last week and in Milwaukee on July 19. In the Cleveland district, where banks in Pittsburgh, Springfield, and Chillicothe, Ohio suspended, there was little net change in amount of currency outstanding, although there is ordinarily a return of about \$10,000,000 in this week.

- For CIRCULATION: -----
- Mr. Hamlin ✓
  - Mr. James ✓
  - Mr. Magee ✓
  - Mr. Miller ✓
  - Mr. Pole ✓
  - Mr. Harrison ✓
  - Mr. Morrill ✓
  - Mr. McClelland ✓
  - Mr. Wyatt ✓
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

*Mr. Thompson  
Mr. Rhodes*

July 15, 1932

Mr. Goldenweiser

Demand for Currency

Mr. Thompson, Mr. Rhodes, and Miss Joy

June 1--July 13.

REC'D IN FILES SECTION  
JUN 24 1953  
*sh*  
244,211

Since the first of June, demand for currency has increased by about \$275,000,000 in excess of ordinary seasonal requirements. This increase at first reflected banking disturbances in Chicago and to a lesser extent in other districts and, later, the tax on checks. Demand for currency in excess of estimated seasonal requirements both for the country as a whole and for each Federal reserve district is shown in the following table.

*Depression Stat.*

CHANGES IN DEMAND FOR CURRENCY BY FEDERAL RESERVE DISTRICTS

Adjusted for seasonal variation. Weeks ending Wednesday.

(In millions of dollars)

| District      | June 8<br>1932 | June 15<br>1932 | June 22<br>1932 | June 29<br>1932 | July 6<br>1932 | July 13<br>1932 | Cumulative<br>June 2 to<br>July 13,<br>1932 |
|---------------|----------------|-----------------|-----------------|-----------------|----------------|-----------------|---|
| Boston        | + 5            | + 1             | - 1             | + 3             | + 5            | + 2             | + 14  |
| New York      | + 8            | + 16            | - 7             | + 1             | - 2            | + 9             | + 26  |
| Philadelphia  | + 2            | - 1             | + 6             | - 4             | + 5            | + 3             | + 10  |
| Cleveland     | - 1            | - 1             | + 2             | - 4             | + 4            | + 1             | + 2   |
| Richmond      | - 1            | + 2             | - 2             | + 1             | + 3            | + 1             | + 5   |
| Atlanta       | ...            | + 1             | - 1             | + 3             | + 2            | + 3             | + 7   |
| Chicago       | + 10           | + 7             | + 44            | + 110           | - 9            | + 1             | + 163                                       |
| St. Louis     | + 1            | + 1             | + 1             | + 1             | + 2            | + 1             | + 6   |
| Minneapolis   | ...            | + 1             | ...             | + 1             | + 4            | ...             | + 6   |
| Kansas City   | ...            | + 1             | + 3             | + 1             | + 6            | + 2             | + 13  |
| Dallas        | - 1            | + 1             | + 1             | + 1             | + 4            | - 1             | + 14  |
| San Francisco | - 1            | + 4             | + 4             | + 2             | + 6            | + 6             | + 20  |
| Total         | + 22           | + 31            | + 50            | + 115           | + 29           | + 28            | + 275                                       |

*From  
R & S  
Library*

In the first two weeks in June demand was largest at New York, where half of the \$55,000,000 non-seasonal increase in circulation was concentrated. In the next two weeks--June 15 to June 29--the panic in Chicago dominated the situation, and \$155,000,000 in excess of seasonal needs went into public circulation and into banks' vaults in that district. In other districts only \$10,000,000 more than usual was withdrawn. Following the end of the runs in Chicago there was a gradual return of cash to the Chicago Federal Reserve Bank, particularly from banks' holdings.

From June 29 to July 6 circulation increased about \$30,000,000 more than estimated holiday and month-end requirements, and in the following week the return flow was about \$25,000,000 smaller than usual, making a net non-seasonal increase in circulation of \$55,000,000. Except for Chicago, this increase was general in all districts.

The influence of the tax on checks in increasing the use of cash since the law became effective on June 21 cannot be estimated with accuracy, because demand in excess of estimated seasonal requirements reflects, in addition to this factor, increased hoarding in certain areas where there has been uneasiness over the banking situation, such as Philadelphia, St. Louis, Minneapolis, and San Francisco; <sup>and</sup> a probable decline in hoarding in other districts, which may be obscured by the influence of the tax on checks. Unless the amount of this de-hoarding is substantial, the limits of the influence of the tax are suggested by the amount of the non-seasonal increase in circulation outside the Chicago district since June 22, amounting to about \$75,000,000.



July 14, 1932

Mr. Goldenweiser

Mr. Thompson

Demand for currency in the  
 REC'D IN FILES SECTION  
 Chicago district JUN 24 1953  
 244,211

During the week ending June 29, the demand for currency in-  
 creased by \$116,000,000, or \$110,000,000 in excess of seasonal  
 requirements. The banks obtained the funds with which to meet  
 this demand (1) through <sup>net</sup> withdrawal of funds from other districts--  
 through sale of securities, borrowing and withdrawal of balances--  
 of \$11,000,000; (2) through net Treasury payments of <sup>69</sup>\$45,000,000--  
 probably reflecting R.F.C. expenditures; (3) purchase of United  
 States securities by the Federal reserve system in Chicago amount-  
 ing to <sup>64</sup>\$86,000,000. This supply was offset in part through an in-  
 crease in deposits at the reserve bank of member and nonmember  
 banks amounting to \$30,000,000.

During the week of July 6, the demand for currency increased  
 by \$10,000,000, or less than the estimated seasonal amount, the  
 funds being obtained through drafts upon member bank reserve bal-  
 ances. These balances were reduced by \$62,500,000 in order to  
 meet an adverse balance of payments with other districts and  
 Treasury receipts.

The figures are summarized in the attached table.

DTgew

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 R+S  
 Library

Checked

DEMAND FOR CURRENCY--CHICAGO DISTRICT

Week ending June 29, 1932

Millions of dollars

Increase in demand for currency

116

Fund supplied through

|  |                     |                     |
|--|---------------------|---------------------|
| 1. Interdistrict settlements                                       |                     | 11                  |
| 2. Treasury expenditures<br>(probably R.F.C.)                      |                     | <del>45</del><br>69 |
| 3. Increase in reserve bank credit<br>extended in Chicago district |                     | <del>89</del><br>65 |
| a. U. S. securities  | 64<br><del>88</del> |                     |
| b. Acceptances   | 2                   |                     |
|  |                     | <hr/>               |
| Total known supply   |                     | 145                 |

Deductions

|   |  |          |
|---|--|----------|
| 1. Increase in member bank reserve balances |  | 27       |
| 2. Increase in nonmember bank deposits      |  | <u>3</u> |
| Total deductions                            |  | 30       |
| Net supply                                  |  |          |

115

Week ending July 6, 1932

Increase in demand for currency

10

Funds supplied through

|  |  |          |
|--|--|----------|
| 1. Reduction in member bank reserve balances               |  | 62       |
| 2. Reduction in nonmember bank deposits at<br>reserve bank |  | 3        |
| 3. Reserve bank credit                                     |  | <u>2</u> |
| Total  |  | 67       |

Deductions

|   |  |           |
|---|--|-----------|
| 1. Net Treasury receipts                  |  | 27        |
| 2. Loss through interdistrict settlements |  | <u>31</u> |
| Total                                     |  | 58        |

Net

9

Dfgw

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
Date July 9, 1932  
Subject: Demand for Currency

To Governor Meyer

From Mr. Parry and Miss Joy

*A.J. C&P*

**F. M. H.**

*244.211*  
*Depression Stock*

The largest part of the \$126,000,000 increase in circulation between June 29 and July 6 can be accounted for by demand for cash for holiday expenses. When the Fourth of July week end is a long one, as in this year, the increase in circulation is ordinarily \$90,000,000 to \$100,000,000. The \$25,000,000-\$30,000,000 in excess of seasonal requirements during the week is in part the result of the shift from a check to a cash basis as suggested by the fact that the increase was general throughout the country. This is shown in the following table:

CHANGES IN DEMAND FOR CURRENCY BY FEDERAL RESERVE DISTRICTS

Week ending July 6, 1932

(In millions of dollars)

| District      | Amount of increase during week | Normal seasonal increase |
|---------------|--------------------------------|--------------------------|
| Boston        | 15                             | 10                       |
| New York      | 33                             | 35                       |
| Philadelphia  | 8                              | 3                        |
| Cleveland     | 8                              | 4                        |
| Richmond      | 6                              | 3                        |
| Atlanta       | 5                              | 3                        |
| Chicago       | 9                              | 18                       |
| St. Louis     | 5                              | 3                        |
| Minneapolis   | 6                              | 2                        |
| Kansas City   | 8                              | 2                        |
| Dallas        | 5                              | 1                        |
| San Francisco | 20                             | 14                       |
| Total         | 127                            | 98                       |

For CIRCULATION:-----  
 Mr. Hamlin ✓  
 Mr. James ✓  
 Mr. Magee ✓  
 Mr. Miller ✓  
 Increase after seasonal adjustment  
 Mr. Pole ✓  
 Mr. Harrison ✓  
 Mr. Morrill ✓  
 Mr. McClelland ✓  
 Mr. Wyatt ✓

5  
- 2  
5  
4  
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2  
- 9  
2  
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6  
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2

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**RECEIVED**  
**JUL 9 1932**  
OFFICE OF THE GOVERNOR  
FEDERAL RESERVE BOARD

It is to be expected that the change from a check to a cash basis would be most marked in the first week of the month when small monthly bills, which can readily be paid in cash rather than by check, are ordinarily settled. Although no statistical<sup>†</sup> evidence is available, we have had a number of reports from people who have paid all their small bills in cash this month for the first time, and have considerably increased their customary supply of cash, and this factor may be more important than appears on first consideration. It is unlikely that dividend and other corporate payments, with the possible exception of payrolls, have yet been shifted to a cash basis. Certain large corporations have already changed the form of their checks in order to evade the tax.\*

The increase in demand for currency in some districts, however, was larger than can reasonably be accounted for by the increased use of cash in preference to checks. The Philadelphia Federal Reserve Bank reports some drain of currency incident to banking difficulties in and near Wilkes Barre, Philadelphia, Allentown, and other centers. In the Minneapolis district, the reserve bank reports that a continuous and gradual withdrawal of deposits from banks in certain parts of the district has been under way for a considerable period of time. It is possible that the more rapid rate of increase during the past week is a reflection of apprehension over banking disturbances in the Chicago district.

---

\*See attached clipping from the New York Times for June 30, 1932.

2.

The Chicago district was an exception to the general increase. During the past week the volume of currency outstanding increased by about \$9,000,000 less than usual, apparently because of a substantial return of cash from vault holdings of banks, amounting to \$12,000,000 for reporting member banks in the City of Chicago alone.

*rate of increase in*  
The demand for gold coin again declined during the week, and withdrawals were only slightly more than \$1,000,000.

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**Article Title:** Banks to Aid Plan to Avoid Check Tax

**Newspaper Title:** New York Times

**Date:** June 30, 1932

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date July 7, 1932

To Governor Meyer

Subject: Currency Demand

From Miss Joy

*A. J. [Signature]*

*244,211*

**FILE**  
E. M.

*Depression Stats*

The demand for currency over the month-end and the 4th of July holiday week-end was larger than usual, as indicated by the following table.

Estimated Change in Hoarding

(In millions of dollars)

|         |      |
|---------|------|
| June 30 | + 7  |
| July 1  | + 13 |
| July 2  | + 12 |
| July 5  | 0    |

Increases were general throughout the country, but the demand was larger than normal in the New York district on June 30 and July 1, in the Chicago district on July 2, and in the San Francisco district during the entire 3-day period.

On July 15, however, volume of money in circulation showed about the usual change.

For CIRCULATION: .....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. ....
- Mr. ....

Please note - initial and return to GOVERNOR.

Form No. 181

**Office Correspondence**

FEDERAL RESERVE BOARD

Date June 23, 1932

To Governor Meyer

Subject: 244.211

From Mr. Goldenweiser

Currency Depression

**FILE**

2-8495

Demand for currency has been unusually large since last Wednesday and our estimates show an increase in hoarding of more than \$35,000,000 in the six days from June 16 to June 21, the largest being \$19,000,000 on Tuesday, June 21.

Most of this non-seasonal increase has been in the Chicago district where it is estimated that \$30,000,000 was withdrawn in excess of normal demands, apparently reflecting uneasiness over the banking situation as a result of recent suspensions. There was a small outflow in the San Francisco district, amounting to about \$4,000,000. In the New York district, however, withdrawals have apparently been checked and there has recently been a small return of currency.

The following is an estimate of hoarding in the Chicago district by days in June. Through the twenty-first it amounted to \$42,600,000:

ESTIMATED INCREASE IN HOARDING IN THE CHICAGO FEDERAL RESERVE DISTRICT

|        |       |
|--------|-------|
| June 1 | +0.7  |
| 2      | +1.4  |
| 3      | +0.7  |
| 4      | +1.1  |
| 6      | --    |
| 7      | +1.7  |
| 8      | +1.6  |
| 9      | +0.3  |
| 10     | +2.3  |
| 11     | -2.2  |
| 13     | -1.1  |
| 14     | +0.2  |
| 15     | +4.4  |
| 16     | +2.8  |
| 17     | +2.7  |
| 18     | +7.7  |
| 20     | +5.5  |
| 21     | +12.8 |

For CIRCULATION: .....

- Mr. Hamlin
- Mr. James
- Mr. Mapee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. ....
- Mr. ....

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Form No. 131

COPY FOR GOVERNOR MEYER

FEDERAL RESERVE BOARD

# Office Correspondence

Date June 23, 1932

To Mr. Joslin

Subject: 244.211

From Mr. Goldenweiser

*Depression Stat*

*Gold*

**FILE**  
E. M.

For CIRCULATION: -----

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. -----
- Mr. -----

Hoarding of currency, which had declined for ten weeks beginning on February 3, increased after that time, and particularly since the beginning of June. The amount of currency returned from hoarding, which had reached \$250,000,000 in the middle of April, was reduced to \$125,-000,000 by the fourth week in June. These facts are brought out by the

Please note ~~change~~ and return to GOVERNOR.

The return flow of currency from hoarding, which followed upon the organization of the Reconstruction Finance Corporation, was for the most part in the industrial areas, where hoarding had been in the largest volume.

Increased hoarding after the middle of April followed upon a series of important bank failures first in the Boston, later in the New York, and more recently in the Chicago district. It was accelerated by the psychological effect of the outflow of gold, which was in large volume in May and the first half of June. There was even some hoarding of gold coin, at the rate of about \$8,000,000 a week for two weeks, but this declined in the latest week to \$3,000,000.

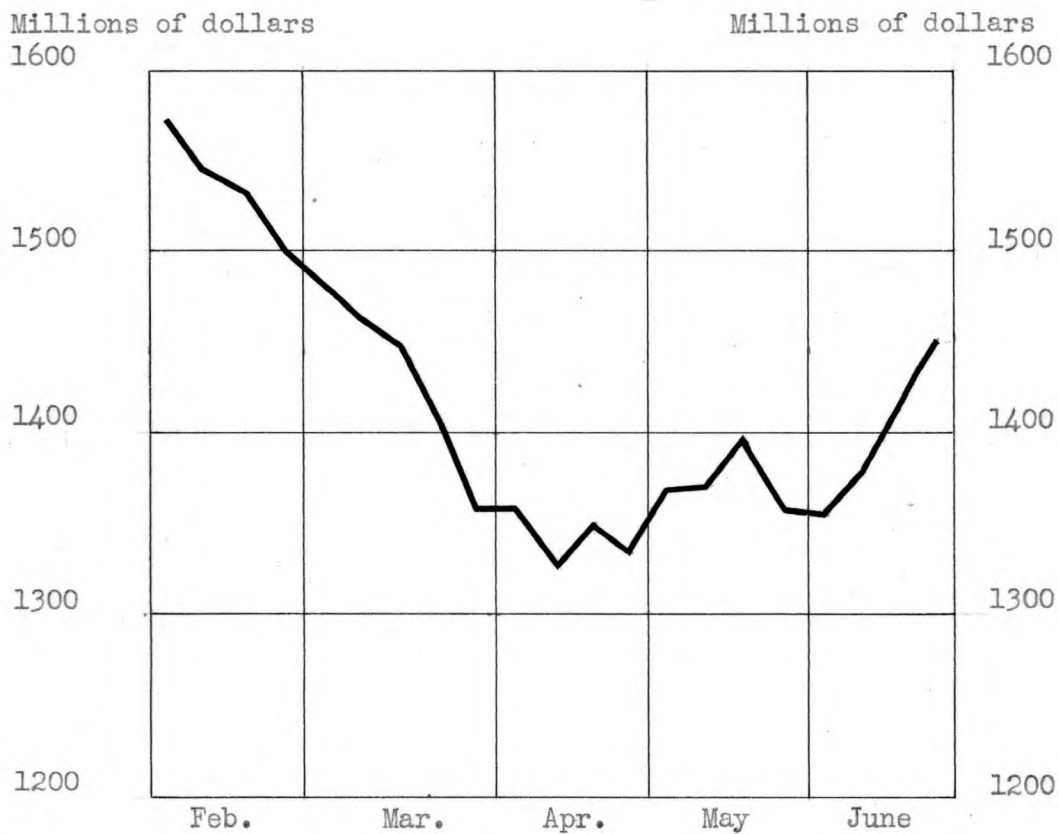
The announcement of the fact that balances held by foreign central banks in this country have now been reduced to relatively small proportions has had a reassuring effect, and as gold exports have ceased, gold hoarding has diminished and may be expected to stop altogether. It was never important in quantity, but might have been a dangerous beginning.

Mr. Joslin, - #2

June 23, 1932

I know of nothing that can be done about the return of hoarding other than what is being done to support the banking situation and to encourage the resumption of business activity.

ESTIMATED AMOUNT OF HOARDING - WEEKLY  
February 3 to June 21, 1932



Wednesday dates

Federal Reserve Board

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date June 17, 1932

To Governor Meyer

Subject: Money in Circulation

From Miss Joy

**FILE**

E. M.

244,211

Depression 2-8495

*a. J.  
c. E. P.*

The increase of \$15,000,000 in currency outstanding in the week ending June 15 was contrary to the usual seasonal movement; ordinarily there is a decline of \$15,000,000-\$20,000,000. Thus the estimated increase in hoarding for the week is \$30,000,000-\$35,000,000.

The largest part of this increase in hoarding, as in the preceding week, was in the New York Federal Reserve District. There was also an increase--much smaller, however--in the Chicago district. (Perhaps it was the Convention; perhaps bank suspensions.)

Increased demand for gold coin was only \$3,000,000 during the week ending June 15, in contrast with increases of \$8,000,000 in each of the two preceding weeks.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin ✓
  - Mr. James ✓
  - Mr. Magee ✓
  - Mr. Miller ✓
  - Mr. Pole ✓
  - ~~Mr. Harrison~~
  - Mr. Morrill ✓
  - Mr. McClelland ✓
  - Mr. Wyatt ✓
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

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# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
 Date June 10, 1932

To Governor Meyer

Subject: Industrial production and

From Mr. Garfield

building activity in May

**FILE**

244,211 2-8495

*Depression that*

INDUSTRIAL PRODUCTION

E. M.

We have just estimated the Board's seasonally adjusted index of industrial production for May at 62 per cent of the 1923-1925 average, down 2 points from April. Output in the pig iron, coal, petroleum, and silk industries declined and in the meatpacking industry production increased by less than the seasonal amount. Trade reports indicate further substantial reductions in activity at cotton and woolen mills, following the drastic cut in production in April. Lumber output increased slightly during May, however, and automobile production showed a substantial increase as Ford expanded operations rapidly.

Total industrial activity, as measured by the Board's seasonally adjusted index, has declined 2 or 3 points every month since December when it was at 74 per cent of the 1923-1925 average. Since June 1929 output has declined 50 per cent (from 125 to 62). The figures for last May and from November to date, with and without seasonal adjustment, are shown in the table below.

INDEX OF INDUSTRIAL PRODUCTION  
 (1923-1925 average = 100)

|      |                | Adjusted for seasonal variation | Unadjusted |
|------|----------------|---------------------------------|------------|
| 1931 | May            | 87                              | 89         |
|      | November (low) | 73                              | 73         |
|      | December       | 74                              | 68         |
| 1932 | January        | 72                              | 71         |
|      | February       | 69                              | 71         |
|      | March          | 67                              | 68         |
|      | April          | 64                              | 65         |
|      | May            | p 62                            | p 63       |

p preliminary

FOR CIRCULATION: .....

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pole ✓
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

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### Steel

During May, current weekly trade reports indicated an increase in activity at steel mills to 24 per cent of capacity for the month as a whole from  $22\frac{1}{2}$  per cent in April, while the official figures of the Iron and Steel Institute, issued this week, reported a decline to 20 per cent. There is evidence that both were in error and that production was at about the same level as in April. The Iron and Steel Institute figures, heretofore relied on as final, were based on official figures for 95 per cent of the capacity of the industry, but did not include Ford, whose steel operations were at an exceptionally high level during May.

Since the first of June a decline in activity of greater than seasonal proportion is reported. Between the week ending May 21 and the week ending June 11, activity declined from 25 per cent to 20 per cent, according to Iron Age and Steel. The current week is estimated still lower--17 per cent--by American Metal Market.

### Automobiles

Automobile production in the United States increased from 148,000 cars in April (usually the peak month) to about 180,000 in May. Activity in recent months has been greatest in the low-price group and it is rumored that several producers, including Essex, Chevrolet, and DeSoto are planning the introduction of new cars in this field this summer, featuring low prices. The latest news indicating the downward price movement in this industry (already clear in the case of Ford and Chevrolet) is a drastic cut by Auburn on June 9, amounting to one-third of the delivered price on some models, and, immediately following this, a smaller cut by Rockne.

Output in the first six months of the year will be between 850,000 and 900,000, which suggests an output of 1,300,000 to 1,800,000 for the year, since in the last ten years output in the first half has ranged from 50 to 65 per cent of the total for the year. Last year 1,573,000 cars were produced in the first half and 817,000 in the second half. The small volume of factory payrolls, dividends and other types of income will unquestionably hold sales for the year at a low level relative to 1931 as well as to years of prosperity (the five-year annual average, 1925-1929, was 4.3 million), but many of the 26,000,000 cars on the road are old ones and many owners will be in a position to buy light cars in the low-price group or heavy cars with new cut-price tags.

#### Textiles

Until April, production in the textile industries had been maintained at relatively high levels, as compared with most other industries; but in April, with declining demand, activity in these industries was reduced much more than is usual at this season, and the Board's seasonally adjusted index of textile output declined from 82 per cent of the 1923-1925 average in March to 65 per cent in April. In May the decline in output at cotton, woolen, and silk mills continued, and in the rayon industry production and prices were cut.

#### Building activity

Construction contracts awarded in May amounted to \$146,000,000, an increase of \$25,000,000 over April, largely accounted for by a few Federal contracts for public buildings. During the first five months of the year total value of awards was 62 per cent less than last year,

reflecting chiefly decreases of 77 per cent in public utilities, 70 per cent in factories, 67 per cent in residential building, 61 per cent in commercial building, and 56 per cent in public works and public buildings combined. These percentages probably overstate the decline in physical volume of construction undertaken, because building costs have declined in the interval and, in the case of work undertaken by public agencies and public utilities, because a larger proportion of construction is now being done without outside contracts. During this period contracts awarded by public agencies have made up 45 per cent of the total reported. With continued need of retrenchment in public expenditures there is little prospect of greatly increased activity in this important part of the industry, although some increase might develop if the market for municipal and State bonds improved or if there were assistance from the Federal Government. In the residential field the value of contracts showed none of the usual seasonal increase this spring and from April to May declined by \$3,000,000 to \$26,000,000; their value is now at 14 per cent of the 1923-1925 average. Building of apartments and hotels has practically stopped (awards totaled 28 million dollars in the first five months as compared with 637 million in the corresponding period of 1928) while other residential construction has shown a smaller decrease (from 636 million in the first five months of 1928 to 112 million this year). It is clear that in many lines of construction, activity is at a complete standstill and can be reduced no further. Total volume of construction has been cut four-fifths from 1926-1928 levels and any further declines cannot be of great significance in the total industrial picture.



Form NO. 431

*Out of date*  
**Office Correspondence**

FEDERAL RESERVE BOARD

Date June 9, 1932

To Mr. Goldenweiser

Subject: Foreign Shipments and Receipts of Currency  
*244*

From Miss Joy

*A.J.*

**FILE**  
E. M.

2-8495

*244,211*  
*Depression Stat*

American paper currency continues to flow back from Europe at a rapid rate. In the month of May total receipts by New York banks were nearly \$11,000,000, more than twice as much as in April, and the largest in any one month since 1923. There were no shipments to Europe.

The largest contributors were Germany, Switzerland, Poland, and Holland, as shown in the table below.

Receipts of American Currency from Europe

(000 omitted)

|              |                 |
|--------------|-----------------|
| Germany      | \$3,666         |
| Switzerland  | 1,284           |
| Poland       | 1,222           |
| Holland      | 1,090           |
| England      | 855             |
| Danzig       | 840             |
| France       | 811             |
| All other    | 1,170           |
| <b>Total</b> | <b>\$10,938</b> |

For CIRCULATION:.....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr.
- Mr.

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**JUN 17 1932**  
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FEDERAL RESERVE BOARD

Form No. 131

*Geo. Meyer*  
**Office Correspondence**

FEDERAL RESERVE BOARD

Date June 8, 1932 ✓

To Mr. Goldenweiser

Subject: Demand for Currency Week

From Miss Joy

Ending June 4.

*a.J.*

244,211  
 Depression Stat

During the week just past there was an increase in the volume of money in circulation which cannot be accounted for by holiday and month-end demands, particularly on June 1 and 2, and again on June 4, with the consequence that our estimates of the amount of hoarding increased by \$30,000,000, and on Saturday, June 4, the total decline in hoarding since February 4 was estimated at about \$210,000,000.

Withdrawals of currency in excess of customary amounts were largest in the New York, Chicago, and San Francisco districts, particularly during the early part of the week. In the last three days total withdrawals were smaller and centered in San Francisco, Chicago, Minneapolis, and Dallas districts.

With the exception of the suspension on Saturday, June 4, of the First National Bank of Beverly Hills, California, with deposits exceeding \$6,000,000, there were no bank failures of any consequence during the week. The small but persistent withdrawals in the Minneapolis district, however, appear to be the result of bank runs in scattered areas throughout the district. The increased demand during the first part of the week may be related to general apprehension connected with gold exports, particularly since the currency demand was concentrated in financial centers, and since a similar demand occurred at New York

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last October during the period of gold exports at a time when there were no bank suspensions in the New York area.

On Monday, June 6, however, the return of currency from week-end use was slightly larger than usual.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date June 3, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser *E. M.*

## FILE

E. M.

244  
2-8405

*244.211  
Discussion that*

We have recently set up figures that enable us to measure changes in the demand for gold coin each week by Federal reserve districts.

The figures for the week ending June first are as follows:

(In millions of dollars)

|               |       |
|---------------|-------|
| Boston        | + 0.3 |
| New York      | + 5.5 |
| Philadelphia  | + 0.5 |
| Cleveland     | —     |
| Richmond      | + 0.2 |
| Atlanta       | + 0.1 |
| Chicago       | + 0.5 |
| St. Louis     | —     |
| Minneapolis   | + 0.1 |
| Kansas City   | + 0.1 |
| Dallas        | —     |
| San Francisco | + 0.6 |
| Total         | + 7.9 |

For CIRCULATION: \_\_\_\_\_

Mr. Hamlin ✓

Mr. James ✓

Mr. Magee ✓

Mr. Miller ✓

Mr. Pole ✓

Mr. Harrison ✓

Mr. Morrill ✓

Mr. McClelland ✓

Mr. Wyatt ✓

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

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 OFFICE OF  
 THE GOVERNOR

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

244,211  
Depression St  
Date June 2, 1932

To Governor Meyer

Subject: Money in Circulation

From Miss Joy  
A.J. Zullo

2-8495

The increase of \$57,000,000 in the volume of money in circulation between May 25 and June 1 is about the usual seasonal increase in view of the larger demands for currency over the holiday week-end and the month-end. For the latter part of last week, there was a decline in hoarding of nearly \$25,000,000. Beginning with May 28, however, hoarding increased again by more than \$20,000,000, of which \$14,000,000 was on June 1.

FILE  
E. M.

- For CIRCULATION:-----
- Mr. Hamlin ✓
  - Mr. James ✓
  - Mr. Magee ✓
  - Mr. Miller ✓
  - Mr. Pole ✓
  - Mr. Harrison ✓
  - Mr. Morrill ✓
  - Mr. McClelland ✓
  - Mr. Wyatt ✓
  - Mr. -----
  - Mr. -----

Please note - initial  
and return to GOVERNOR.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date May 26, 1932

To Governor Meyer

Subject: Hoarding of Gold Coin

From Mr. Goldenweiser

FEDERAL RESERVE BOARD FILE  
244

*gd*

244,211  
Depression Stat

The attached memorandum on hoarding of gold coin gives a somewhat more detailed discussion than the brief statement recently given to Mr. Robinson.

*Mr. Miller ✓*  
*Mr. Hume ✓*  
*Mr. Magee ✓*  
*Mr. Moore ✓*  
*Mr. Myatt ✓*  
*File*

## HOARDING OF GOLD COIN

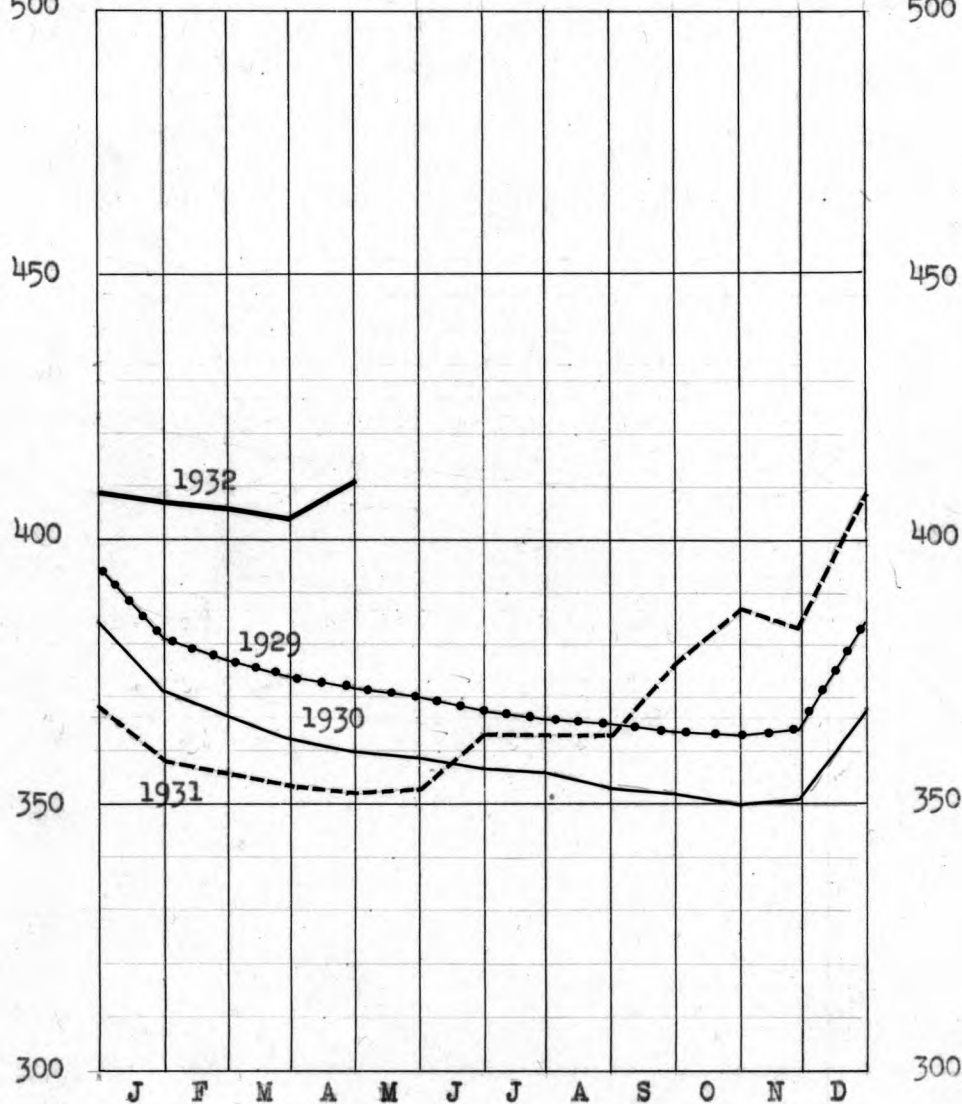
Gold coin in this country outside of the U. S. Treasury and the Federal reserve banks has increased by about \$60,000,000 as compared with a year ago. Recent reports from the Federal Reserve Bank of New York on receipts and payments of gold coin for domestic use indicate that there has been a substantial increase in withdrawals in recent weeks. The increase during the year probably represents in large part the hoarding of gold coin by banks and individuals, since little gold coin is in hand-to-hand circulation. However, it forms a very small part of the total increase in hoarding, which is at present estimated at about \$1,350,000,000.

The amount of gold coin outstanding had declined steadily for a number of years until the late spring of 1931, when there was an increase of \$10,000,000. In September and October, after Great Britain suspended gold payments, there were further withdrawals of about \$20,000,000 for use in this country, followed by a return to the reserve banks in November. This is illustrated by the attached chart, which shows the amount in circulation at the end of each month from January, 1929 to April, 1932. In December about \$20,000,000 in gold coin is ordinarily withdrawn for use as Christmas gifts, and this year the amount was only slightly larger than usual. After Christmas, however, the return was smaller than in other years; and in April the amount outstanding increased by \$7,000,000.

### U. S. GOLD COIN IN CIRCULATION (End of month)

In millions  
of dollars.  
500

In millions  
of dollars  
500





2.

Reports from the Federal Reserve Bank of New York indicate that the recent increase in withdrawals began late in March and during April there were net withdrawals at New York of \$4,300,000, more than half of the \$7,000,000 withdrawn in the country as a whole. In the first 24 days of May an additional \$8,800,000 net was taken out. These developments are shown in the table, which gives a record of receipts and payments by the Federal Reserve Bank of New York to banks and individuals for domestic use for the period September 1, 1931, to May 24 of this year.

(In thousands of dollars)

| <u>Month</u>                 | <u>Receipts</u> | <u>Payments to<br/>banks and<br/>individuals</u> | <u>Net</u>      |                 |
|------------------------------|-----------------|--|-----------------|-----------------|
|                              |                 |  | <u>Receipts</u> | <u>Payments</u> |
| 1931--Sept.                  | 450             | 7,630  |                 | 7,180           |
| Oct.                         | 8,190           | 10,908   |                 | 2,718           |
| Nov.                         | 5,361           | 366  | 4,995           |                 |
| Dec.                         | 8,008           | 17,736   |                 | 9,728           |
| 1932--Jan.                   | 3,195           | 1,925  | 1,270           |                 |
| Feb.                         | 3,641           | 2,389  | 1,252           |                 |
| Mar.                         | 4,683           | 855  | 3,828           |                 |
| Apr.                         | 882             | 5,226  |                 | 4,344           |
| May 1-24 incl.               | 868             | 9,710  |                 | 8,842           |
| Total (Sept. 1 to<br>May 24) | 32,630*         | 56,745   |                 | 24,115          |

\*Exclusive of \$2,648,000 in imports not shown separately in the monthly figures.

Division of Research and Statistics  
Federal Reserve Board  
May 26, 1932

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date May 20, 1932

*244:211  
Department State*

To Mr. Goldenweiser

Subject: European Shipments and Re-

From Miss Joy

ceipts of American Currency

*AJ*

2-8495

**FILE**  
E. M.

The American dollar has evidently completely lost its popularity as a circulating medium in Europe. In January, New York banks shipped \$25,000 in American bills and since that time there have been no shipments whatsoever. There have been times in the past when shipments dwindled to nothing, but never for so long a time.

At the same time, much American currency has been returned from abroad. From October, 1931, when the return began, to the end of April, nearly \$40,000,000 has come in. These receipts are more than twice as large as in the corresponding period in 1927-28 and 1928-29. Nearly half of these shipments have come from five countries: Germany, England, Switzerland, France, and Poland. Shipments from Germany, which probably represent not only money hoarded by German nationals but also by persons in surrounding countries, have amounted to over \$9,000,000 since October, as compared with about \$2,500,000 for both England and Switzerland and about \$1,700,000 for France and Poland. Within the last month a small amount of currency has been received from Russia, which is a rather unusual transaction.

- FOR CIRCULATION.....
- Mr. James .....
  - Mr. Magee .....
  - Mr. Miller .....
  - Mr. Pole .....
  - Mr. Harrison .....
  - Mr. Morrill .....
  - Mr. McClelland .....
  - Mr. Wyatt .....
  - Mr. ....
  - Mr. ....

Please note - initial and return to GOVERNOR.

May 19, 1932

Mr. Goldenweiser

Miss Joy

*Mr Thompson  
Mr Rhodes*

Demand for Currency

REC'D IN FILES SECTION  
JUN 24 1953  
*244, 211*

*Depression Stat.*

Monday, the sixteenth, and Tuesday, the seventeenth, have shown increases in hoarding; the first of \$4,000,000 and the second of \$23,000,000.

On the seventeenth there was a return flow of only \$10,000,000 which was exceedingly small. The return flow in New York was \$10,000,000 less than usual and may have been connected with rumors concerning the Bank of Manhattan Trust Company which issued a statement early this week denying that it was about to merge with another bank. The return flow in Boston was also \$1,000,000 smaller than usual, probably connected with the failure of the Leominster (Mass.) Bank on the fourteenth. In the Chicago district, where the run-back on Tuesday was \$2,000,000-\$4,000,000 less than usual, a bank in Fort Wayne, Indiana, with deposits of \$3,000,000 failed on that day. In the San Francisco district there was no change in demand for currency, although there is ordinarily a decline of \$1,000,000-\$3,000,000. No bank failures were reported, but the existence of some uneasiness is evidenced by postal savings deposits of \$132,000 in Seattle and \$41,000 in Spokane on the sixteenth.

*From  
RFS  
Library*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date May 12, 1932

To Governor Meyer

Subject: Demand for Currency

From Mr. Goldenweiser  
*Goldenweiser*

**FILE**  
E. M.

244.211  
*Depression Stat*

2-8495

The decline of \$17,000,000 in volume of money in circulation between May 4 and May 11 was no more than the usual seasonal change. The large withdrawals of the preceding week have not yet returned to the reserve banks.

In the Chicago district there was a continued withdrawal of currency during the week while in New York the return flow was somewhat larger than usual. At the Boston Federal Reserve Bank there was an unseasonal increase in demand of \$2,000,000 on May 11, following a considerable return in the first three days of the month, and again early this week.

In the Minneapolis Federal Reserve District there has been a slow and continuous increase in circulation since the middle of March, although there is ordinarily little change at this time of year.

For CIRCULATION:-----

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

*[Handwritten checkmark]*

Please note - initial  
and return to GOVERNOR.

501.1

244.211  
Express Stat  
244

THIRTY THREE LIBERTY STREET  
NEW YORK

PERSONAL

May 17, 1932

FILE  
E.M.

*[Handwritten signature]*  
ack  
5-18  
mm

- For CIRCULATION:-----
- Mr. Hamlin ✓
  - Mr. James ✓
  - Mr. Magee ✓
  - Mr. Miller ✓
  - Mr. Pole ✓
  - Mr. Harrison ✓
  - Mr. Morrill ✓
  - Mr. McClelland ✓
  - Mr. Wyatt ✓
  - Mr. ~~Soldan~~ ✓
  - Mr. \_\_\_\_\_ ✓

Please note - initial  
and return to GOVERNOR. ✓

Dear Mr. Joslin:

The President may like to see this letter.

It seems to me a very accurate and constructive diagnosis of the situation.

Also, the President, or you, may like to look over the enclosed, which sets forth why I believe that the time is propitious.

With best regards,

Sincerely yours,

*[Handwritten signature: Carl Snyder]*

Theodore G. Joslin, Esq.,  
Presidential Offices,  
Washington, D. C.

RECONSTRUCTION FINANCE  
Rec'd.

MAY 20 1932

Office of the Sec'y.  
Corporation

RESPECTFULLY REFERRED  
FOR CONSIDERATION.

*[Handwritten signature: Lawrence Rieley]*  
Secy. to the President.

CAPITAL RESEARCH COMPANY  
~~SIXTY EAST FORTY SECOND STREET~~  
NEW YORK  
20 Exchange Place

RECONSTRUCTION FINANCE  
Rec'd.

MAY 20 1932

Office of the Sec'y.  
Corporation

May 17, 1932.

Dear Mr. Snyder:

The statement this morning of weekly reporting member banks was very disappointing. Obviously the banks are continuing liquidation on a large scale and are using the stock market simply as a means for unloading securities on the other fellow.

In light of the present state of mind of the country, I fear that the Federal Reserve policy is being frustrated by the persistence of the banker attitude. I think the time has come when either the cause must be given up as lost or else the battle has to be made a real battle. By this I mean that in every Federal Reserve district there might be set up an organization for the purpose of assuring cooperation among the banks within that district. This will probably have to go so far as to be almost tantamount to putting the banking system on a war basis. I believe the country would respond warmly to aggressive leadership of this type, but can see no indication that when the matter is left to enlightened self-interest on the part of the individual

RECONSTRUCTION FINANCE  
Rec'd.

MAY 20 1932

Office of the Sec'y.  
Corporation

-2-

banker there is any tendency to turn the tide. I believe a real battle would be effective but doubt whether the pure mechanics of the policy will carry through unless the campaign is carried right out across the country.

Moreover, I am wondering whether the policy will be effective unless the more active cooperation of Great Britain is secured. The effect of present British policy is to keep everything down. If the Bank of England were to endorse the type of policy which the Federal Reserve have recently been pursuing, I believe that the policy would receive a dramatization which would, for the first time, fully fire the imagination of the American public. There may be many difficulties in the way of such international cooperation, but either these difficulties must be overcome by deliberate action in advance of a crisis, or else we shall probably drift to the brink of crises and then, at the eleventh hour, overcome them in sheer desperation.

As you will see, I am profoundly conscious of the extent to which the morale of the public has recently been disintegrating. At the moment this is attributed to the sins of the politicians, but, to go back of that, one finds the source in the grinding process of the deflation which is still going on.

Sincerely yours,

*Lionel D. Edie*

Mr. Carl Snyder,  
Federal Reserve Bank of N.Y.  
33 Liberty Street, New York City.

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Authority NND 30026RECONSTRUCTION FINANCE  
Rec'd.

MAY 20 1932

Confidential  
April 19, 1932

Office of the Sec'y.

FACTORS MAKING FOR BUSINESS RECOVERY

Conditions and Forces That Might Aid In a Strong Recovery of Industry, If  
The Impetus is Supplied.

A singular apathy or hopelessness seems to have seized our business leaders and especially bankers. Faith in the fundamental strength and riches of the nation seems for the moment paralyzed. The contraction of bank credit continues, up to the latest week. Commodity prices are still falling. And hope ebbs.

It seems to the writer that possibly never in the history of the country was this deep pessimism less justified. Our splendid equipment of labor-saving machinery, incomparably the finest in the world, is still here; so also the most highly productive body of skilled workers in the world. A nation with restricted supplies and pent up demands! Only awaiting the magic wand of an adequate credit supply to pursue its normal progress.

The writer has listed some fifteen factors which would contribute to recovery, once the adequate impetus can be given. Many of these grow out of the very conditions which now obtain. They are, in brief:

I. Deferred or Unsupplied Demand

(1) The normal growth of population with its normal demands, a slow but persistent increase even in depressions, (remembering that 80 per cent or more of the normal trade and consumption of the country still goes on even in the deepest depression).

(2) The deferred demands created by this and by the depression itself, alike for comforts, for better housing, for autos and all sorts of things; and likewise for improvements in plants of factories, and the like.



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(3) This deferred demand is very evident in the remarkable fall within the last six months or a year in our indexes of the production of goods for immediate consumption. Though there are notable instances, like silks, boots and shoes, and others, on the whole the decline in this type of production has now reached a point at least three times as far below normal consumption as at the lowest point in 1921.

(4) These findings are confirmed by the tremendous fall in merchandise and miscellaneous car loadings which likewise have fallen far below the relative point reached in '21. (The fall in total railway traffic, in ton miles, is of course the heaviest known since the figures began to be compiled in 1852.)

(5) The long duration of the depression, involving the longest continued decline in trade and the longest continuous fall in prices certainly in the last ninety years. The usual type of crisis and depression curve is a violent fall and then a long, slow recovery. This time we have had a long and persistent decline, which might make for a more rapid recovery when confidence is restored.

## II. Credit and Banking

(1) Increasing ease of credit conditions, and especially the lifting of the handicap on the operations of the Federal Reserve System by the passage of the Glass-Steagall Bill.

(2) The work of the Reconstruction Finance Corporation which by its loans to some 13 or 14 hundred banks has markedly decreased the number of bank failures, and the attendant hoarding of currency.

(3) The extreme liquidity of the larger banks of the larger cities, some of which have their funds to an unprecedented degree in cash or Government securities.

(4) The remarkable reduction in debt, amounting in the banks alone to over 12 billion dollars since September of 1929. This has involved an extreme degree of deflation which has nearly wrecked the country, but the lending capacity of the banking system of the nation is now just as great as ever; that is, has full power to bring about a corresponding expansion of bank credit.

(5) In the face of the drastic decline in commercial bank deposits the savings banks of the country have shown a gain of over a billion dollars.

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 Rec'd.  
 MAY 20 1932  
 Office of the Sec'y.  
 Corporation

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Authority NND 30026

(6) Finally, 4 billions of gold in vaults, available as banking reserves, and a banking system organized to make the most effective use of this enormous reserve. And experience has shown that potential bank credit will always be employed, sooner or later, when it exists.

(There is also to be noted a heavy addition to the world's gold stock by a quarter of a billion of buried gold from India and elsewhere, equivalent to more than the world's usual annual monetary supply of new gold. And the supply of new gold from the mines, available for monetary purposes, will this year be especially large.)

III. Prices and Production

(1) The extreme fall in all kinds of prices, especially of stocks, bonds and commodities, is beyond any precedent. Especially in commodities the decline has been far out of proportion to the contraction of bank credit. Even a moderate rise in security and commodity markets would go a long way to restore the banks to more normal conditions.

(2) The extreme ebb in speculation and the extinction of some 8 billion dollars of brokers' loans, i. e., largely speculative, resulting in an unprecedented fall in all kinds of security prices, and deeply affecting business confidence. Most kinds of securities are now selling at bargain prices, perhaps the lowest, relatively, in half a century.

(3) Relatively low factory and warehouse inventories; allowing for the normal growth of industry, they are apparently lower than at the end of 1921.

(4) The ratio of factory payrolls to the value of manufactured products fairly high, due probably to the violent fall in raw material prices. This ratio, representing potential consumer demand, in the past has been a favorable indication.

Since the passage of the Glass-Steagall Act the Federal Reserve has, by its purchase of securities, added some 345 millions to the potential reserve of the member banks of the System. This may be applied either to decreasing the borrowings of the banks from the Federal Reserve, or appear as excess reserves. This excess may now be in the neighborhood of 200 millions. This is, the writer believes, the infallible condition for credit expansion and business recovery.

Office of the Sec'y.  
Corporation

MAY 20 1932

RECONSTRUCTION FINANCE  
Rec'd.

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Authority NND 30029

4

The Reserve program, carried out unflinchingly, means, I believe, the end of unemployment and a country restored to normal conditions. Why, then, the apathy, the hopelessness?

It would seem to lie in the mistaken ideas as to the nature and cause of business depressions. The long-standing, persistent belief that these profound disturbances arise from conditions within trade itself: Over-production, Excess Capacity, Unbalanced Industry, Mushroom Growth, Extravagance, Too High Living! All the fantasies the mind of man can invent.

At most the evidence for all these factors is extremely slight. It is after the crisis, after the depression has set in, that these factors begin to emerge; not before. They seem results and not a cause.

This nation has been continuously producing and consuming more goods, and more goods, actually and per capita; continuously adding to its "capacity," continuously enlarging its plants and continuously making its needed adjustments to conditions, for a good deal more than a hundred years.

This everlasting, continuous, immutable growth, this inherent momentum of industry, has not stopped. There is no evidence that it has slowed down or diminished. It has simply been checked, as it has been checked a dozen times or more before.

And, as the writer sees it, invariably for the same reason: a financial crisis, a check to credit expansion, leading to a contraction of credit, falling prices, disruption of trade. The invariable sequence. Practically never an exception. This is the one factor, the one outstanding cause for which there is clear, abundant and clinching evidence.

RECONSTRUCTION FINANCE  
Rec'd.

20 1932

Office of the Sec'y.  
Corporation

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Authority NND 30026

5

So long as we continue to ignore this evidence, piled up steadily through the last ten years and covering more than a century of our industrial growth, so long probably will we continue to believe in the fantasies of Over-production and all its kindred. Therefore, so long we shall continue to have crises, depressions and unemployment like the present, because we shall not apply the preventive measures which forestall the booms that bring about these disturbances, nor apply adequate remedies after the disturbance has set in.

---

Meanwhile, there seems to the writer a Macedonian call to carry forward the present "experiment," as it seems to be widely regarded, to its successful issue, viz., to stop the continuous contraction of credit, which would wreck the nation if it were continued. In reality this is not an experiment. It has been tried successfully three times within the last ten years. And essentially the same forces were equally efficacious even before the Federal Reserve System in 1908 and in 1914-'15. They can be made to succeed again.

RECONSTRUCTION FINANCE  
Rec'd!

MAY 20 1932

Office of the Sec'y.  
Corporation

May 13, 1932

Mr. Goldenweiser

Demand for Currency in Boston

Miss Joy

|                        |
|------------------------|
| REC'D IN FILES SECTION |
| JUN 24 1953            |
| 244.211                |

On Wednesday the Central Trust Company of Cambridge, Massachusetts with deposits exceeding \$11,000,000 suspended, and on that day there was an increase in circulation of \$2,000,000, followed yesterday by another increase of \$1,700,000. Prior to that time there had been some return flow of the money which had been withdrawn at the time of the merger of the Atlantic National with the First National of Boston.

*Depression  
Stat.*

*To Room  
R+S  
Library*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

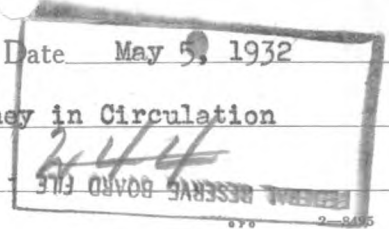
Date May 5, 1932

To Governor Meyer

Subject: Money in Circulation

From Miss Joy

*G. J. Eddy*



## FILE

E. M.

*244.211  
Depression This*

The increase of \$50,000,000 in money in circulation between April 27 and May 4 was about \$35,000,000 larger than usual, chiefly because of large withdrawals in the Boston, New York, and Chicago Federal Reserve Districts. This reduces the estimated decrease in hoarding since February 4 to a little more than \$200,000,000.

In the Boston Federal Reserve District about \$15,000,000 was withdrawn during the week as compared with a usual withdrawal of \$3,000,000. This is shown on the chart which gives actual daily changes in demand for currency, cumulated from March 30 to May 4, as compared with the normal seasonal change, shown by the dotted line. After the middle of April there was a gradual increase until April 27; while in the following three days demand increased very rapidly. There were withdrawals of \$3,000,000 on the 28th; \$7,000,000 on the 29th; and \$8,000,000 on the 30th. The return flow in the first three days of the current week has been about \$3,500,000 so that on May 4 most of the currency withdrawn was still outstanding.

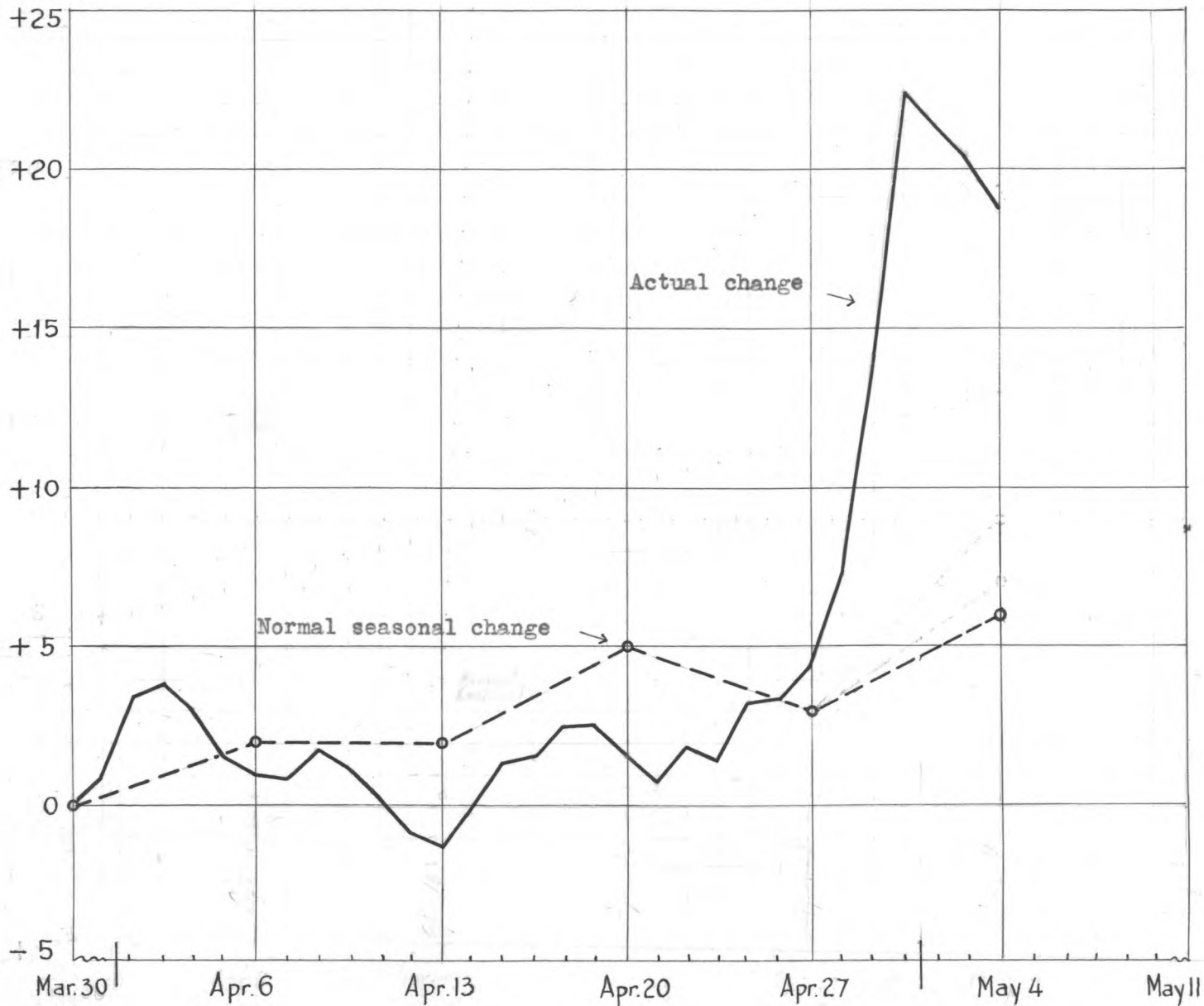
For CIRCULATION: .....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. ....
- Mr. ....

Please note - initial  
and return to GOVERNOR.

CHANGE IN DEMAND FOR CURRENCY - BOSTON FEDERAL RESERVE DISTRICT

In millions  
of dollars



April 27, 1932

Governor Meyer

Miss Joy

~~Demand for Currency~~

REC'D IN FILES SECTION  
JUN 24 1953  
244,211

*Depression Stat.*

Money in circulation on Monday, April 25, showed a decline for the country as a whole of \$5,000,000 as compared with Saturday, which is a slightly larger decline than usual.

In the Boston district final figures show an increase in demand for all kinds of currency of \$1,800,000. Normally there is a return of about \$1,000,000 on Monday so that in all probability \$2,500,000 or more was added to bank vault cash and private hoards on that day. Actual payments of currency by the Boston Bank were \$5,661,000 and receipts \$3,858,000.

In all other Federal reserve districts except Cleveland there was a decline in currency demand, the largest being New York where \$4,000,000 returned from circulation.

*From  
R+S  
Library*



*Mr. Rhodes vs Mr. Thompson*

April 26, 1932

Governor Meyer

Currency Demand, April 21-23.

Miss Joy

REC'D IN FILES SECTION  
JUN 24 1959  
244.211

*Depression Stat.*

In the last three days of last week the increase in currency demand was about \$15,000,000 smaller than usual for the week-end, chiefly because of relatively small demand in New York and Chicago. In the San Francisco district there was a continued return of currency, and on April 23 demand was at about the level prevailing before bank suspensions on April 14 and 15. In the Dallas and Philadelphia districts demand increased somewhat more than usual over the week end, but the increases were small; while at Boston there was little change, and circulation continued slightly above the levels prevailing ten days earlier.

*From  
RFS  
Library*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE

Date April 22, 1932

To Governor Meyer

Subject: Money in Circulation

From Miss Joy *Joy*  
a.J.

**FILE**  
E. M.

*1144*

*2442 11*  
*Representative*

2-8495

The increase of \$2,000,000 in the volume of currency in circulation in the week ending April 20 is unusual for this season of the year, when there is ordinarily a decline of about \$15,000,000. In the San Francisco and Chicago districts there was an unusually large outflow of currency from the reserve banks, accompanying important bank suspensions in Globe, Arizona; Spokane, Washington; and Rockford, Illinois. In the other districts the seasonal return of currency to the reserve banks was somewhat smaller than usual.

Recent daily figures on hoarding, accordingly, show an increase. The decline in hoarding from February 3 to April 20 is estimated to be about \$225,000,000.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin  \_\_\_\_\_
  - Mr. James  \_\_\_\_\_
  - Mr. Magee  \_\_\_\_\_
  - Mr. Miller  \_\_\_\_\_
  - Mr. Pole  \_\_\_\_\_
  - Mr. Harrison  \_\_\_\_\_
  - Mr. Morrill  \_\_\_\_\_
  - Mr. McClelland  \_\_\_\_\_
  - Mr. Wyatt  \_\_\_\_\_
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

*"orig." filed 600.4*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

9

|                            |                     |
|----------------------------|---------------------|
| FEDERAL RESERVE BOARD FILE |                     |
| Date                       | April 19, 1932      |
| Subject:                   | Demand for Currency |

To Governor Meyer

Subject: Demand for Currency

From Mr. Goldenweiser

- 244.2 11  
Depress Stat

2-8495

The absence of decline in hoarding on the fifteenth and an estimated increase on the sixteenth appears to be largely the result of unusual withdrawals of currency in the San Francisco District where \$5,000,000 was withdrawn in these two days, accompanying bank suspensions in Arizona and in Spokane, Washington. There was also an increase in demand at New York, but it was of about the usual amount for the weekend.

**FILE**  
E. M.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin
  - Mr. James
  - Mr. Magee
  - Mr. Miller
  - Mr. Pole
  - Mr. Harrison
  - Mr. Morrill
  - Mr. McClelland
  - Mr. Wyatt
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

697,000,000

Form No. 131

COPY FOR GOVERNOR MEYER

# Office Correspondence

FEDERAL RESERVE BOARD

Date April 4, 1932

To Mr. Joslin ✓

Subject: \_\_\_\_\_

From Mr. Goldenweiser

**FILE**  
E. M.

244  
2-8495

244 211  
Deposits

For the week ending March 30 net demand deposits of reporting member banks in leading cities showed an increase of \$98,000,000 and their time deposits an increase of \$5,000,000. This increase in deposits was due in part to a decrease of \$33,000,000 in Government deposits which results in a transfer of funds from Government to private account. Since loans and investments of these banks showed a decrease of \$49,000,000 for the week, it would seem that no significance attaches to the increase in deposits, which probably represents an increase in the volume of checks in transit caused in part by the proximity of the end of quarter settlement date.

For CIRCULATION: \_\_\_\_\_

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓ *Aug 12th 1932*
- Mr. Miller ✓
- Mr. Pole ✓
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial  
and return to GOVERNOR.

Form NO. 131

# Office Correspondence

FEDERAL RESERVE BOARD

2

245

FEDERAL RESERVE BOARD FILE

Date April 1, 1932

244

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

*Gold*

**FILE**  
E. M.

244.211  
Depression Stat

As I mentioned to you last night, there was a return flow of currency in every district between March 23 and March 30, the largest decreases being in New York, Chicago, Cleveland, San Francisco, and Philadelphia. These are the districts in which the largest amount of hoarding had occurred.

The table also shows the decrease in hoarding between February 3 and March 30, which has amounted in the aggregate to \$218,000,000, of which \$69,000,000 was in New York, \$56,000,000 in Chicago, \$20,000,000 in San Francisco, and \$18,000,000 in Cleveland.

For CIRCULATION:

|                |                                     |
|----------------|-------------------------------------|
| Mr. Hamlin     | <input checked="" type="checkbox"/> |
| Mr. James      | <input checked="" type="checkbox"/> |
| Mr. Magee      | <input checked="" type="checkbox"/> |
| Mr. Miller     | <input checked="" type="checkbox"/> |
| Mr. Pole       | <input checked="" type="checkbox"/> |
| Mr. Harrison   | <input checked="" type="checkbox"/> |
| Mr. Morrill    | <input checked="" type="checkbox"/> |
| Mr. McClelland | <input checked="" type="checkbox"/> |
| Mr. Wyatt      | <input checked="" type="checkbox"/> |
| Mr.            | <input type="checkbox"/>            |
| Mr.            | <input type="checkbox"/>            |

Please note - Initial and return to GOVERNOR.

RETURN FROM HOARDING.

(In millions of dollars)

|               | Week ending<br>March 30, 1932 | February 3 to<br>March 30, 1932 |
|---------------|-------------------------------|---------------------------------|
| Boston        | - 3                           | - 21                            |
| New York      | - 14                          | - 69                            |
| Philadelphia  | - 6                           | - 5                             |
| Cleveland     | - 8                           | - 18                            |
| Richmond      | - 1                           | - 6                             |
| Atlanta       | - 2                           | - 12                            |
| Chicago       | - 9                           | - 56                            |
| St. Louis     | - 1                           | - 10                            |
| Minneapolis   | - 2                           | - 1                             |
| Kansas City   | - 1                           | --                              |
| Dallas        | - 1                           | --                              |
| San Francisco | - 7                           | - 20                            |
| Total         | - 55                          | - 218                           |

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

423

FEDERAL RESERVE BOARD FILE  
 Date March 22, 1932  
 244

To Governor Meyer ✓

Subject: Time Deposits

From Mr. Goldenweiser

*Gold*  
**FILE**  
 E. M.

244, 210  
 2-8495  
*Depositor Stat*

I attach two tables giving the statistics requested last night relative to time deposits; separate figures of savings deposits are not available in satisfactory form for any extended period of time.

In one table time deposits are shown separately for member and nonmember banks; this table covers the period 1915-1931.

In the other table, which covers the period 1892-1931, time deposits are shown separately for national banks, State commercial banks and trust companies, and savings banks.

These figures are from the files of the System Committee on Member Bank Reserves.

Separate figures for each Federal reserve district, except for member banks, are not available.

For CIRCULATION:-----

- Mr. Hamlin ✓-----
- Mr. James ✓-----
- Mr. Magee ✓-----
- Mr. Miller ✓-----
- Mr. Pole ✓-----
- Mr. Harrison ✓-----
- Mr. Morrill ✓-----
- Mr. McClelland ✓-----
- Mr. Wyatt ✓-----
- Mr. -----
- Mr. -----

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 THE GOVERNOR

## TIME DEPOSITS OF MEMBER AND NONMEMBER BANKS, 1915-1931

(In millions of dollars)

| June<br>30 | Total* | Member banks |                     |                          | Total* | Nonmember banks   |                                      |
|------------|--------|--------------|---------------------|--------------------------|--------|---|--------------------------------------|
|            |        | Total        | National<br>banks** | State<br>member<br>banks |        | Nonmember<br>state banks,<br>trust com-<br>panies and<br>private banks* | Mutual<br>stock<br>savings<br>banks* |
| 1915       | 9,133  | 1,351        | 1,326               | 25                       | 7,782  | 2,922   | 4,860                                |
| 1916       | 10,244 | 1,775        | 1,729               | 46                       | 8,469  | 3,521   | 4,948                                |
| 1917       | 11,476 | 2,303        | 2,179               | 124                      | 9,173  | 3,901   | 5,272                                |
| 1918       | 11,672 | 3,395        | 2,343               | 1,052                    | 8,277  | 2,953   | 5,324                                |
| 1919       | 13,373 | 4,343        | 2,784               | 1,559                    | 9,030  | 3,280   | 5,750                                |
| 1920       | 15,816 | 5,911        | 3,485               | 2,426                    | 9,905  | 3,537   | 6,368                                |
| 1921       | 16,453 | 6,367        | 3,695               | 2,672                    | 10,086 | 4,218   | 5,868                                |
| 1922       | 17,406 | 7,175        | 4,111               | 3,064                    | 10,231 | 3,225   | 7,006                                |
| 1923       | 19,556 | 8,378        | 4,754               | 3,624                    | 11,178 | 3,463   | 7,715                                |
| 1924       | 21,313 | 9,204        | 5,259               | 3,945                    | 12,109 | 3,867   | 8,242                                |
| 1925       | 23,118 | 10,389       | 5,930               | 4,459                    | 12,729 | 3,865   | 8,864                                |
| 1926       | 24,635 | 11,173       | 6,312               | 4,861                    | 13,462 | 4,083   | 9,379                                |
| 1927       | 26,964 | 12,210       | 7,313               | 4,897                    | 14,754 | 5,228   | 9,526                                |
| 1928       | 28,832 | 13,438       | 8,294               | 5,144                    | 15,394 | 5,384   | 10,010                               |
| 1929       | 28,932 | 13,325       | 8,314               | 5,011                    | 15,607 | 5,462   | 10,145                               |
| 1930       | 29,374 | 13,812       | 8,736               | 5,075                    | 15,563 | 5,097   | 10,466                               |
| 1931       | 29,033 | 13,515       | 8,563               | 4,952                    | 15,518 | 4,402   | 11,116                               |

\* Partly estimated.

\*\* Member banks only; i.e., exclusive of national banks in Alaska and Hawaii.



## TIME DEPOSITS, BY CLASSES OF BANKS, 1892-1931

(In millions of dollars)

| June 30 | All banks in continental United States | National banks* | State banks, trust companies and private banks | Mutual and stock savings banks |
|---------|--|-----------------|--|--------------------------------|
| 1892    | 1,927                                  | 41              | 128  | 1,758                          |
| 1893    | 2,002                                  | 46              | * 147  | 1,809                          |
| 1894    | 1,988                                  | 50              | 160  | 1,778                          |
| 1895    | 2,080                                  | 56              | 180  | 1,844                          |
| 1896    | 2,209                                  | 68              | 208  | 1,933                          |
| 1897    | 2,291                                  | 74              | 236  | 1,981                          |
| 1898    | 2,374                                  | 79              | 269  | 2,026                          |
| 1899    | 2,585                                  | 87              | 318  | 2,180                          |
| 1900    | 2,967                                  | 107             | 477  | 2,383                          |
| 1901    | 3,252                                  | 129             | 617  | 2,506                          |
| 1902    | 3,501                                  | 155             | 712  | 2,634                          |
| 1903    | 3,733                                  | 185             | 756  | 2,792                          |
| 1904    | 3,970                                  | 214             | 866  | 2,890                          |
| 1905    | 4,383                                  | 251             | 1,076  | 3,056                          |
| 1906    | 4,692                                  | 290             | 1,148  | 3,254                          |
| 1907    | 5,240                                  | 422             | 1,393  | 3,425                          |
| 1908    | 5,377                                  | 556             | 1,432  | 3,389                          |
| 1909    | 6,145                                  | 743             | 1,803  | 3,599                          |
| 1910    | 6,765                                  | 848             | 1,972  | 3,945                          |
| 1911    | 7,149                                  | 926             | 2,137  | 4,086                          |
| 1912    | 7,706                                  | 1,021           | 2,367  | 4,318                          |
| 1913    | 8,187                                  | 1,134           | 2,463  | 4,590                          |
| 1914    | 8,750                                  | 1,201           | 2,753  | 4,796                          |
| 1915    | 9,133                                  | 1,326           | 2,947  | 4,860                          |
| 1916    | 10,244                                 | 1,729           | 3,567  | 4,948                          |
| 1917    | 11,476                                 | 2,179           | 4,025  | 5,272                          |
| 1918    | 11,672                                 | 2,343           | 4,005  | 5,324                          |
| 1919    | 13,373                                 | 2,784           | 4,839  | 5,750                          |
| 1920    | 15,816                                 | 3,485           | 5,963  | 6,368                          |
| 1921    | 16,453                                 | 3,695           | 6,890  | 5,868                          |
| 1922    | 17,406                                 | 4,111           | 6,289  | 7,006                          |
| 1923    | 19,556                                 | 4,754           | 7,087  | 7,715                          |
| 1924    | 21,313                                 | 5,259           | 7,812  | 8,242                          |
| 1925    | 23,118                                 | 5,930           | 8,324  | 8,864                          |
| 1926    | 24,635                                 | 6,312           | 8,944  | 9,379                          |
| 1927    | 26,964                                 | 7,313           | 10,125   | 9,526                          |
| 1928    | 28,832                                 | 8,294           | 10,528   | 10,010                         |
| 1929    | 28,932                                 | 8,314           | 10,473   | 10,145                         |
| 1930    | 29,374                                 | 8,736           | 10,172   | 10,466                         |
| 1931    | 29,033                                 | 8,563           | 9,354  | 11,116                         |

\* Exclusive of national banks in Alaska and Hawaii.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date March 21, 1932

To Governor Meyer

Subject: Recent Changes in Demand for

From Mr. Goldenweiser *GGW*

Currency by Federal Reserve Districts.

For CIRCULATION: \_\_\_\_\_

Mr. Hamlin

Mr. James

Mr. Magee

Mr. Miller

Mr. Pole

Mr. Harrison

Mr. Morrill

Mr. McClelland

Mr. Wyatt

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

The attached chart gives a regional analysis of the recent re-

turn flow of currency and the withdrawal which preceded it. It

shows weekly increases in "hoarding"--that is, total withdrawals of

currency in excess of normal seasonal needs--beginning with December

9, 1931. The week of December 9 has been taken as a starting point

Please note - initial because it preceded the resumption of heavy currency withdrawals ac- and return to GOVERNOR. companying the suspension of a number of banks in Boston.

The first large withdrawal in excess of seasonal requirements - between December 9 and Christmas week-was concentrated almost entirely in the Boston Federal Reserve District, where demand was \$65,000,000 more than usual. This represented increased holdings of cash by banks as well as by individuals. The Richmond and San Francisco districts also experienced unusual currency withdrawals at the same time, while in other districts holiday requirements were not as large as in earlier years, and the curves for these districts consequently show declines.

the increase in

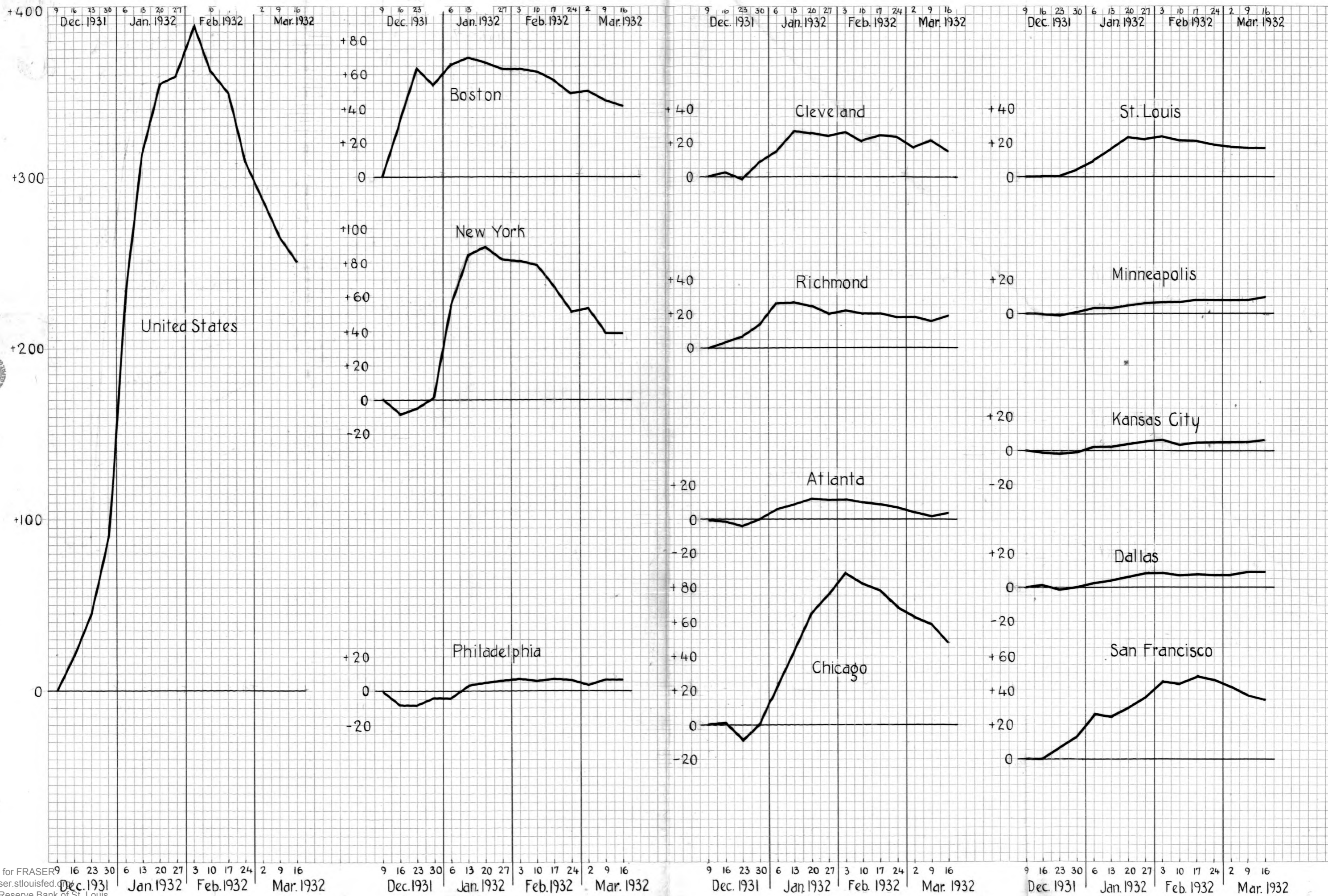
By the first of the year, however,/"hoarding" had become general throughout the country, and the curve for the United States as a whole shows a continuous rise from that time until February 3, when currency outstanding, after allowance for seasonal changes, was more than \$375,000,000 above the level of December 9. Demand was heaviest in the Chicago Federal Reserve District, where there was actually

*244,211*  
*Depression Start*  
2-8495

more money in circulation in the first week in February than in Christmas week, contrary to all precedent. In the Boston district cash withdrawn during the earlier run was withheld in large part throughout this period, and in the New York area the customary return of currency after the Christmas holiday was so small that the curve of "hoarding" shows a sharp rise. In proportion to their banking resources, the San Francisco, Cleveland, Richmond, and St. Louis districts also had heavy drains of cash.

Since the first week in February, improvement has been general throughout the country, the largest return of currency being in districts in which withdrawals had previously been heaviest--Chicago, New York, and Boston. In the San Francisco district, however, withdrawals continued until the middle of February, but in the past four weeks there has been some return from "hoarding". The agricultural regions of the Middle West and Southwest, where currency demand is small in comparison with the industrial centers, hold comparatively little currency in excess of the level of early December, and demand in recent weeks has been determined largely by seasonal requirements.

CUMULATIVE CHANGES IN DEMAND FOR CURRENCY - DECEMBER 9, 1931 TO MARCH 16, 1932-WITH ALLOWANCE FOR SEASONAL CHANGES



NO. 4187. 10 DIVISIONS PER INCH BOTH WAYS. 150 BY 100 DIVISIONS.  
 CODEx BOOK COMPANY, INC. NORWOOD, MASSACHUSETTS.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

|                            |
|----------------------------|
| FEDERAL RESERVE BOARD FILE |
| Date <u>March 18, 1932</u> |
| <u>244</u>                 |

To Governor Meyer

Subject:

From Mr. Goldenweiser

*Goldenweiser*

*Full*

*244 211*

2-8495

*Depressant Stock*

I am sending you a record of estimated daily changes in currency outstanding, with allowance for seasonal change. A report will be sent each day giving the change for the preceding day.

These figures are commonly designated "hoarding", but they reflect, in addition to changes in holdings by individuals, foreign shipments of American money and non-seasonal changes in bank vault cash. Seasonal changes are estimated from the average of the corresponding period in the years 1925-1927. You will note that of the total decline of \$125,000,000 in hoarding since February 4, about \$15,000,000 has returned since March 7, when the sale of "baby bonds" began. Latest daily figures of these sales, (to March 16) given to us confidentially by the Treasury, show a total of \$23,000,000.

For CIRCULATION: .....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

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|                        |
|------------------------|
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1932

## HOARDING -- DAILY

Estimated Daily Change in Currency Outstanding with Allowance  
for Seasonal Change.

(In millions of dollars)

| <u>Date</u> | <u>Change from<br/>preceding day</u> | <u>Cumulative<br/>change from<br/>February 4</u> | <u>Date*</u> | <u>Change from<br/>preceding day</u> | <u>Cumulative<br/>change from<br/>February 4</u> |
|-------------|--------------------------------------|--|--------------|--------------------------------------|--|
| Feb. 1      | + 1                                  |  | Mar. 1       | + 2                                  | -100   |
| 2           | + 12                                 |  | 2            | + 10                                 | - 90   |
| 3           | + 6                                  |  | 3            | - 4                                  | - 94   |
| 4           | - 7                                  | - 7  | 4            | - 5                                  | - 99   |
| 5           | + 4                                  | - 3  | 5            | - 3                                  | -102   |
| 6           | - 2                                  | - 5  |              |                                      |  |
|             |                                      |  | 7            | - 8                                  | -110   |
| 8           | - 7                                  | - 12   | 8            | - 2                                  | -112   |
| 9           | - 13                                 | - 25   | 9            | 0                                    | -112   |
| 10          | - 3                                  | - 28   | 10           | - 5                                  | -117   |
| 11          | + 2                                  | - 26   | 11           | - 13                                 | -130   |
| 12          | - 8                                  | - 34   | 12           | - 3                                  | -133   |
| 13          | + 1                                  | - 33   |              |                                      |  |
|             |                                      |  | 14           | - 2                                  | -135   |
| 15          | + 2                                  | - 31   | 15           | + 7                                  | -128   |
| 16          | - 7                                  | - 38   | 16           | + 3                                  | -125   |
| 17          | - 1                                  | - 39   | 17           |                                      |  |
| 18          | - 5                                  | - 44   | 18           |                                      |  |
| 19          | 0                                    | - 44   | 19           |                                      |  |
| 20          | - 3                                  | - 47   |              |                                      |  |
|             |                                      |  | 21           |                                      |  |
| 22          | 0                                    | - 47   | 22           |                                      |  |
| 23          | - 9                                  | - 56   | 23           |                                      |  |
| 24          | - 17                                 | - 73   | 24           |                                      |  |
| 25          | - 15                                 | - 88   | 25           |                                      |  |
| 26          | - 8                                  | - 96   | 26           |                                      |  |
| 27          | - 9                                  | -105   |              |                                      |  |
|             |                                      |  | 28           |                                      |  |
| 29          | + 3                                  | -102   | 29           |                                      |  |
|             |                                      |  | 30           |                                      |  |
|             |                                      |  | 31           |                                      |  |

Division of Research and Statistics

Unpublished

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

|   |
|---|
| FEDERAL RESERVE BOARD FILE              |
| Date <u>March 11, 1932</u>              |
| Subject: <u>Currency in Circulation</u> |

To Governor Meyer ✓

Subject: Currency in Circulation

From Miss Joy

*G.T. [Signature]*  
*[Signature]*  
*[Signature]*

244,211 ... 2-8405  
*Depression Start*

Currency outstanding declined by \$39,000,000 between March 2 and March 9, at a time when there is ordinarily a decline of only \$15,000,000. The largest decrease for the week was in New York, and when allowance is made for usual seasonal changes, decreases or no change were shown for all the other districts except Philadelphia, Cleveland, and Dallas which showed small increases.

Since February 3, when currency demand was at peak levels, there has been a reduction of \$110,000,000-\$120,000,000 in hoarding. Normally there is an increase of about \$30,000,000 in currency outstanding between February 3 and March 9, while this year there has been a decline of \$87,000,000.

For CIRCULATION: .....

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pole ✓
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial  
 and return to GOVERNOR.

For CIRCULATION:-----

- Mr. Hamlin ✓
- Mr. James ✓ FEDERAL RESERVE BOARD
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pale ✓
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

FEDERAL RESERVE BOARD FILE 4  
 Date March 4, 1932

Form No. 131

# Office Correspondence

To Governor Meyer

Subject: Decline in the Volume of

From Miss Joy

Money in Circulation.

*a. J. Zell*

*File 244.211*  
*Depressment*

Please note - initial and return to GOVERNOR.

The volume of money in circulation declined again this week and on March 2 was \$9,000,000 less than a week earlier, although there is usually an increase of about \$10,000,000, principally because of month-end demands for cash.

This is the fourth successive week in which there has been a decline, and the volume outstanding on March 2 was \$48,000,000 less than on February 3; and in view of the fact that circulation ordinarily increases by about \$45,000,000 during this period, it is estimated that about \$90,000,000 in currency has been put back into active circulation or has been returned to the reserve banks. This return has been chiefly in the New York, Chicago, and Boston Federal Reserve Districts. In the San Francisco District there was an increase during the first half of February, contrary to the seasonal tendency, but in the last two weeks there has been a decline. It appears that the recent return of currency is from holdings of individuals rather than from banks, whose cash holdings on February 24 were slightly larger than earlier in the month.

Daily estimates of hoarding sent to the White House showed large declines in the last week in February, particularly from February 23 to February 27, when the total return from hoarding since February 4

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2.

was estimated at \$102,000,000. In the past few days, however, there have been increases, aggregating about \$15,000,000 between February 29 and March 2. This is probably due to the erratic nature of daily data rather than to any increase in hoarding. It is likely that the rate of decline was over-estimated late in the month and is now being somewhat under-estimated.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date February 11, 1932

To Governor Meyer

Subject: Demand for Currency

From Mr. Goldenweiser

*Handwritten initials and scribbles*

*244 244,211*

For CIRCULATION: \_\_\_\_\_

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pele
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

District figures through Tuesday indicate that there has been a reduction in the demand for currency since last Wednesday, while the seasonal movement for that week is upward. The reduction from Wednesday to Tuesday has been chiefly in the New York, Richmond, and Chicago districts with Atlanta, St. Louis, and Dallas also showing declines.

All districts will probably show a less than seasonal demand for the week ending February 10. Philadelphia, Cleveland, and San Francisco will probably show some increases in actual demand for the week, but these increases will be substantially less than seasonal in amount.

Please note - initial and return to GOVERNOR.

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Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date February 5, 1932

To Governor Meyer

Subject: Demand for Currency

From Miss Joy

*a.j. [Signature]*

FEDERAL RESERVE BOARD  
*244*  
2-8495

*244,211  
Depression that*

The increase of \$42,000,000 in circulation between January 27 and February 3 is \$20,000,000 to \$25,000,000 more than usual. This unusual increase occurred entirely in the first three days of February.

In most Federal reserve districts the demand was normal. Heavy withdrawals were concentrated in the Chicago Federal Reserve District, following bank suspensions in Dubuque and Burlington, Iowa; and in the San Francisco District, where banks suspended in Long Beach and Anaheim, California, and in the State of Washington. On February 3 a large Boston savings bank was closed.

For CIRCULATION: \_\_\_\_\_

Mr. Hamlin  \_\_\_\_\_

Mr. James  \_\_\_\_\_

Mr. Magee  \_\_\_\_\_

Mr. Miller  \_\_\_\_\_

Mr. Pole *absent* \_\_\_\_\_

~~Mr. Harrison~~ \_\_\_\_\_

Mr. Merrill  \_\_\_\_\_

Mr. McClelland  \_\_\_\_\_

Mr. Wyatt  \_\_\_\_\_

Mr. *File* \_\_\_\_\_

Mr. \_\_\_\_\_



Please note - initial  
and return to GOVERNOR.

Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARD244,211  
Date January 30, 1932To Governor Meyer  
From Mr. Gardner  
*W.R.G. 2/1/32*Subject: Commentary on charts showing  
prices in France and the United States*Depression 2-8-32*

French price indexes are still based on July, 1914, as 100. During the war and post-war depreciation of the franc they rose to about five times their pre-war level; and in recent years they have fluctuated within range of 500. United States price indexes on the other hand are based on the year 1926 as 100. A drop from 500 to 400 is of the same relative magnitude as a drop from 100 to 80, each representing a decline of 20 per cent. In order to make fluctuations in the indexes comparable at all levels, the curves have been charted on a ratio scale: i.e., equal movements up or down on the chart represent the same relative changes.

A few comments on the significance of the charts are given below:

Chart I

This chart shows that the major element in the price decline that began in France early in 1929 was the fall in world prices. The prices of imported commodities have fallen rapidly in the last three years, the decline being most drastic in 1930. The prices of French products on the other hand were only moderately affected until April, 1931. Accompanying this situation there has been a growing excess of merchandise imports.

Chart II

This chart breaks down the general wholesale price index used in Chart I so as to show the difference in movement between foods and industrial materials. There is considerable resemblance between the movements of industrial material prices and the prices of imported commodities, indicating either the direct inclusion of imported commodities in the industrial

Governor Meyer

Page No. 2

January 30, 1932

materials index or a competitive situation. Food prices on the other hand show relatively little decline from early 1929 to April, 1931. The French peasant was effectively protected from the foreign price decline by the tariff and quota system. A short wheat crop in France in 1930 assisted in maintaining the level of domestic food prices even after the depression abroad began to spread to French industry. Since April, 1931, however, foods have declined along with industrial materials.

### Chart III

The chief feature of Chart III is the Paris retail index. This is often used as if it were an index of retail prices generally. It is, however, composed almost entirely of foods weighted according to the consumption of a laborer's family of four. There are but three articles other than food in the index; and their combined weight is only about 2 per cent of the total.<sup>1/</sup>

The retail food index has moved very differently from the general index of wholesale prices. In part this is due to the different movement of foods and industrial materials in the general index. In part, however, it is also due to the fact that the particular foods most heavily consumed by French workers -- i.e., bread, and certain meats and dairy products -- have often moved differently from foods as a whole. Particularly in 1930 the short wheat crop affected the expenditure on bread of a worker's family more than it did the unweighted 20-commodity index of wholesale food prices. These facts are brought out on the chart which, for convenience, shows not only the retail food

---

<sup>1/</sup> One of these, however, is gasoline, which quintupled in price in the period April, 1929 - July, 1930, and prevented the retail index from falling as far as the general wholesale food index.

Governor Meyer

Page No. 3

January 30, 1932

index and the underlying wholesale index for 13 commodities, but also reproduces the wholesale food index shown on Chart II as a constituent of the general index of wholesale prices. It may be noted that the spread between wholesale and retail prices for the same foods in France, as shown in the two 13-commodity indexes, has at no time been very great. Since the middle of 1930 in fact the movement between the two sets of prices has been markedly close.

Food represents about 60 per cent of the French worker's budget. A quarterly index of the total cost of living of the French worker is compiled by a Government commission and published by the Statistique Générale -- subject, however, to many reservations as to the comparability of the quotations employed from time to time. In general it shows much the same movement as the retail food index, although its fluctuations are not so wide, and from May, 1929, to April, 1930, it continued rising while the retail food index declined. From a low of about 495 in the fourth quarter of 1927 the cost-of-living index rose to a peak of about 595 in the fourth quarter of 1930 -- an increase of 20 per cent. During the same period the retail food index rose about 30 per cent. Similarly in 1931 the decline of the retail food index has been greater.

#### Chart IV

This chart embodies the familiar constituents of the Bureau of Labor Statistics index -- charted, however, on the same ratio scale as that used for the French indexes. The two curves showing farm products and foods,

Governor Meyer

Page No. 4

January 30, 1932

taken together, are perhaps most nearly comparable with the French curve showing foods on Chart II. The curve showing other commodities comes closest to the French curve showing industrial materials on Chart II. In the United States the prices of farm products and foods have suffered the widest decline -- the exact reverse of the French experience. The fall in world prices has affected American agriculture more than American industry.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date January 29, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

|  |
|--|
|  |
|  |
|  |
|  |

*244*

2-8495

*244,211*

*Depreciation Stat*

The decrease of \$24,000,000 in money in circulation during the week ending January 27 is approximately equal to the usual seasonal movement for that week. This is the first week since the middle of December that there has been no increase in hoarding.

Our estimate is that during the week hoarding declined by \$5,000,000 each in the Boston, New York, and Richmond Federal reserve districts and increased by \$10,000,000 in the Chicago and \$5,000,000 in the San Francisco districts.

For CIRCULATION:

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pote *absent*
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. *File*
- Mr. \_\_\_\_\_

Please note Initial and return to GOVERNOR



*Mr Thompson* *as Mrs. Rhee*

January 15, 1932

Governor Meyer

Demand for Currency

Mr. Goldenweiser

REC'D IN FILES SECTION  
JUN 24 1953  
*247, 211*

There has been an increase in hoarding by banks and individuals of \$250,000,000-\$300,000,000 in the four weeks since the suspension of the Federal National Bank of Boston on December 14. This demand appears to have been largely domestic. American money continued to return from abroad in the last half of December, but the volume was not unusual for this season of the year.

*Depression Stat.*

In the week just past--January 6 to January 13--the decrease of \$42,000,000 in the volume of currency in circulation compares with a decrease of \$120,000,000-\$125,000,000 in other recent years. Currency returned from circulation during the week in all Federal reserve districts except Chicago and St. Louis. In Chicago, where demand has been unusually large in the past three weeks, there was no change in the volume outstanding, although there is ordinarily a return of nearly \$20,000,000; and in the St. Louis district there was an increase of \$2,000,000, at a time when about \$5,000,000 usually comes back from circulation. The decrease in circulation in the New York, Philadelphia, Cleveland, and Atlanta districts was considerably smaller than usual.

The following table shows changes in currency demand by Federal reserve districts:

*From R45 Library*

## DISTRICT CHANGES IN CURRENCY DEMAND

(Millions of dollars)

|                            | <u>Change from<br/>December 31<br/>to January 6</u> | <u>Usual<br/>seasonal change<br/>in this week</u> |
|----------------------------|---|---|
| United States              | - 43  | -126  |
| Federal reserve districts: |   |   |
| Boston                     | - 7   | - 11  |
| New York                   | - 10  | - 37  |
| Philadelphia               | - 3   | - 11  |
| Cleveland                  | - 2   | - 13  |
| Richmond                   | - 6   | - 6   |
| Atlanta                    | - 3   | - 8   |
| Chicago                    | 0   | - 17  |
| St. Louis                  | + 2   | - 5   |
| Minneapolis                | - 2   | - 3   |
| Kansas City                | - 2   | - 3   |
| Dallas                     | - 2   | - 4   |
| San Francisco              | - 8   | - 8   |

Form No. 131

# Office Correspondence

To Governor Meyer

From Mr. Goldenweiser

*GGW*

For CIRCULATION: -----

- Mr. Hamlin
- Mr. James  FEDERAL RESERVE BOARD
- Mr. Wages
- Mr. Miller
- Mr. Pole  *absent*
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Date January 15, 1932

Subject: Demand for Currency

*1/15/32*

244,000,214-8405

*Depression State*

Please note - initial  
and return to GOVERNOR.

Since the suspension of the Federal National Bank of Boston on December 15 there has been an increase in hoarding by banks and individuals of \$250,000,000-\$300,000,000.

In the week just past--January 6 to January 13--the decrease of \$42,000,000 in the volume of currency in circulation compares with a decrease of \$120,000,000-\$125,000,000 in other recent years. Currency returned from circulation during the week in all Federal reserve districts except Chicago and St. Louis. In Chicago, where demand has been unusually large in recent weeks, there was no change in the volume outstanding, although there is ordinarily a return of nearly \$20,000,000; and in the St. Louis district there was an increase of \$2,000,000, at a time when about \$5,000,000 usually comes back from circulation. The decrease in circulation in the New York, Philadelphia, Cleveland, and Atlanta districts was considerably smaller than usual.

The following table shows changes in currency demand by Federal reserve districts:

*File*

## DISTRICT CHANGES IN CURRENCY DEMAND

(Millions of dollars)

|                            | <u>Change from<br/>December 31<br/>to January 6</u> | <u>* Usual<br/>seasonal change<br/>in this week</u> | <u>Estimated<br/>increase<br/>in hoarding</u> |
|----------------------------|---|---|---|
| United States .            | - 43  | -125  | 82  |
| Federal reserve districts: |   |   |   |
| Boston                     | - 7   | - 11  | 4   |
| New York                   | - 10  | - 36  | 26  |
| Philadelphia               | - 3   | - 11  | 8   |
| Cleveland                  | - 2   | - 13  | 11  |
| Richmond                   | - 6   | - 6   | 0   |
| Atlanta                    | - 3   | - 8   | 5   |
| Chicago                    | 0   | - 17  | 17  |
| St. Louis                  | + 2   | - 5   | 7   |
| Minneapolis                | - 2   | - 3   | 1   |
| Kansas City                | - 2   | - 3   | 1   |
| Dallas                     | - 2   | - 4   | 2   |
| San Francisco              | - 8   | - 8   | 0   |

Form No. 131

COPY

# Office Correspondence

FEDERAL RESERVE BOARD

Date January 14, 1932

To Mr. Goldenweiser

Subject: Demand for Currency

From Mr. Rhodes and Mr. Thompson

REC'D IN FILES SECTION  
 JUN 24 1953  
 244-211 2-8405

*Depression Stat.*

During the week ending January 13, 1932, there was a return flow of currency from circulation totaling \$43,000,000, according to our district calculations, as compared with an estimated average return flow of \$126,000,000 for the corresponding weeks of the preceding five years. Demand for currency was less in all districts except Chicago, where no change from the preceding week occurred, and St. Louis where there was an unseasonal increase of \$2,000,000.

The return of currency was general in other sections of the country. The New York District showed the largest return after sharply increased demand on Thursday and Friday of last week. The return of currency from banks and public was also in considerable volume in the Boston, Richmond, and San Francisco districts.

An analysis of changes in the demand for currency by districts for the week ending January 13, 1932, is given in the following table:

(In millions of dollars)

| Federal reserve district | Actual change | Estimated average change |
|--------------------------|---------------|--------------------------|
| Boston.....              | - 7           | - 11                     |
| New York.....            | -10           | - 37                     |
| Philadelphia.....        | - 3           | - 11                     |
| Cleveland.....           | - 2           | - 13                     |
| Richmond.....            | - 6           | - 6                      |
| Atlanta.....             | - 3           | - 8                      |
| Chicago.....             | 0             | - 17                     |
| St. Louis.....           | + 2           | - 5                      |
| Minneapolis.....         | - 2           | - 3                      |
| Kansas City.....         | - 2           | - 3                      |
| Dallas.....              | - 2           | - 4                      |
| San Francisco.....       | - 8           | - 8                      |
| <b>Total.....</b>        | <b>-43</b>    | <b>-126</b>              |

*From R & S Library*

We estimate excessive withdrawals since the third week in October, 1930 at about \$1,445,000,000. No allowance is made in this estimate for shipments to or receipts from abroad of paper currency nor for changes in vault cash holdings of banks. The volume of currency outstanding resulting from excessive withdrawals, as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the weeks ending January 6, 1932 and January 13, 1932:

(Figures are to the nearest 5,000,000)

| Federal reserve district | Oct. 22, 1930<br>to<br>Jan. 13, 1932 | Week ending<br>Jan. 13, 1932 | Week ending<br>Jan. 6, 1932 |
|--------------------------|--------------------------------------|------------------------------|-----------------------------|
| Boston.....              | 90                                   | + 5                          | + 10                        |
| New York.....            | 355                                  | + 30                         | + 45                        |
| Philadelphia.....        | 160                                  | + 10                         | 0                           |
| Cleveland.....           | 160                                  | + 10                         | + 5                         |
| Richmond.....            | 95                                   | 0                            | + 15                        |
| Atlanta.....             | 20                                   | + 5                          | + 5                         |
| Chicago.....             | 330                                  | + 20                         | + 25                        |
| St. Louis.....           | 25                                   | + 5                          | + 5                         |
| Minneapolis.....         | 35                                   | 0                            | + 5                         |
| Kansas City.....         | 40                                   | 0                            | 0                           |
| Dallas.....              | 35                                   | 0                            | 0                           |
| San Francisco.....       | 100                                  | 0                            | + 15                        |
| <b>Total .....</b>       | <b>1,445</b>                         | <b>+ 85</b>                  | <b>+130</b>                 |

Form NO. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date January 12, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

*Curran*

*EGJ*

FEDERAL RESERVE BOARD FILE  
*244*

2-8495

*244,211  
Depression Start*

You might be interested in the attached chart which shows daily changes in the demand for currency for the different Federal reserve districts. Red lines show the average for 1927-29 and the black lines the course in recent weeks. A startling difference in the demand for currency since the beginning of the year is shown for practically all districts. The last week, however, shows some improvement in Boston, New York, Philadelphia, Cleveland, and Atlanta. In Richmond the improvement began a few days earlier.

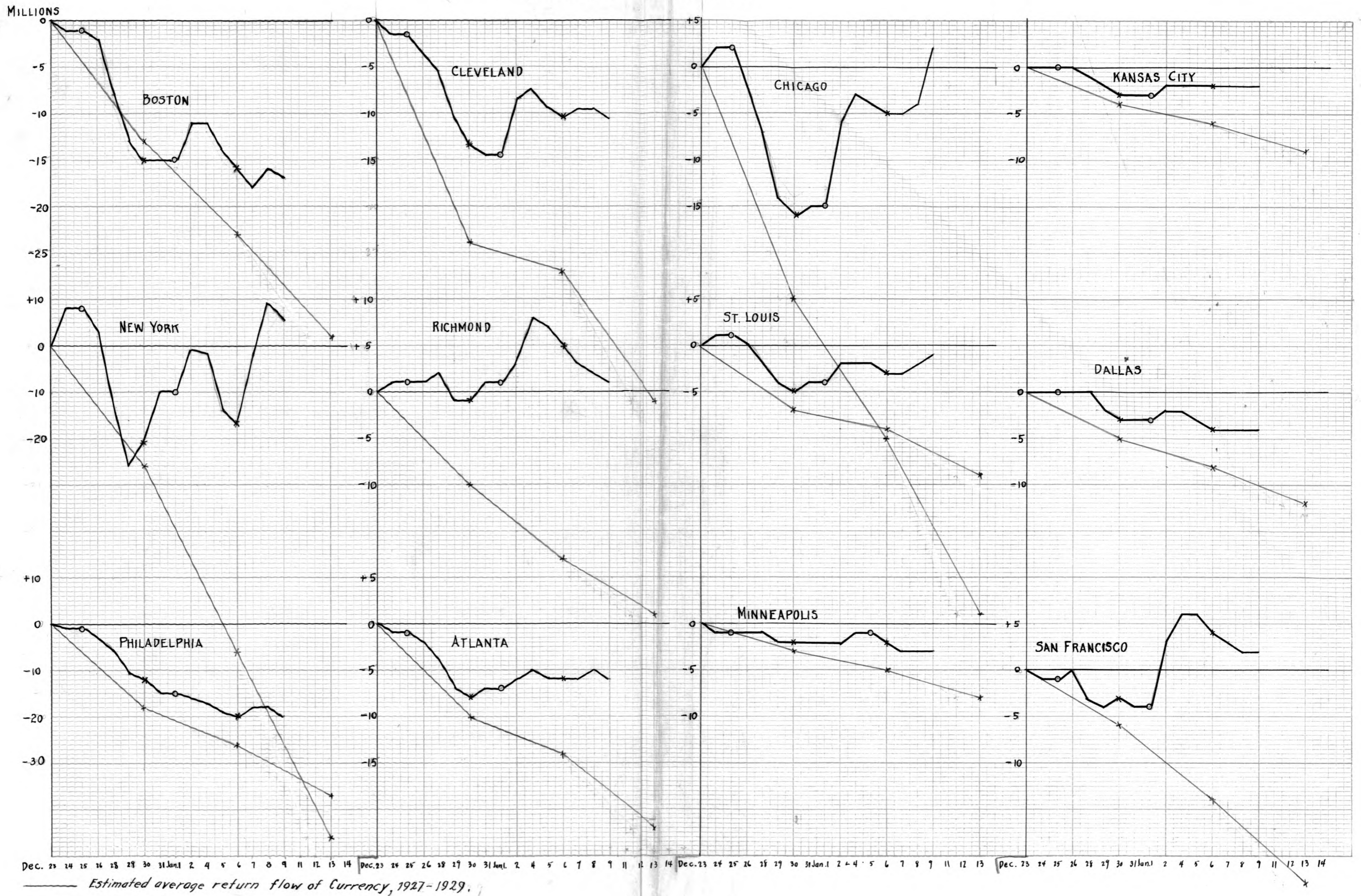
For CIRCULATION:.....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

# DAILY CHANGE IN DEMAND FOR CURRENCY

DEC. 23, 1931 TO JAN. 14, 1932



----- Estimated average return flow of Currency, 1927-1929.

————— Actual Daily change 1931-32

CODEx BOOK COMPANY, INC. NORWOOD, MASSACHUSETTS

NO. 4114. 12 BY 20 DIVISIONS PER INCH. 168 BY 180 DIVISIONS.





Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date January 9, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser  
*EGJ*

*244*

2-8495  
*244,211  
Depression Stat*

As already reported, the week ending January 6 showed an increase of money in circulation of \$28,000,000. This compares with a usual decrease for that week of \$105,000,000, so that roughly there has been an unseasonal outward movement of currency of \$130,000,000. Of this amount, \$45,000,000 was in New York, \$25,000,000 in Chicago, \$15,000,000 each in Richmond and San Francisco, \$10,000,000 in Boston and \$5,000,000 each in Cleveland, Atlanta, St. Louis, and Minneapolis. During the week ending December 30 the decrease in circulation was \$50,000,000 less than usual, so that the total increase in unseasonal demand for currency since Christmas can be estimated at about \$180,000,000.

For CIRCULATION: \_\_\_\_\_

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

*File*

January 8, 1932

Mr. Goldenweiser

REC'D IN FILES SECTION  
 Demand for currency  
 JUN 24 1953 *ab*  
 244,211

Mr. Rhodes and Mr. Thompson

During the two weeks following the Christmas peak in currency demand, according to our district calculations, there has been a return of money from circulation amounting to \$72,000,000, as compared with an average return of about \$<sup>55</sup>260,000,000 during the same period in recent years. In the week ending December 30 this return flow was \$100,000,000, compared with an average of \$150,000,000. During the week ending January 6, there was an increase of \$28,000,000 in demand for currency, which compares with an estimated average return from circulation of \$<sup>05</sup>115,000,000.

*Depression Stat.*

An analysis of changes in the demand for currency by districts for the week ending January 6, 1932, is given in the following table:

(In millions of dollars)

| Federal reserve district | Actual change | Estimated average change (to nearest 5 million) |
|--------------------------|---------------|---|
| Boston .....             | *             | - 10  |
| New York.....            | + 4           | - 40  |
| Philadelphia .....       | - 8           | - 10  |
| Cleveland .....          | + 3           | - 5   |
| Richmond .....           | + 6           | - 10  |
| Atlanta .....            | + 1           | - 5   |
| Chicago .....            | +11           | - 15  |
| St. Louis .....          | + 2           | 0   |
| Minneapolis .....        | + 1           | 0   |
| Kansas City .....        | + 1           | 0   |
| Dallas .....             | - 1           | 0   |
| San Francisco .....      | + 8           | - 10  |
| Total .....              | +28           | -105  |

\* Increase of \$200,000.

We estimate excessive withdrawals since the third week in October at about \$1,360,000,000. No allowance is made in this estimate for shipments to or receipts from abroad of paper currency nor for changes in vault cash holdings of banks. The

1930

*Thomas R. S. Library*

Mr. Goldenweiser

Page No. 2

January 8, 1932

volume of currency outstanding resulting from excessive withdrawals, as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the weeks ending December 30, 1931, and January 6, 1932.

(Figures are to the nearest 5,000,000)

| Federal re-<br>serve<br>district | October 22, 1930<br>to January 6, 1932 | Week ending<br>Jan. 6, 1932 | Week ending<br>Dec. 30, 1931 |
|----------------------------------|--|-----------------------------|------------------------------|
| Boston .....                     | 85                                     | + 10                        | 0                            |
| New York .....                   | 325                                    | + 45                        | + 5                          |
| Philadelphia ....                | 150                                    | 0                           | + 5                          |
| Cleveland .....                  | 150                                    | + 5                         | +10                          |
| Richmond .....                   | 95                                     | + 15                        | +10                          |
| Atlanta .....                    | 15                                     | + 5                         | + 5                          |
| Chicago .....                    | 310                                    | + 25                        | +10                          |
| St. Louis .....                  | 20                                     | + 5                         | 0                            |
| Minneapolis .....                | 35                                     | + 5                         | 0                            |
| Kansas City .....                | 40                                     | 0                           | 0                            |
| Dallas .....                     | 35                                     | 0                           | 0                            |
| San Francisco ...                | 100                                    | + 15                        | +5                           |
| Total .....                      | 1,360                                  | +130                        | +50                          |

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date January 9, 1932

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

244

244,211  
Depression Stat

As already reported, the week ending January 6 showed an increase of money in circulation of \$28,000,000. This compares with a usual decrease for that week of \$105,000,000, so that roughly there has been an unseasonal outward movement of currency of \$130,000,000. Of this amount, \$45,000,000 was in New York, \$25,000,000 in Chicago, \$15,000,000 each in Richmond and San Francisco, \$10,000,000 in Boston and \$5,000,000 each in Cleveland, Atlanta, St. Louis, and Minneapolis. During the week ending December 30 the decrease in circulation was \$50,000,000 less than usual, so that the total increase in unseasonal demand for currency since Christmas can be estimated at about \$180,000,000.

For CIRCULATION: .....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole  *absent*
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. ....
- Mr. ....

Please note - initial and return to GOVERNOR.

*File*

January 8, 1932

Mr. Goldenweiser

REC'D IN FILES SECTION  
Demand for currency  
JUN 24 1953 *ab*  
244.211

Mr. Rhodes and Mr. Thompson

During the two weeks following the Christmas peak in currency demand, according to our district calculations, there has been a return of money from circulation amounting to \$72,000,000, as compared with an average return of about \$260,000,000 during the same period in recent years. In the week ending December 30 this return flow was \$100,000,000, compared with an average of \$150,000,000. During the week ending January 6, there was an increase of \$28,000,000 in demand for currency, which compares with an estimated average return from circulation of \$115,000,000.

*Depression Stat.*

An analysis of changes in the demand for currency by districts for the week ending January 6, 1932, is given in the following table:

(In millions of dollars)

| Federal reserve district | Actual change | Estimated average change (to nearest 5 million) |
|--------------------------|---------------|---|
| Boston .....             | *             | - 10  |
| New York.....            | + 4           | - 40  |
| Philadelphia .....       | - 8           | - 10  |
| Cleveland .....          | + 3           | - 5   |
| Richmond .....           | + 6           | - 10  |
| Atlanta .....            | + 1           | - 5   |
| Chicago .....            | +11           | - 15  |
| St. Louis .....          | + 2           | 0   |
| Minneapolis .....        | + 1           | 0   |
| Kansas City .....        | + 1           | 0   |
| Dallas .....             | - 1           | 0   |
| San Francisco .....      | + 8           | - 10  |
| <b>Total .....</b>       | <b>+28</b>    | <b>-105</b>                                     |

\* Increase of \$200,000.

We estimate excessive withdrawals since the third week in October, at about \$1,360,000,000. No allowance is made in this estimate for shipments to or receipts from abroad of paper currency nor for changes in vault cash holdings of banks. The

*1930*

*From R.S. Library*

Mr. Goldenweiser

Page No. 2

January 8, 1932

volume of currency outstanding resulting from excessive withdrawals, as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the weeks ending December 30, 1931, and January 6, 1932.

(Figures are to the nearest 5,000,000)

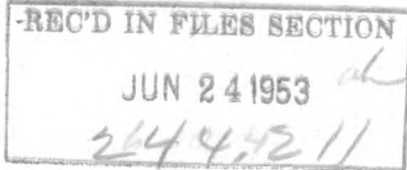
| Federal re-<br>serve<br>district | October 22, 1930<br>to January 6, 1932 | Week ending<br>Jan. 6, 1932 | Week ending<br>Dec. 30, 1931 |
|----------------------------------|--|-----------------------------|------------------------------|
| Boston .....                     | 85                                     | + 10                        | 0                            |
| New York .....                   | 325                                    | + 45                        | + 5                          |
| Philadelphia ....                | 150                                    | 0                           | + 5                          |
| Cleveland .....                  | 150                                    | + 5                         | +10                          |
| Richmond .....                   | 95                                     | + 15                        | +10                          |
| Atlanta .....                    | 15                                     | + 5                         | + 5                          |
| Chicago .....                    | 310                                    | + 25                        | +10                          |
| St. Louis .....                  | 20                                     | + 5                         | 0                            |
| Minneapolis .....                | 35                                     | + 5                         | 0                            |
| Kansas City .....                | 40                                     | 0                           | 0                            |
| Dallas .....                     | 35                                     | 0                           | 0                            |
| San Francisco ...                | 100                                    | + 15                        | +5                           |
| <b>Total .....</b>               | <b>1,360</b>                           | <b>+130</b>                 | <b>+50</b>                   |

January 4, 1932

Governor Meyer

Demand for Currency

Miss Joy



Since Christmas currency has not returned from circulation as rapidly as usual. On December 30 the volume outstanding was only \$100,000,000 less than a week earlier, while in the years 1924-1926, when the holiday came at about the same time in the week, the decline averaged over \$140,000,000.

*Depression Stat.*

This is the third successive week in which there has been an additional non-seasonal demand for cash, and for the three weeks as a whole this extraordinary demand probably exceeds \$100,000,000, approximately offsetting the return flow of currency in earlier weeks.

From December 14, when the failure of the Federal National Bank of Boston was announced, to the day before Christmas, the demand for currency increased \$210,000,000, more than \$75,000,000 in excess of the increase in the years 1924-1926, when the cost of living was 17 per cent higher and business was considerably more active. It is not improbable that the reduction in the dollar volume of holiday purchasing this year reduced the demand for currency considerably in the last ten days before Christmas, so that the added non-seasonal demand for money during this period was considerably more than \$75,000,000. Then, in addition, the return flow of cash to the reserve banks and the Treasury was smaller than usual in the week between Christmas and New Year's Day.

During January a rapid return of currency from circulation is usual. This year, since holiday demand has presumably been smaller due to lower

*T. Brown  
R+S  
Library*

2.

prices and the small volume of purchases, the amount of money coming back from circulation will also be somewhat smaller. However, if it continues to be much less than usual, it will indicate that currency is not being returned from banks and private safe deposit vaults.



Increase in demand for currency.

December 14 - Dec. 24.

|      |               |             |
|------|---------------|-------------|
| 1924 | Dec. 24 (Wed) | 5198        |
|      | Dec 15 (Mon)  | <u>5087</u> |
|      |               | + 111       |

|      |              |             |
|------|--------------|-------------|
| 1925 | Dec 24 (Thu) | 5263        |
|      | Dec 14 (Mon) | <u>5105</u> |
|      |              | + 158       |

|      |              |             |
|------|--------------|-------------|
| 1926 | Dec 24 (Fri) | 5253        |
|      | Dec 13 (Mon) | <u>5121</u> |
|      |              | + 132       |

Average 133

Jan 2/31 A.S.

NOT checked

Form No. 121

# Office Correspondence

FEDERAL RESERVE BOARD

Date December 18, 1931

Governor Meyer

Subject: Demand for Currency

From Miss Joy

*A.J. [Signature]*

*244,211*  
*Deposited* 2-8495

The volume of money in circulation showed a tendency to decline from Monday, December 7, through Monday, December 14, except for ordinary day-to-day variations; this decline occurred notwithstanding holiday shopping, which although smaller in dollar volume than usual, nevertheless requires an increasing amount of currency.

On Tuesday, December 15, following the announcement of the closing of the Federal National Bank of Boston on the preceding day, the demand for currency increased about \$30,000,000; and on Wednesday, December 16, by another \$20,000,000. As a consequence, on the sixteenth, the volume of money outstanding was \$71,000,000 larger than a week earlier. Federal reserve notes constituted \$43,000,000 of the \$71,000,000 increase in circulation and showed a growth of \$17,000,000 at Boston and \$14,000,000 at New York.

- For CIRCULATION: .....
- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- ~~Mr. Harrison~~
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. ....
- Mr. ....

Please note - initial and return to GOVERNOR

Form No. 127

**Office Correspondence**

For CIRCULATION: \_\_\_\_\_  
 FEDERAL RESERVE BOARD

Date December 16, 1931

To Governor Meyer

From Miss Bulla

Mr. James \_\_\_\_\_  
 Mr. Magee \_\_\_\_\_  
 Mr. Miller \_\_\_\_\_  
 Mr. Pole \_\_\_\_\_  
 Mr. Harrison \_\_\_\_\_  
 Mr. Morrill \_\_\_\_\_  
 Mr. McClelland \_\_\_\_\_  
 Mr. Wyatt \_\_\_\_\_  
 Mr. \_\_\_\_\_

Subject: British National Debt as shown

in the Return for 1931 244,211

*Depression Note*

On March 31, 1931, the total debt of the British Government was £7,583,000,000. This figure represents a net reduction of £13,000,000 during the year. Interest charges and return to GOVERNOR amounting to £292,000,000.

The total is made up of "deadweight debt" of £7,413,000,000 -- the figure quoted officially as the National Debt -- and certain "other capital liabilities." Deadweight debt was reduced £56,000,000 in the year.

"Other capital liabilities" include an item of £75,000,000, which represents the total outstanding amount under the various Unemployment Insurance Acts.

Since 1914 the composition of the debt has fluctuated considerably. Annual figures for the period 1914-1931 are given on pp. 6 and 7 of the Return. Figures for the beginning and end of the period and the peak year are shown below:

TOTAL DEBT OF BRITISH GOVERNMENT ON MARCH 31, 1914, 1920, 1931

|  | :Amounts in millions : Percentage of |        |        | :of pounds sterling : total |       |       |
|--|--------------------------------------|--------|--------|-----------------------------|-------|-------|
|  | :1914                                | : 1920 | : 1931 | : 1914                      | :1920 | :1931 |
| Total debt                                     | 706                                  | 7,876  | 7,583  | 100                         | 100   | 100   |
| "Deadweight" debt, total                       | 650                                  | 7,829  | 7,413  | 92                          | 99    | 98    |
| Non-maturing ("funded")                        | 587                                  | 315    | 1,425  | 83                          | 4     | 19    |
| Terminable annuities* capital value, estimated | 30                                   | 19     | 12     | 4                           | --    | --    |
| Maturing ("unfunded"), total                   | 34                                   | 7,495  | 5,976  | 5                           | 95    | 79    |
| Internal, total                                | 34                                   | 6,216  | 4,909  | 5                           | 79    | 65    |
| Long-term                                      | 21                                   | 4,952  | 4,315  | 3                           | 63    | 57    |
| Floating                                       | 13                                   | 1,264  | 594    | 2                           | 16    | 8     |
| External                                       | --                                   | 1,279  | 1,067  | --                          | 16    | 14    |
| Other capital liabilities                      | 56                                   | 47     | 170    | 8                           | 1     | 2     |

\* For life and terms of years.

Governor Meyer

Page No. 2

December 16, 1931

Before the World War there was no external debt. Non-maturing ("funded") debt, composed chiefly of consols, annuities, etc., formed 83 per cent of the total outstanding while the remainder was made up of terminable annuities, long-term internal debt, floating debt, and "other capital liabilities" for enterprises such as telegraphs, telephones, etc.

Beginning in 1915-1916 foreign debt increased rapidly, reaching a peak of \$1,300,000,000 in 1919, a year before the high point of total debt was reached. Since 1919, foreign debt has decreased annually except in one year.

In contrast to a considerable reduction from 1914 to 1920 in non-maturing debt and terminable annuities, maturing internal debt (both long-term and floating) increased enormously as a result of war financing. By 1920 it represented 79 per cent of the total. Since that date the long-term portion has been reduced by more than 10 per cent and the floating debt by more than 50 per cent. This was accomplished largely by a process of consolidation into non-maturing debt, which is now four times its amount in 1920.

Individual loans composing the present indebtedness are classified on pp. 14 and 15 of the Return. Interest payments on the individual loans are shown on p. 16.

*Bulletin on National Debt  
sent to library  
aw*

December 14, 1931

Mr. Goldenweiser

Demand for currency

Mr. Rhodes and Mr. Thompson

REC'D IN FILES SECTION  
 JUN 24 1953  
 244.211

During the week ending Wednesday, December 2, there was an increase of \$30,000,000 in demand for currency according to our district calculations. This compares with a net average outflow of nearly \$10,000,000 during the week following Thanksgiving of the three years 1927 - 1929. On December 2, 1931, the volume of excessive currency withdrawals since October 22, 1930, amounted to \$1,115,000,000 compared with \$1,090,000,000 (revised figure) on November 25, 1931. Nearly all districts showed moderate increases, largely of a seasonal character, in demand for currency during the week of December 2. The largest increase was in New York, which showed a gain of \$11,000,000. In that district, however, the week following Thanksgiving has usually shown a return flow with the result that our estimated figure of excessive withdrawals for the New York District increased by \$30,000,000. In the Philadelphia District there was practically no net change in demand for currency for the week compared with an average increase of \$5,000,000.

The volume of currency outstanding, resulting from excessive withdrawals, as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the weeks ending November 25 and December 2:

(Figures are to the nearest 5,000,000)

| Federal reserve district | October, 1930 to December 2, 1931 | Week ending Nov. 25, 1931* | Week ending Dec. 2, 1931 |
|--------------------------|-----------------------------------|----------------------------|--------------------------|
| Boston                   | 10                                | -10                        | --                       |
| New York                 | 280                               | -20                        | +30                      |
| Philadelphia             | 150                               | -10                        | - 5                      |
| Cleveland                | 135                               | -10                        | --                       |
| Richmond                 | 65                                | - 5                        | --                       |
| Atlanta                  | --                                | - 5                        | --                       |
| Chicago                  | 275                               | -10                        | --                       |
| St. Louis                | 20                                | --                         | --                       |
| Minneapolis              | 30                                | --                         | --                       |
| Kansas City              | 40                                | --                         | --                       |
| Dallas                   | 35                                | - 5                        | --                       |
| San Francisco            | 75                                | - 5                        | --                       |
| <b>Total</b>             | <b>1,115</b>                      | <b>-80</b>                 | <b>+25</b>               |

*Thomas R 95*  
*Library*

\*revised

December 7, 1931

Mr. Goldenweiser

Mr. Rhodes and Mr. Thompson

Demand

REC'D IN FILES SECTION

JUN 24 1953

244,211

*Depression letter*

During the two weeks ending with the Wednesday before Thanksgiving, ~~\$36,000,000~~ of currency was returned from circulation according to our district calculations. This compares with a net average outflow of \$50,000,000 during the corresponding week preceding Thanksgiving of the three years 1927 - 1929.

The volume of currency that remained in circulation on November 25, representing excessive withdrawals since October, 1930, amounted to \$1,080,000,000, as compared with \$1,180,000,000 on November 4. The week of November 18 seems to mark the turning point of excessive withdrawals with an unseasonal return of currency to the reserve banks of \$15,000,000. This movement continued on a larger scale and was more widespread geographically during the following week when \$75,000,000 was returned. In the New York District \$30,000,000 was returned from circulation during the two weeks, making a total \$40,000,000 of the previous excessive withdrawals returned in that district since November 4.

The volume of currency outstanding, resulting from excessive withdrawals as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the weeks ending November 18 and November 25:

(Figures are to the nearest 5,000,000)

| Federal reserve district | October, 1930 to November 25, 1931 | Week ending November 18, 1931 | Week ending November 25, 1931 |
|--------------------------|------------------------------------|-------------------------------|-------------------------------|
| Boston                   | 5                                  | --                            | - 10                          |
| New York                 | 250                                | -10                           | - 20                          |
| Philadelphia             | 150                                | --                            | - 15                          |
| Cleveland                | 130                                | --                            | - 10                          |
| Richmond                 | 65                                 | --                            | - 5                           |
| Atlanta                  | --                                 | + 5                           | - 5                           |
| Chicago                  | 275                                | - 5                           | - 5                           |
| St. Louis                | 20                                 | --                            | --                            |
| Minneapolis              | 30                                 | --                            | --                            |
| Kansas City              | 40                                 | --                            | --                            |
| Dallas                   | 40                                 | --                            | --                            |
| San Francisco            | 75                                 | - 5                           | - 5                           |
| <b>Total</b>             | <b>1,080</b>                       | <b>-15</b>                    | <b>- 75</b>                   |

*From R+S Library*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE

Date November 30, 1931

To Governor Meyer

Subject: Demand for reserve bank credit

From Mr. Goldenweiser

in December

For CIRCULATION: -----

- Mr. Hamlin ✓
- Mr. James ✓
- Mr. Magee ✓
- Mr. Miller ✓
- Mr. Pole ✓
- Mr. Harrison ✓
- Mr. Morrill ✓
- Mr. McClelland ✓
- Mr. Wyatt ✓
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

*gold*  
**FILE**  
E. M.

244,211  
2-8495  
*Deussen*

Currency outstanding usually increases by \$250,000,000 between Thanksgiving and Christmas, the peak being reached the day before Christmas. This year the increase for holiday shopping purposes is not likely to exceed \$200,000,000 because of the decline in retail

prices, the number of unemployed, and the general lack of prosperity. Please note - initial prices, the number of unemployed, and the general lack of prosperity. and return to GOVERNOR.

The demand upon the reserve banks for currency for holiday shopping may be offset by the use for that purpose of some of the money now in hoards and also by a continuation of the direct return flow from hoards that was in evidence in November, particularly in the last two weeks. On the other hand, an increase in hoarding, in case important bank failures occur, may raise the figure.

In view of all the facts and prospects it would seem likely that the total currency demand upon the reserve banks will not exceed \$200,000,000.

Member bank reserve balances usually increase in December by \$30,000,000 or \$40,000,000. This increase, however, is likely to occur during the last week of the year, after the peak of currency demand has passed. This item may, therefore, be disregarded in an estimate of the peak load.

I have no way of estimating the probable gold movements in December. In November gold imports amounted to more than \$100,000,000, and they are likely to continue.

Governor Meyer, - #2

November 30, 1931

Funds derived from gold imports will serve to meet the demand for reserve bank credit arising from currency expansion, so that the total demand for reserve bank credit from now to the peak is likely to be between \$100,000,000 and \$150,000,000, unless there develops a reversal in the return flow of currency from hoards.



Form No. 101

# Office Correspondence

FEDERAL RESERVE BOARD

Date: November 30, 1931

To: Governor Meyer

Subject:

From: Mr. Goldenweiser

*Handwritten:* *Boeckling*

*Handwritten:* *W. B. [unclear]*

*Handwritten:* *244*

2-8495

*Handwritten:* *244,211*  
*Depression Stat*

*Mr. Persons* has sent me another one of his confidential memos,  
and I am forwarding it to you.

For CIRCULATION:-----

- Mr. Hamlin
- Mr. James
- Mr. Lingo
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Merrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial  
and return to GOVERNOR

RECEIVED  
 NOV 30 1931  
 OFFICE OF  
 THE GOVERNOR

Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate November 30, 1931To Governor MeyerSubject: Persons' Estimate of theFrom Mr. GoldenweiserVolume of Hoarding

2-8495

244.211  
*Depression Stat*

Persons' estimate of excess circulation -- \$1,625,000,000 in the week ending November 21 -- is too high in our opinion. His estimate is not comparable with our figure of about \$1,100,000,000 hoarded by individuals in this country since last October for the reason that Persons takes no account of shipments abroad or of increased holdings of cash by banks; and also, he measures "excess circulation" from June, 1930 whereas we have been measuring from the beginning of November, 1930. In October, 1930, according to Persons' estimate, there was \$130,000,000 "excess circulation". Even with allowance for these differences, however, his estimate is probably nearly \$200,000,000 too high.

The error in this estimate arises from the assumption that volume of money outstanding fluctuates in direct proportion with the dollar volume of trade, which is the basis of his estimate. In ordinary times nearly \$2,000,000,000 of the total of \$4,500,000,000 to \$5,000,000,000 of currency outstanding is either in vaults of banks (\$850,000,000 on June 30, 1930) or has been lost, destroyed, melted, or is held in hoards. The extent of this dead element is indicated by the fact that nearly \$600,000,000 of the old large-sized bills was still outstanding in October of this year, two years after the new sized bills were introduced. Thus the active volume of circulation to which an index measuring dollar volume of trade is applicable is probably not more than 60 per cent of the total volume of currency outstanding.

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Authority NNJ 30029CONFIDENTIAL REPORT OF NOVEMBER 20, 1931

**BANK SUSPENSIONS:** Monthly and weekly figures for bank suspensions are given in an accompanying table. The number of bank failures is declining from the high record of October. The number from Nov. 1 to Nov. 20 was 168 compared with 512 in October.

A Canadian banker told me recently that the failure of "a five hundred million dollar bank in the U.S. outside New York City" was imminent. Such a failure would be a catastrophe of the first order.

New York Clearing House banks hold \$600,000,000 German short-term paper, other U.S. banks hold \$500,000,000 and English banks a half-billion more. A German moratorium on private debts might have serious consequences for banks in England and the United States, directly and indirectly.

**THE NATIONAL CREDIT CORPORATION** has been called by one acute observer a "blown fuse". I have learned, however, of one community where the failure of fifteen banks was imminent; they asked the National Credit Corporation "when can you help us?" The answer, "right now," so inspired the group that only two banks actually applied for help. The larger bankers in New York and elsewhere hold that (a) the N.C.C. is largely a gesture and (b) its chief benefit is psychological. An observer from the Northwest points out that the large banks are lukewarm in supporting the N.C.C. because it competes with the banking and distributing machinery they have, themselves, set up and used to distribute securities, now frozen, to country banks.

**HOARDING** was practically stationary during the four weeks ending November 14 and declined nearly 50 million dollars in the week ending November 21. Weekly and monthly estimates of "excess currency in circulation" accompany the report.

**FEDERAL RESERVE BANK CREDIT** increased from \$967,000,000 on August 5 to the peak of \$2,238,000,000 on Oct. 21, during the period of increasing domestic bank failures, withdrawal of gold by foreigners, pronounced increased domestic hoarding, and rapid decline of member bank deposits and reserve balances. Between October 21 and November 18 Federal Reserve Bank credit was contracted by \$266,000,000. "Bills bought" fell \$235,000,000 and "bills discounted" dropped \$36,000,000. During the same interval "money in circulation" declined \$33,000,000 (since the peak on November 4 the decline has been \$72,000,000). Concern has been expressed, with justice, that if money were returned to banks by hoarders (a) the banks would use the funds to pay off their borrowings from the Federal or (b) the Federal would let its bill holdings run off and/or sell its governments, or (c) both would happen. If this were to occur the money returned from

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Authority NND 30029

-2-

hoarding would be absorbed by the Federal Reserve sponge and it would then have no effect in easing the money market or acting as a basis for the extension of credit by banks to their customers. The conclusion drawn from this argument is "we might as well tell people to go on hoarding, for their returned currency will not make banks any more inclined to extend credit and the Federal Reserve Banks will immediately absorb the returned currency." Further, it is held that "if this is to be the outcome it means that Federal Reserve authorities, either through design or gullibility, will throw their support to the thoroughgoing deflationists and they leave us the option, therefore, of (a) resigning ourselves to many more bankruptcies, continued deflation, and the permanent adjustment downward of everything to the current level of prices of raw materials or (b) seeking relief by inflation through greenbackism, bimetallism, etc."

THE LEADING UNKNOWN FACTORS, so far as the future of the next six months is concerned, are (a) Federal Reserve policy and (b) the nature of the French-German rapprochement. We have been given no assurance concerning Federal Reserve policy. The sharply downward trend of Reserve Bank credit during the past month *suggests* ~~indicates~~ that a policy of contraction has been adopted by member banks and the Reserve banks. If this trend should continue much longer it could hardly be construed otherwise than as the expression of "a banking policy of thoroughgoing deflation of credit" with all of the bearish implications of such a policy. My own belief is that, although there are important individuals both in the Administration and the Reserve System who favor a policy of contraction, the leading officials, both of the Administration and the Federal Reserve System, favor a policy of "industrial and credit expansion on a gold base." During the weeks immediately ahead we should get more satisfying or disturbing evidence of their policy either (a) through the trend of bills discounted and open market operations or (b) direct pronouncement by the Federal Reserve Board or the President.

A FRENCH-GERMAN RAPPROCHEMENT ~~along construction~~<sup>ve</sup> lines for private credits is almost as essential for business recovery as a favorable bank situation and favorable Bank policy in the United States. The Reichsbank and German finance are in a critical condition because of (a) the flight of domestic and foreign capital from the mark (b) the pressure of foreign short-time creditors for payment (c) the withholding of payments on German exports and (d) the uncertain attitude of the French. With a proper French-German rapprochement and handling of reparations, the balancing of the German budget, and continued favorable balance of German trade, the funding of the German short-time credits should be possible.

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-3-

Indications of a prospective favorable French-German agreement are found in Dr. Charles Rist's statement on Nov. 19 that,

"Since the war short-term credits have increased greatly. And humanity's need since the war has been to employ long-term credits to finance long-term enterprises. Now the day has arrived when these short-term credits cannot be redeemed on expiration," and Paul Marchandeu's complaint that

"The gold in the vaults of the Bank of France is a sign of neither riches nor prosperity. There are 21,000,000,000 francs asleep there, when they should be working. The inter-allied debts and the conditional part of the reparations should be wiped out."



Warren M. Persons  
Consulting Economist  
345 Hudson Street  
New York City

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 Authority NND 30024

SPECIAL CONFIDENTIAL REPORT OF NOVEMBER 20, 1931

NUMBER AND DEPOSITS OF BANK SUSPENSIONS

| MONTHLY     |        |                        | WEEKLY      |        |                        |
|-------------|--------|------------------------|-------------|--------|------------------------|
|             | Number | Deposits<br>(millions) |             | Number | Deposits<br>(millions) |
| <u>1930</u> |        |                        | <u>1931</u> |        |                        |
| Oct.        | 72     | 25                     | Sept. 4     | 53     | 52                     |
| Nov.        | 254    | 186 (1)                | " 11        | 44     | 27                     |
| Dec.        | 344    | 367 (2)                | " 18        | 46     | 22                     |
|             |        |                        | " 25        | 72     | 95                     |
| <u>1931</u> |        |                        | Oct. 2      | 95     | 87                     |
| Jan.        | 202    | 78 (3)                 | " 9         | 166    | 212                    |
| Feb.        | 77     | 35                     | " 16        | 119    | 122                    |
| Mar.        | 86     | 35                     | " 23        | 109    | 82                     |
| Apr.        | 64     | 42                     | " 30        | 70     | 50                     |
| May         | 89     | 44                     |             |        |                        |
| June        | 167    | 196 (4)                | Nov. 6      | 76     | 81                     |
| July        | 93     | 41                     | " 13        | 52     | 11                     |
| Aug.        | 158    | 186 (5)                | " 20        | 30     | 5                      |
| Sept.       | 298    | 271 (6)                | " 27        |        |                        |
| Oct.        | 512    | 567 (7)                |             |        |                        |
| Nov.        |        |                        | Dec. 4      |        |                        |
| Dec.        |        |                        | " 11        |        |                        |
|             |        |                        | " 18        |        |                        |
|             |        |                        | " 25        |        |                        |

- (1) Kentucky and Tennessee
- (2) Bank of U.S.; Philadelphia
- (3) Mississippi
- (4) Chicago, Michigan, Ohio

- (5) Ohio, New York
- (6) Pennsylvania, Maryland, Texas, Illinois
- (7) High record; Pennsylvania, Ohio, Iowa

*W.M.P.*  
 Warren M. Persons  
 Consulting Economist  
 345 Hudson Street  
 New York

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 Authority NND 30026

SPECIAL CONFIDENTIAL REPORT

COMPUTATION OF "EXCESS CURRENCY IN CIRCULATION" BY WEEKS

- (1) Estimated dollar-volume of money work.
- (2) Volume of money seasonally required on basis of Jan.-June 1930 "normal" (millions of dollars).
- (3) Figures of column (2) adjusted for current weekly level of trade as shown in column (1).
- (4) Actual money in circulation (millions of dollars).\*
- (5) "Excess" circulation (+). Excess of column (4) over column (3) in millions of dollars.

|             | (1)   | (2)  | (3)  | (4)  | (5) | (4) <sup>†</sup> | (5) <sup>†</sup> |
|-------------|-------|------|------|------|-----|------------------|------------------|
| <u>1931</u> |       |      |      |      | -   | †                |                  |
| Aug. 1      | 87.0  | 4526 | 3938 | 4812 |     | 874              |                  |
| 8           | 86.7  | 4545 | 3941 | 4873 |     | 932              |                  |
| 15          | 86.5  | 4554 | 3939 | 4918 |     | 979              |                  |
| 22          | 86.2  | 4558 | 3929 | 4969 |     | 1040             |                  |
| 29          | 86.0  | 4563 | 3924 | 5013 |     | 1089             |                  |
| Sept. 5     | p85.8 | 4586 | 3935 | 5060 |     | p1125            |                  |
| 12          | p85.6 | 4623 | 3957 | 5105 |     | p1148            |                  |
| 19          | p85.3 | 4609 | 3931 | 5108 |     | p1177            |                  |
| 26          | p85.1 | 4604 | 3918 | 5176 |     | p1258            |                  |
| Oct. 3      | p84.9 | 4627 | 3928 | 5281 |     | p1353            |                  |
| 10          | p84.7 | 4646 | 3935 | 5437 |     | p1502            |                  |
| 17          | p84.4 | 4650 | 3925 | 5494 |     | p1569            |                  |
| 24          | p84.2 | 4632 | 3900 | 5523 |     | p1623            |                  |
| 31          | p84.1 | 4627 | 3891 | 5513 |     | p1622            |                  |
| Nov. 7      | p83.9 | 4669 | 3917 | 5550 |     | p1633            |                  |
| 14          | p83.8 | 4664 | 3908 | 5533 |     | p1625            |                  |
| 21          | p83.7 | 4650 | 3892 |      |     |                  | 5471             |
| 28          |       |      |      |      |     |                  | p1579            |
| Dec. 5      |       |      |      |      |     |                  |                  |
| 12          |       |      |      |      |     |                  |                  |
| 19          |       |      |      |      |     |                  |                  |
| 26          |       |      |      |      |     |                  |                  |

p Preliminary  
 \*Daily average for weeks ending Saturday  
 †Based on actual circulation for Wednesday

*W.M.P.*  
 Warren M. Persons  
 Consulting Economist  
 345 Hudson Street  
 New York City

DECLASSIFIED

Authority NND 30026SPECIAL CONFIDENTIAL REPORT

## COMPUTATION OF "EXCESS CURRENCY IN CIRCULATION" BY MONTHS

- (1) Index of the physical volume of retail trade adapted from the index of total trade of the N. Y. F. R. Bank (Jan.-June 1930 = 100).
- (2) Price factor (Jan.-June 1930 = 100) adapted from the index of cost of living of National Industrial Conference Board.
- (3) Product of columns (1) and (2) giving estimated dollar-volume of money work.
- (4) Volume of money seasonally required on basis of Jan.-June 1930 "normal" (millions of dollars).
- (5) Figures of column (4) adjusted for current monthly level of trade as shown in column (3).
- (6) Actual money in circulation (millions of dollars).\*
- (7) "Excess" circulation (+). Excess of column (6) over column (5) in millions of dollars.

|             | (1)   | (2)   | (3)  | (4)  | (5)  | (6)   | (7)   |
|-------------|-------|-------|------|------|------|-------|-------|
| <u>1930</u> |       |       |      |      |      |       |       |
| July        | 96.8  | 98.7  | 95.6 | 4549 | 4349 | 4483  | 134   |
| Aug.        | 96.4  | 98.4  | 94.8 | 4558 | 4321 | 4476  | 155   |
| Sept.       | 96.6  | 98.8  | 95.4 | 4614 | 4402 | 4492  | 90    |
| Oct.        | 95.7  | 98.4  | 94.2 | 4641 | 4372 | 4501  | 129   |
| Nov.        | 93.8  | 98.0  | 91.9 | 4664 | 4286 | 4528  | 242   |
| Dec.        | 93.9  | 97.4  | 91.4 | 4800 | 4387 | 4823  | 436   |
| <u>1931</u> |       |       |      |      |      |       |       |
| Jan.        | 93.0  | 96.6  | 89.8 | 4570 | 4104 | 4695  | 591   |
| Feb.        | 94.2  | 95.8  | 90.2 | 4513 | 4071 | 4598  | 527   |
| Mar.        | 94.4  | 95.6  | 90.2 | 4531 | 4087 | 4590  | 503   |
| Apr.        | 95.0  | 95.1  | 90.3 | 4540 | 4100 | 4647  | 547   |
| May         | 94.7  | 94.4  | 89.4 | 4531 | 4051 | 4679  | 628   |
| June        | 94.4  | 93.9  | 88.6 | 4540 | 4022 | 4750  | 728   |
| July        | 93.4  | 93.9  | 87.7 | 4549 | 3989 | 4836  | 847   |
| Aug.        | 92.0  | 93.9  | 86.4 | 4558 | 3938 | 4947  | 1009  |
| Sept.       | p91.1 | 93.7  | 85.4 | 4614 | 3940 | 5133  | p1193 |
| Oct.        | p90.2 | p93.7 | 84.5 | 4641 | 3922 | p5450 | p1528 |
| Nov.        |       |       |      |      |      |       |       |
| Dec.        |       |       |      |      |      |       |       |

p Preliminary  
\* Daily average for month

*Warren M. Persons*  
Warren M. Persons  
Consulting Economist  
345 Hudson Street  
New York



DECLASSIFIED  
Authority NND 30026

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date November 28, 1931

To Governor Meyer

Subject: Volume of Money in Circulation

From Miss Joy

*[Handwritten signature]*

*244*

2-8495

*244.211  
Deposits that*

Volume of currency outstanding increased by only \$8,000,000 between November 18 and November 25. This is a much smaller increase than is usual in the week preceding the Thanksgiving holiday. In past years, when the holiday came at about the same time in the month as this year, the added demand ranged from \$35,000,000 to \$50,000,000.

This is the second week in which currency demand has been definitely smaller than the seasonal expectation, and no doubt indicates some decrease in hoarding as well as a continued return to the reserve banks of cash held in the vaults of member banks. Reporting member banks in New York City ~~reduced~~<sup>increased</sup> their holdings of vault cash by \$7,000,000 during the past week.

For CIRCULATION:.....

- Mr. Hamlin
- Mr. James
- Mr. Magee
- Mr. Miller
- Mr. Pole
- Mr. Harrison
- Mr. Morrill
- Mr. McClelland
- Mr. Wyatt
- Mr. \_\_\_\_\_
- Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

Form No. 101  
*Check to*

# Office Correspondence

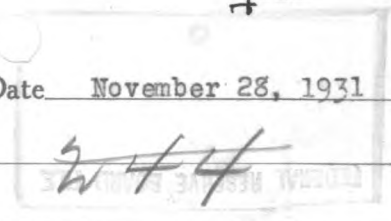
FEDERAL RESERVE BOARD

Date November 28, 1931

To Governor Meyer ✓

Subject: \_\_\_\_\_

From Mr. Goldenweiser *EG*



**FILE**  
E. M.

2-8495

*244,211*

*Depression Statistics*

I have made a few notes on the meeting of the American Statistical Association, which I am transmitting for your information.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin ✓ \_\_\_\_\_
  - Mr. James ✓ \_\_\_\_\_
  - Mr. Magee ✓ \_\_\_\_\_
  - Mr. Miller ✓ \_\_\_\_\_
  - Mr. Pole ✓ \_\_\_\_\_
  - Mr. Harrison ✓ \_\_\_\_\_
  - Mr. Morrill ✓ \_\_\_\_\_
  - Mr. McClelland ✓ \_\_\_\_\_
  - Mr. Wyatt ✓ \_\_\_\_\_
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

RECEIVED  
DEC 1 1931  
OFFICE OF  
THE GOVERNOR

November 27, 1931

Meeting of American Statistical Association, November 24, 1931

The meeting of the American Statistical Association on November 24 was devoted to the general subject of financial liquidation and recovery. The papers in general may be described as of a deflationary character, in contrast to the preceding meeting, which was distinctly inflationary.

John E. Rovensky, Vice Chairman of the Bank of America, gave a good old-fashioned banking talk about the necessity of sound finance, and particularly emphasized the undesirability of making any radical changes in the Federal reserve system. He endorsed the President's proposal for the home financing reserve bank, but said that the same purpose could be accomplished and in his opinion better by expanding activities of the land banks.

Warren M. Persons read a thin paper, the substance of which was that people should stop hoarding and should spend their money, but that this should be accompanied by a promise by the banks that they would stop seeking 100 per cent liquidity and would lend for legitimate purposes. He described his program as an expansion on the gold base.

Robert B. Warren, of Case, Pomeroy & Company, reviewed the course of the gold standard and gold exchange standard since the end of the war, and was inclined to attribute a good many of the recent troubles to the collapse of the gold exchange standard, because of the possibilities of expansion it offered, and because of the heavy burden of the short-time funds concentrated at London. He felt that the world must go back to a metal base, but was not sure that silver might not be added to gold in case gold proves to be insufficient in quantity.

Page 2

Alexander Sachs, of the Lehman Corporation, talked at considerable length about the delusion that easy money cures all evils, and made some telling criticisms of statistical methods reduced to trends. He said that trend lines were borrowed from astronomy--no wonder the sky was the limit.

Dwight C. Rose, of Scudder, Stevens & Clark, analyzed the position of common stocks at the present time, and figured on the basis of past performances that they can be expected to rise 50 per cent in a short time.

DINNER MEETING

**American Statistical Association**

Tuesday Evening, November 24, at 6:00

(Speaking begins at 7:30)

The Aldine Club, 200 Fifth Avenue (at 23rd St.)

PRESIDING OFFICER

W. RANDOLPH BURGESS, Deputy Governor, Federal Reserve Bank of New York.

GENERAL TOPIC

**Financial Liquidation and Recovery**

*Will the present depression lead to a reconstruction of the financial machinery of the world? If so, what changes are most probable?*

SPEAKERS

JOHN E. ROVENSKY, Vice Chairman, Bank of America.

*Some of the Proposed Changes in our Financial Machinery.*

WARREN M. PERSONS, Consulting Economist.

*Economic Significance of Deflation.*

ROBERT B. WARREN, Case, Pomeroy & Co.

*After the Gold Exchange Standard, What?*

ALEXANDER SACHS, Economist and Director, Lehman Corporation.

*The Role and Responsibility of Academic Delusion in the Depression.*

DWIGHT C. ROSE, Economist, Scudder, Stevens & Clark.

*Common Stocks at the Current Price Level.*

DISCUSSION

SHERWIN C. BADGER, Barron's Magazine.

PROGRAM COMMITTEE

Helen Slade, Chairman

James Hughes

Thatcher Jones

Glenn Munn

George B. Roberts

David Roswell

Henry S. Sanders

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Make checks payable to the American Statistical Association

Orders should be addressed to  
WILLFORD I. KING, Secretary  
Room 530 Commerce Building  
236 Wooster Street, New York City

Please hand the enclosed extra copies of the program to acquaintances who are interested.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date November 19, 1931

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Garfield

*Handwritten:* 244,211  
244  
Depression Statistics  
2-8495  
**FILE**  
E. M.

Factory employment declined from the middle of September to the middle of October by a surprisingly large amount, and the drop in the Board's seasonally adjusted index was the largest in any month since July 1930, according to a preliminary estimate based on Bureau of Labor Statistics figures to be released this afternoon.

The Board's indexes of factory employment and payrolls, 1923-25 = 100, are shown below for the past year and for the high points in 1929:

|           | FACTORY EMPLOYMENT              |              | FACTORY PAYROLLS |
|-----------|---------------------------------|--------------|------------------|
|           | Adjusted for seasonal variation | Unadjusted   | Unadjusted       |
| 1929 High | 102.8 (July)                    | 105.4 (Sept) | 111.9 (Sept)     |
| 1930 Sept | 83.4                            | 86.4         | 83.0             |
| Oct       | 82.2                            | 84.3         | 80.8             |
| Nov       | 81.1                            | 81.0         | 75.1             |
| Dec       | 80.1                            | 78.8         | 73.7             |
| 1931 Jan  | 78.3                            | 76.4         | 68.4             |
| Feb       | 77.8                            | 77.3         | 73.2             |
| Mar       | 77.9                            | 78.1         | 74.9             |
| Apr       | 78.0                            | 77.9         | 73.6             |
| May       | 77.8                            | 77.1         | 72.1             |
| June      | 76.0                            | 75.0         | 67.6             |
| July      | 75.1                            | 73.8         | 64.4             |
| Aug       | 74.1                            | 74.2         | 64.3             |
| Sept      | 72.8                            | 74.7         | 61.8             |
| Oct       | p 70.1                          | p 71.3       | p 59.5           |

p Preliminary

In October there were large declines in the number employed at woolen mills, automobile factories, and shoe factories. At woolen mills, where an increase is usual at this time of year, there was a decrease of 16 per cent, partly as a result of a strike at Lawrence, Massachusetts. In the automobile industry the decline was 21 per cent instead of the usual seasonal decrease

of about 3 per cent. At shoe factories the decrease was 6 per cent as compared with a usual one per cent. Employment in the women's clothing industry was also somewhat reduced. On the other hand, there were increases in the number employed in the silk goods and hosiery industries.

18

November 19, 1931

Mr. Goldenweiser

Demand for currency RECEIVED LES SECTION

Mr. Rhodes and Mr. Thompson

JUN 24 1953  
244.211

*Depression Stat.*

During the week ending November 11, \$25,000,000 of currency was returned from circulation according to our district calculations. This compares with an average return flow of \$30,000,000 during corresponding weeks of the three years 1927-1929.

The volume of currency that remained in circulation on November 11, representing excessive withdrawals since October, 1930, amounted to \$1,185,000,000. Changes other than seasonal during the week were small in amount and occurred only in the New York district where some \$10,000,000 was returned from circulation, and in the Chicago, Dallas, and San Francisco districts where in each instance circulation increased \$5,000,000.

The volume of currency outstanding, resulting from excessive withdrawals as distributed among the various Federal reserve districts, is shown in the following table, which also shows changes in this amount for the week ending November 11:

(Figures are to the nearest 5,000,000)

| Federal reserve district | October 1930 to November 11, 1931<br>Amount | Week ending November 11, 1931<br>Change |
|--------------------------|---|---|
| Boston                   | 20  | --                                      |
| New York                 | 280   | -10                                     |
| Philadelphia             | 165   | --                                      |
| Cleveland                | 145   | --                                      |
| Richmond                 | 70  | --                                      |
| Atlanta                  | --  | --                                      |
| Chicago                  | 290   | + 5                                     |
| St. Louis                | 20  | --                                      |
| Minneapolis              | 30  | --                                      |
| Kansas City              | 40  | --                                      |
| Dallas                   | 40  | + 5                                     |
| San Francisco            | 85  | + 5                                     |
| Total                    | 1,185                                       | + 5                                     |

*From B+S Library*

TBR:FCOH



Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date November 18, 1931

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

*Garfield*

FEDERAL RESERVE BOARD ST. LOUIS  
244


2-8495  
244,211  
Depression Study

I transmit a report by Mr. Garfield on the annual meeting of the Harvard Economic Society, which he attended. I am afraid there is not much of interest that transpired. As a matter of curiosity I have asked him to list Colonel Ayres predictions made in 1929, 1930 and 1931.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin
  - Mr. James
  - Mr. Magee
  - Mr. Miller
  - Mr. Pole
  - Mr. Harrison
  - Mr. Morrill
  - Mr. McClelland
  - Mr. Wyatt
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note - initial and return to GOVERNOR.

## Office Correspondence

FEDERAL RESERVE  
BOARDDate November 17, 1931To Mr. GoldenweiserSubject: Annual meeting of the HarvardFrom Mr. Garfield Economic Society, November 13-14

o p o 2-8495

The chief subject under discussion at the meetings of the Harvard Economic Society was the outlook for business in 1932, although certain speakers discussed other problems. Professor Bullock and Professor Crum of Harvard both stressed financial developments in their papers, and both thought that the end of the run on the dollar might be the turning point in the whole situation. Professor Bullock reviewed European financial developments after the announcement of the Austro-German Anschluss, and described the current German situation as a serious one.

Three speakers discussed situations in particular industries in this country, and each expressed quite a pessimistic viewpoint. Mr. F. E. Richter of Loew and Company indicated that the copper situation was much worse than a year ago, with control now largely in the hands of foreign producers. He pointed out that world consumption had been sharply reduced, that foreign production has shown little change, and that the sharp curtailment in production in the United States since 1929 had not been sufficient to prevent the further accumulation of stocks of refined copper which are now very large in the Eastern Hemisphere as well as in the Western Hemisphere. He stated that in 1931 the output of copper in the United States would be about one-third of the world total, whereas in 1929 it was about one-half. He outlined many difficulties involved in any world curtailment program or in any tariff program for the protection of producers in this country. He seemed to feel that the outlook for this industry was very poor for several years ahead.

Mr. F. Leslie Hayford of General Motors mentioned the figure of 600,000 cars in the first quarter of 1932 as a possibility. This figure was for the

United States and Canada, and is 13 per cent below the corresponding period of 1931. He expected an increase in output from October to November, contrary to the seasonal movement in other recent years, because certain companies which usually introduce models in midsummer are bringing them out at the end of the year. Mr. Hayford seemed to be very much impressed by the effects of bank failures on the automobile business and thought that if bank failures continued in 1932 automobile output would be considerably smaller than in 1931. He noted that the automobile business had been hit harder abroad than in the United States, and he thought that there was no hope for immediate revival in automobile exports. He mentioned the low agricultural income in this country as a factor depressing the automobile trade.

Mr. W. C. Clark, now director, courses in commerce and administration, Queen's University, and formerly with S. W. Straus and Co., discussed the building situation in some detail. He expressed the opinion that public building and public works would be less in 1932 than in 1931, partly as a result of reduced municipal expenditure in this direction. He thought industrial building, commercial building, and construction by public utility companies would continue at low levels, and that residential building might stabilize at present levels for a while and later increase moderately. He saw little demand for new construction, and little money available to finance projects proposed. He discussed the sequence of declining rents, declining real estate values, mortgage bond defaults, etc., resulting in a critical situation all the way around at the present time. He mentioned the proposed discount corporation as a favorable factor but pointed out that it would not provide needed second mortgage money at reasonable rates.

There were no reports on many leading industries, including steel, textile, and lumber industries. Professor Black talked about the agricultural situation,

adding little to the information already available on the subject. He did, however, make an estimate for gross agricultural income in 1931, which he figured as less than 7 billion dollars, compared with 9 1/3 billion in 1930, and a level of 11-12 billion in the years 1924-1929.

Colonel Ayres considered the decline in<sup>\*</sup> wholesale prices and the crisis in credit and banking as the most important/<sup>domestic</sup> developments of the year. The effects of the banking troubles he thought might be fairly temporary, while the effects of the price level were certain to continue over a long period. He thought that the banking crisis reached a critical point in October, but that many of the effects of the decline in wholesale prices had not yet become apparent. He inclined to the view that many prices which have been stable thus far would go down rather than that the others would go up. At one point in his speech, Colonel Ayres expressed the opinion that if there were no more serious developments abroad there might be some increases in production in this country early in 1932. However, his final list of predictions was as follows:

Railroad car loadings: larger volume in last quarter of 1932 than in last quarter of 1931  
 Industrial production: larger volume in last quarter of 1932 than in last quarter of 1931  
 Commercial failures: larger number in 1932 than in 1931  
 Bank failures: smaller number in 1932 than in 1931  
 Brokers loans: increasing trend in 1932  
 Electric power: increase in 1932 over 1931  
 Gasoline consumption: increase in 1932 over 1931  
 Gold exports: decrease in 1932 from 1931  
 Money in circulation: decrease in 1932 from 1931  
 Cost of living: decrease in 1932 from 1931  
 Earnings of employees: decrease in 1932 from 1931  
 Number employed; larger number in last quarter of 1932 than in last quarter of 1931

Colonel Ayres finally characterized 1930 as a year when businessmen decided to stand pat, 1931 as a year when they decided to hold the small pair and call for three cards, and 1932 as a year when they will call for five new cards.

Neither in the discussions which followed the speeches nor in private conversations did evidence appear of belief in immediate substantial improvement in the business situation, perhaps because wheat and stock prices were sagging from recent higher levels at the time of the meetings.

The papers relating to subjects other than business prospects were of little importance. Professor Joseph L. Snider of the Harvard Graduate School of Business Administration argued against general wage cuts, as a means of restoring prosperity, but pointed out the necessity for wage cuts in particular instances. Miss Eunice S. Coyle of the Harvard Economic Society talked superficially about bank failures. Mr. Joseph B. Hubbard, who has been editing the weekly letter of the Harvard Economic Society, discussed hoarding. Professor J. Franklin Ebersole of the Harvard Graduate School of Business Administration spoke on "The Recent Operation of the Gold Standard." Dean Donham of the Harvard Graduate School of Business Administration attacked Federal reserve policies in recent years, without knowing elementary facts concerning the operation of the System.

November 17, 1931

Governor Meyer

Demand for Currency

Miss Joy

REC'D IN FILES SECTION

JUN 24 1953

244.211

*Depression Stat.*

Currency outstanding has decreased during the past week, and on Saturday, November 14, was \$5,530,000,000. The decline of \$26,000,000 from the preceding Saturday is about the usual amount for this time of year. The continued return of cash from bank vaults has contributed to the recent decline in the volume outstanding.

Vault cash held by reporting member banks in leading cities on November 11 was \$10,000,000 less than a week earlier. The largest reduction was in the New York district; and there was also some return in the disturbed Philadelphia and Cleveland areas. A part of the gold coin withdrawn by New York banks for domestic circulation has recently been re-deposited at the New York Federal Reserve Bank. In magnitude, this is not important--about \$8,000,000 since October 28--but it is important as an indicator of the passing of panic psychology.

During the current week there is usually a further decline in the demand for currency, amounting in past years to \$25,000,000 or more from Wednesday November 11 to November 18. The Thanksgiving Day holiday in the following week, however, will occasion substantial withdrawals.

*From  
R45  
Library*

November 13, 1931

Mr. Goldenweiser

Mr. Rhodes and Mr. Thompson

DEPARTMENT OF THE TREASURY  
FEDERAL RESERVE BANK OF ST. LOUIS

JUN 24 1953

244,211

During the week ended November 4 the increase in demand for currency, according to our district calculations, was \$67,000,000, an amount somewhat greater than the average for the corresponding week of the three years 1927-1929. Changes by districts in excess of the three-year average were moderate in amount and were reported by New York, Cleveland, Richmond, St. Louis, and San Francisco.

The volume of currency that remained in circulation on November 4 representing excessive withdrawals since last October, amounted to \$1,180,000,000. This total was distributed among the various Federal reserve districts, as shown in the following table, which also shows the changes which have occurred in this amount during the week ended November 4, 1931:

(Figures are to the nearest 5,000,000)

| Federal reserve district | October, 1930 to November 4, 1931 | Week ending November 4, 1931 |
|--------------------------|-----------------------------------|------------------------------|
| Boston                   | 20                                | - 2                          |
| New York                 | 290                               | + 10                         |
| Philadelphia             | 165                               | ..                           |
| Cleveland                | 145                               | + 5                          |
| Richmond                 | 70                                | + 5                          |
| Atlanta                  | ..                                | ..                           |
| Chicago                  | 285                               | ..                           |
| St. Louis                | 20                                | + 5                          |
| Minneapolis              | 25                                | ..                           |
| Kansas City              | 40                                | ..                           |
| Dallas                   | 35                                | + 5 ...                      |
| San Francisco            | 85                                | + 5                          |
| <b>Total</b>             | <b>1,100</b>                      | <b>+ 30</b>                  |

*From R & S Library*

DST:FCOH

November 5, 1931

Mr. Goldenweiser

Mr. Rhodes and Mr. Thompson

Demand for

RESERVE NOTES SECTION

JUN 24 1953

*244,211  
Depression Stat.*

During the week ending October 28, demand for currency decreased by \$24,000,000; whereas increased circulation averaging \$26,000,000 has been usual during the corresponding week of the three years 1923-1929. The figures indicate, therefore, a greater than seasonal return of currency to the Federal reserve banks of \$50,000,000, of which \$35,000,000 was returned in the New York District alone, and smaller amounts in the Boston, Richmond, Chicago, and San Francisco districts. Excessive withdrawals of currency during the week occurred only in the Cleveland and Dallas areas.

The volume of currency which remained in circulation on October 28 representing excessive withdrawals since last October amounted to \$1,150,000,000. This total was distributed among the various Federal reserve districts, as shown in the following table, which also shows the changes which have occurred in this amount during the week ending October 28, 1931:

(Figures are to the nearest 5,000,000)

| Federal reserve district | October, 1930 to October 28, 1931 | Week ending October 28, 1931 |
|--------------------------|-----------------------------------|------------------------------|
| Boston                   | 20                                | - 5                          |
| New York                 | 280                               | -35                          |
| Philadelphia             | 165                               | ..                           |
| Cleveland                | 140                               | +10                          |
| Richmond                 | 65                                | -10                          |
| Atlanta                  | ..                                | ..                           |
| Chicago                  | 285                               | - 5                          |
| St. Louis                | 15                                | ..                           |
| Minneapolis              | 25                                | ..                           |
| Kansas City              | 40                                | ..                           |
| Dallas                   | 35                                | + 5                          |
| San Francisco            | 80                                | -10                          |
| Total                    | 1,150                             | -50                          |

*From R & S Library*



Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

244,211  
Date November 4, 1931

To Governor Meyer ✓

Subject: \_\_\_\_\_  
*Depression flat*

From Mr. Goldenweiser  
*EGG*

FEDERAL RESERVE BOARD  
*244*  
2-8495

I transmit herewith tables on the Bank of England, Bank of France (including a statement of the Caisse), and Reichsbank, with comments and explanations. From now on you will receive a statement pointing out current developments every week.

I apologize for the delay, which has been due to an effort to organize the material in such a way as to bring out significant items rather than merely accounting items from the balance sheets.

# Office Correspondence

FEDERAL RESERVE BOARD

Date November 5, 1931

To Governor Meyer

Subject: Bank of France Statistics

From Mr. Gardner

2-8405

*Approved by*

244.211

## BANK OF FRANCE

### Analysis of gold movements and reserve position

(In billions of francs)

| Date   | Gold | Factors expansion of which reduces gold stock |                                 | Factors expansion of which increases gold stock |          |       | Reserve position |                 |                           |
|--|------|---|---------------------------------|---|----------|-------|------------------|-----------------|---------------------------|
|  |      | Foreign exchange                              | Domestic discounts and advances | Notes in circulation                            | Deposits |       | Gold             |                 | Reserve ratio* (per cent) |
|  |      |   |                                 |   | Gov't.   | Other | Legal minimum    | Working reserve |                           |
| Position on various significant dates ✓          |      |   |                                 |   |          |       |                  |                 |                           |
| Average for 4 reports ending: <sup>2</sup>       |      |   |                                 |   |          |       |                  |                 |                           |
| July 12, 1929                                    | 36.6 | 25.8  | 9.9                             | 64.3  | 11.5     | 6.6   | 28.8             | 7.8             | 45                        |
| May 2, 1930                                      | 42.3 | 25.7  | 7.7                             | 71.3  | 6.2      | 7.1   | 29.6             | 12.7            | 50                        |
| May 29, 1931                                     | 55.6 | 26.2  | 8.3                             | 77.6  | 10.5     | 11.9  | 35.0             | 20.6            | 56                        |
| Sept. 18, 1931                                   | 58.6 | 27.9 <sup>3</sup>                             | 7.7                             | 78.3  | 8.4      | 18.3  | 36.8             | 21.8            | 56                        |
| Current position compared with week and year ago |      |   |                                 |   |          |       |                  |                 |                           |
| Single report:                                   |      |   |                                 |   |          |       |                  |                 |                           |
| Oct. 24, 1930                                    | 50.6 | 25.6  | 9.2                             | 72.9  | 12.6     | 9.4   | 33.2             | 17.5            | 53                        |
| Oct. 16, 1931 <sup>P</sup>                       | 62.2 | 29.5 <sup>3</sup>                             | 10.2                            | 81.9  | 7.9      | 23.0  | 39.5             | 22.7            | 55                        |
| Oct. 23, 1931 <sup>P</sup>                       | 63.9 | 28.3 <sup>3</sup>                             | 10.7                            | 81.8  | 8.8      | 22.7  | 39.6             | 24.2            | 56                        |

<sup>P</sup> Preliminary.

\* Total gold to notes and deposits. The legal minimum is 35 per cent.

<sup>1</sup> These dates have been selected to show the situation immediately preceding heavy acquisitions of gold by France in the period since the Bank of France ceased converting its own foreign assets into gold, and the situation on the last report date before England's departure from the gold standard.

<sup>2</sup> The average of 4 reports is used in order to eliminate the very considerable cycle within the month -- particularly the distortion introduced by month-end movements, which always inflate the meaningless item "miscellaneous assets."

<sup>3</sup> Not including advances on gold understood to be for account of the Bank of Spain, which averaged 1,022,000,000 francs for the 4 reports ending September 18, 1931, and has since increased somewhat.

- 2 -

The analysis of Bank of France figures is focussed on gold. Financial developments in France have not been reflected, as in Germany, in the volume of borrowing at the central bank; nor is this, as in England, the result of a policy on the part of the central bank of offsetting gold movements. <sup>1/</sup> French banks have been subject to enormous drains in connection with the public's demand for cash and the transfers of reserve funds to Government account at the Bank of France. On the whole they have met these drains and built up their own cash position, not by borrowing from the Bank of France, but by drawing upon their short-term balances abroad. <sup>2/</sup> This has resulted in a heavy import of gold, which, sold to the Bank of France, has released the necessary volume of funds for the purposes indicated above. As France remains on a free gold standard, gold movements in one direction or the other are likely to remain important in the future.

It was in the middle of 1929 that the Bank of France ceased the direct conversion of its foreign exchange holdings into gold. Since that time these holdings have remained at about 26,000,000,000 francs -- except for the recent emergency credits to central banks. Subsequent gold shipments have been purely commercial operations. The first large movement of gold to France on

---

<sup>1/</sup> As in Germany there is no adequate domestic open market in which the central bank can operate, although at some future time the use of Caisse bonds may be developed.

<sup>2/</sup> One might properly say that the French open market has hitherto been London and New York. Surplus short-term funds of the French banks have gravitated to these two centers; and demands for currency or other domestic drains have resulted in withdrawals thence. It is important to note that, although the Bank of France has exceptionally large holdings in this "French open market," it has been prevented by that very fact from operating in it to supply French commercial banks with the funds they required to meet domestic drains. To have done so would have increased its foreign exchange holdings, already regarded as at a maximum. Consequently the banks have had to bring in gold.

- 3 -

the new basis started in the middle of July, 1929, coming to an end early in 1930. The second wave started in May, 1930, and came to an end early in 1931. The third wave has accompanied the current international crisis.

It is evident from the figures that the dominant factor behind these gold flows has been the growing demand of the French public for currency. In the first period, however, this demand was met to an important extent by the release of funds from Government deposits <sup>3/</sup> at the Bank of France; and consequently the inflow of gold was not so great as in the second period when, to the drain of money into circulation, was added the drain of bank reserves into Government account at the Bank of France. It was during this latter period, too, that because of banking troubles, the banks found it necessary to build up their own cash position; and "other deposits" at the Bank of France markedly increased. During this second period gold stock increased by 13,000,000,000 francs as against 6,000,000,000 francs in the first.

The third period coincides with the international crisis involving particularly Germany and England. Whereas in the first two periods the French banks were bringing in gold largely to replace cash drawn from them by the public or the Government, in this third period the dominant factor was safety. This is clearly shown by the growth of "other deposits." These "other deposits" at the Bank of France pay no interest. Yet funds were brought back

---

<sup>3/</sup> These deposits are of two types: 1) deposits of the French treasury proper built up for the most part by receipts from taxation; and 2) deposits of the independent amortization office (Caisse autonome d'amortissement) fed largely from the proceeds of new issues of two-year defense bills (bons de la defense) -- although the Caisse also has substantial revenues from the tobacco monopoly and certain assigned taxes.

- 4 -

from Berlin and London and other centers where they were yielding good income in order to be piled up without interest at the Bank of France. The banks were seeking a double safety -- that of having their funds at home in a sound currency and a sound bank, and that of being able to meet possible runs by their own public. This panic movement was altogether the biggest factor behind the gold imports of the third period.

It has been particularly in evidence since England left the gold standard.<sup>4/</sup> Notes in circulation have also increased substantially since that event -- an increase contributed to in part by demand in neighboring countries for Bank of France notes. These two forces have been the principal factors behind the recent movement of gold to France -- a movement that would have been greater had it not been for the increase of 3,000,000,000 francs in domestic discounts and advances of the Bank of France.

---

<sup>4/</sup> The necessity for the banks to strengthen their cash position was increased at the end of September by the threatened failure of an important institution, the Banque Nationale de Credit.

Supplementary note on the Caisse

1/  
The Caisse was established in 1926 mainly for the purpose of providing an independent administration of the Government floating debt in the form of defense bills (bons de la defense). These bills maturing in from one month to a year had proved embarrassing to the French treasury whenever there was any loss of public confidence. There were assigned to the Caisse the revenues from the tobacco monopoly and certain special taxes as well as any surpluses that developed in the regular budget.

Starting in October, 1926, with fr. 48,000,000,000 of defense bills, none of which had a maturity in excess of a year, the Caisse had reduced the total by the end of April, 1930, to fr. 25,000,000,000, 2/ all of which represented bills maturing two years from the date of issue. At this point, however, the Caisse proceeded to issue more two-year bills than were currently maturing with the result that the volume outstanding began to grow again, defense bills becoming a source of net revenue. Moreover at the end of June the French share of the proceeds of the Young Plan loan (German Government International 5 1/2 loan 1965) was turned over to the Caisse. It was chiefly from these two sources -- each of which yielded over fr. 3,000,000,000 -- that the Caisse built up its deposit at the Bank of France to the extent shown in the figures

- 
- 1/ The full name of this institution is "la Caisse Autonome de Gestion des Bons de la Défense Nationale et d'Amortissement de la Dette Publique" (independent office for administering national defense bills and amortizing the public debt).
- 2/ This reduction was not achieved out of revenues alone. The great bulk of it represented conversion of defense bills into long-term debt of the Caisse. The reductions in 1930, however, were from revenues; and at the same time the Caisse was active in retiring rentes by purchases on the open market, spending over fr. 4,000,000,000 in this way during the year. It has also been gradually amortizing the negotiable bills issued by it to the Bank of France.

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given below. These factors are also behind the growth of the item "Government deposits" in the analysis of Bank of France figures for the period ending May 29, 1931, although in this period the growth of Caisse deposits was partly offset by the shrinkage of Treasury deposits proper.

The figures given below cover not only Caisse deposits with the Bank of France but Caisse bills held by the bank among its assets. These bills were issued to the bank to reimburse it for the advances it had made to the old Russian Government on behalf of the French Government during the war. They bear no interest and technically have a maturity of three months. They are negotiable. In fact they were issued to the bank with the definite purpose of providing it with open market paper. As the bank continues to hold all the outstanding bills in its portfolio, however, it cannot now, by purchasing them, supply the market with funds. Instead the gradual amortization of the bills by the Caisse has led to a corresponding withdrawal of funds from the market.

The two accounts of the Caisse with the Bank of France are shown below for the same dates as those employed in the analysis of Bank of France figures. In that analysis the Caisse bills are omitted in order not to complicate the record with a relatively inactive item. Caisse deposits, however, are included with the Treasury account in the item "Government deposits."

- 7 -

## CAISSE ACCOUNTS WITH THE BANK OF FRANCE

(In billions of francs)

| Date                             | Caisse bills<br>held by the<br>bank | Caisse de-<br>posits at<br>the bank |
|----------------------------------|-------------------------------------|-------------------------------------|
| Average for 4<br>reports ending: |                                     |                                     |
| July 12, 1929                    | 5.8                                 | 6.0                                 |
| May 2, 1930                      | 5.4                                 | 2.7                                 |
| May 29, 1931                     | 5.1                                 | 9.0                                 |
| Sept. 18, 1931                   | 5.1                                 | 7.1                                 |
| Single report:                   |                                     |                                     |
| Oct. 24, 1930                    | 5.1                                 | 7.0                                 |
| Oct. 16, 1931                    | 5.1                                 | 6.8                                 |
| Oct. 23, 1931                    | 5.1                                 | 6.9                                 |



Office Correspondence

FEDERAL RESERVE BOARD

Date November 2, 1931

To Governor Meyer

Subject: Bank of England statistics

From Mr. Gardner

BANK OF ENGLAND

Analysis of market borrowing and reserve position

(In millions of pounds sterling)

| Date | Disc-<br>counts<br>and<br>advan-<br>ces | Factors expansion<br>of which reduces<br>discounts |                              | Factors expansion of which increases<br>discounts |       |                  |        |       | Reserve position             |                    |                                    |
|------|---|--|------------------------------|---|-------|------------------|--------|-------|------------------------------|--------------------|------------------------------------|
|      |   | Gold   | Securi-<br>ties <sup>1</sup> | Notes in<br>circula-<br>tion                      | Total | Deposits         |        |       | Gold                         |                    | Reserve<br>ratio*<br>(per<br>cent) |
|      |   |  |                              |   |       | British<br>banks | Gov't. | Other | Required<br>against<br>notes | Working<br>reserve |                                    |

Position on various significant dates<sup>2</sup>

|                |     |     |     |     |     |    |    |    |                 |                 |    |
|----------------|-----|-----|-----|-----|-----|----|----|----|-----------------|-----------------|----|
| June 12, 1929  | 5.7 | 163 | 312 | 362 | 107 | 61 | 11 | 36 | 102             | 61              | 58 |
| Oct. 2, 1929   | 8.5 | 129 | 350 | 363 | 112 | 65 | 9  | 38 | 103             | 26              | 24 |
| July 8, 1931   | 7.1 | 165 | 316 | 359 | 115 | 65 | 16 | 35 | 100             | 65              | 58 |
| July 29, 1931  | 9.7 | 132 | 335 | 359 | 105 | 56 | 15 | 34 | 99              | 33              | 32 |
| Sept. 16, 1931 | 8.3 | 136 | 346 | 352 | 125 | 58 | 17 | 50 | 77 <sup>3</sup> | 59 <sup>3</sup> | 48 |

Current position compared with week and year ago

|                            |      |     |     |     |     |    |    |    |                 |                 |    |
|----------------------------|------|-----|-----|-----|-----|----|----|----|-----------------|-----------------|----|
| Oct. 29, 1930              | 4.2  | 160 | 316 | 356 | 112 | 56 | 21 | 35 | 96              | 64              | 58 |
| Oct. 21, 1931 <sup>p</sup> | 10.4 | 136 | 354 | 355 | 132 | 61 | 19 | 53 | 81 <sup>3</sup> | 55 <sup>3</sup> | 43 |
| Oct. 28, 1931 <sup>p</sup> | 10.5 | 136 | 356 | 356 | 133 | 63 | 17 | 53 | 81 <sup>3</sup> | 55 <sup>3</sup> | 42 |

\* Ratio of "working reserve" (plus a small amount of coin in the banking department) to deposits.

<sup>p</sup> Preliminary

<sup>1</sup> Including securities assigned as cover for the fiduciary issue of notes.

<sup>2</sup> These dates have been selected to show the course of market borrowing from the Bank of England during recent major movements of gold, and the position on the last report date before England's departure from the gold standard.

<sup>3</sup> On August 1, 1931, the bank was given temporary permission (since continued) to transfer £15,000,000 of gold from the legal minimum against notes to the working reserve.

*Depository*

244.21

- 2 -

The analysis of the Bank of England figures is focussed on "discounts and advances." This item represents the extent to which the market has been forced to draw upon the bank. The retrospective dates have been chosen so as to bring out the bank's policy in recent years of insulating the market from the effect of gold movements. This it has done through its open market operations as evidenced in the item "securities." Gold flowing out has been replaced by security purchases; gold flowing in has been absorbed by security sales. Only in the recent July crisis was the outflow so rapid that the commercial banks were forced to draw substantially on their Bank of England balances. Borrowing by the market at the bank was hardly affected by any of the great pendulum swings in gold.

The date September 16, 1931, is shown as the last report date before the departure of England from the gold standard. Gold as compared with the end of July was somewhat higher; <sup>1/</sup> but in the interval the \$250,000,000 central bank credit and the \$400,000,000 private bank credit had been largely exhausted. The most noticeable change in the position of the bank was in the item "other deposits," which grew to quite unprecedented levels. This change had begun in August. It is probable that it reflected operations by the Bank of France similar to those that also in August began to boost foreign bank deposits in the Federal Reserve statements -- i. e., the

---

<sup>1/</sup> Working gold reserves had been substantially increased by the permission given on August 1 to increase the fiduciary issue of notes by £15,000,000. The effect of this permission was to free £15,000,000 of gold from the legal minimum against notes and transfer it to the working reserve, which is subject to the discretion of the Bank of England. This transfer, however, did not directly affect the volume of funds available to the market.

- 3 -

conversion of bill holdings outside France into central bank deposits. The losses to commercial bank reserves, which resulted from these sales in England, were largely replaced during the period by the Bank of England's purchases of securities.

The high level of "other deposits" at the bank has been maintained, and even increased, in October. British bank deposits and notes in circulation had also risen by October 28 as compared with September 16. The funds necessary to effect these increases were obtained by the market largely from additional security purchases by the Bank of England. In part, however, the market had to borrow directly from the bank. Discounts and advances since the departure from the gold standard have been substantially higher. This is an indication that the bank is not entirely protecting the market, but is keeping a close control over the situation to prevent possible inflationary developments.

# Office Correspondence

FEDERAL RESERVE BOARD

Date November 5, 1931

To Governor Meyer

Subject: German Reichsbank statistics

From Mr. Gardner

*Depression Act*

## REICHSBANK Analysis of market borrowing and reserve position

(In millions of reichsmarks)

| Date  | Discounts and Advances | Factors expansion of which reduces discounts |              | Factors expansion of which increases discounts |          |                   | Reserve position |                  |                           |
|---|------------------------|--|--------------|--|----------|-------------------|------------------|------------------|---------------------------|
|   |                        | Reserves                                     | Other assets | Notes in circulation                           | Deposits | Other liabilities | Reserves         |                  | Reserve ratio* (per cent) |
|   |                        |  |              |  |          |                   | Gold             | Foreign exchange |                           |
| Position on various significant dates <sup>1/</sup> |                        |  |              |  |          |                   |                  |                  |                           |
| <sup>2/</sup> Mar. 7, 1929                          | 1,924                  | 2,811  | 730          | 4,338  | 503      | 624               | 2,683            | 128              | 65                        |
| May 7, 1929   | 3,194                  | 1,819  | 751          | 4,442  | 585      | 737               | 1,766            | 54               | 41                        |
| <sup>3/</sup> Sept. 6, 1930                         | 1,629                  | 3,011  | 933          | 4,486  | 369      | 719               | 2,619            | 392              | 67                        |
| Oct. 15, 1930                                       | 2,133                  | 2,354  | 800          | 4,189  | 355      | 744               | 2,180            | 174              | 56                        |
| <sup>4/</sup> May 30, 1931                          | 1,984                  | 2,577  | 824          | 4,299  | 353      | 731               | 2,390            | 186              | 60                        |
| July 15, 1931                                       | 3,139                  | 1,490  | 1,047        | 4,162  | 307      | 1,208             | 1,366            | 124              | 36                        |
| Sept. 23, 1931                                      | 3,144                  | 1,672  | 1,173        | 4,174  | 540      | 1,276             | 1,374            | 298              | 40                        |

### Current position compared with week and year ago

|               |       |       |       |       |     |       |       |     |    |
|---------------|-------|-------|-------|-------|-----|-------|-------|-----|----|
| Oct. 23, 1930 | 2,000 | 2,343 | 803   | 3,981 | 420 | 746   | 2,180 | 163 | 59 |
| Oct. 15, 1931 | 4,033 | 1,294 | 1,049 | 4,527 | 551 | 1,297 | 1,156 | 138 | 29 |
| Oct. 23, 1931 | 3,800 | 1,288 | 1,074 | 4,373 | 485 | 1,305 | 1,145 | 143 | 29 |

<sup>P</sup> Preliminary

\* Ratio of reserves to notes in circulation. The legal minimum is 40 per cent; but by unanimous resolution of the General Council (except for one vote) this ratio may be reduced, subject to the payment of a progressive tax.

<sup>1/</sup> These dates have been selected to show the effect of reserve losses on market borrowing from the Reichsbank during the three major crises of the mark, and the situation at the time of England's departure from the gold standard.

<sup>2/</sup> Young conference panic

<sup>3/</sup> Hitler election scare

<sup>4/</sup> Depression crisis

- 2 -

As in the case of the Bank of England the analysis of the Reichsbank figures is focussed on "discounts and advances" -- i. e., the measure of the extent to which the market has had recourse to the central bank. Whereas in England, however, the notable feature was the steadily small volume of market borrowing -- gold movements being offset by Bank of England security operations -- in Germany the contrary is the case. Reichsbank transactions in the open market are strictly limited by law. The bank can operate freely only in bankers' acceptances and commercial bills, and no adequate market in these exists in Germany. Not only is there no domestic market, but Germany, in contrast to France, is a net borrower rather than a net lender on short-term account abroad. In consequence of this situation every large drain upon German central reserves has been accompanied by heavy borrowings at the Reichsbank. The subsequent return flow of funds from abroad has been utilized to repay borrowings. The Reichsbank has had no power to insulate the market against the effects of gold and exchange movements, even had it considered such a course of action desirable.

The table shows six dates chosen to illustrate developments during the three major crises of the German mark. On each occasion heavy losses of reserves (gold and foreign exchange) were accompanied by equivalent borrowings at the Reichsbank. These borrowings would have shown up as even larger were it not for the fact that the Reichsbank does not distinguish its holdings of non-reserve foreign bills from domestic discounts. It is known that during each crisis these non-reserve foreign bills were sold heavily; hence the combined figure understates the increase in domestic borrowing during the crisis. By the same token the published figures of reserves of the Reichsbank do not show the full loss of gold and foreign exchange. The

- 3 -

figures are sufficient, however, to show the sensitiveness of the German market to the outflow and inflow of central reserves.

Following the recent crisis there was, of course, no return flow of funds to Germany. Indebtedness at the Reichsbank held without much change up to the time of England's departure from the gold standard. Following that event there appears to have been some hoarding. The withdrawal of reichsmark balances and certain other accounts as permitted under the "standstill" agreement<sup>1/</sup> began at the same time; and in addition the general nervousness led to some further pressure in all directions to get funds out of Germany into safe currencies. Reichsbank reserves fell sharply. On October 23 they were Rm. 380,000,000 less than a month earlier. This loss and an increase of notes in circulation of Rm. 200,000,000 were the chief factors in the increase of Rm. 650,000,000 in discounts and advances during the month.

So far as the past week is concerned there is no evidence of the movement becoming cumulative. In fact the Reichsbank withstood the October 15 release<sup>1/</sup> under the "standstill" agreement without loss of reserves; and the usual return of notes from circulation following the month-end is in evidence. But indebtedness of the German banking system to the Reichsbank remains at record-breaking levels.

---

<sup>1/</sup> The "standstill" agreement was the outcome of the Wiggin committee report in August. Final signature by all the parties concerned was announced September 17 by the Bank for International Settlements. The agreement was made retro-active to September 1 to run for six months. It applies only to banks among the creditors, and to banks and industrial or commercial institutions in Germany. Under its terms foreign currency credits (with the exception of security loans and certain crop-financing loans) must be left in Germany during the life of the agreement; but reichsmark balances may be withdrawn in installments. The first installment, amounting to 25 per cent, became due upon signing of the agreement. An installment equivalent to 15 per cent was to be released in each of the five succeeding months. The day of release was later fixed as the 15th of the month. Provision was also made for payment of due or over-due forward exchange contracts; and the Reichsbank later fixed October 3 as the day when these payments must be completed. Actual withdrawals under

the agreement began about September 21 and were in heaviest volume during the last week of September. The German financial press estimates, partly on the basis of figures given out by the Reichsbank, that up to October 3 about Rm. 330,000,000 were thus withdrawn. Estimates for the October 15 release of reichsmark balances alone vary from Rm. 50,000,000 to Rm. 75,000,000. These latter estimates are surprisingly small. On the basis of the Wiggin committee figures Rm. 125,000,000 would appear to be nearer the truth; but these balances may have suffered diminution in one way or another previous to the final signing of the agreement.

18

October 28, 1931

Mr. Goldenweiser

Demand for currency

Mr. Rhodes and Mr. Thompson

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244-211

*Depression stop*

During the week ended October 21, demand for currency increased by \$30,000,000; whereas during the corresponding week of the three years 1927-1929 there was an average return flow of \$35,000,000. Excessive withdrawals for the week, therefore, are estimated at \$55,000,000, of which more than half was in the Philadelphia District. Excessive withdrawals were heavier than withdrawals for any week in September except that of September 23. Since mid-October of 1930 withdrawals of currency in excess of the three-year average currency movement for the corresponding period amounted to \$1,195,000,000 and were distributed among the Federal reserve districts as follows:

(Figures are to the nearest 5,000,000)

|               | October 1930 to<br>October 21, 1931 | Week ending<br>October 21, 1931 |
|---------------|-------------------------------------|---------------------------------|
| New York      | + 315                               | + 5                             |
| Chicago       | + 290                               | --                              |
| Philadelphia  | + 165                               | + 30                            |
| Cleveland     | + 130                               | + 5                             |
| San Francisco | + 80                                | --                              |
| Richmond      | + 75                                | + 10                            |
| Kansas City   | + 40                                | + 5                             |
| Dallas        | + 30                                | - 5                             |
| Boston        | + 25                                | --                              |
| All other     | + 40                                | + 5                             |
| <b>Total</b>  | <b>+1,195</b>                       | <b>+ 55</b>                     |

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DST:FCOH



October 24, 1931

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 JUN 24 1953  
 244, 211

Demand for currency

Mr. Goldenweiser  
 Mr. Rhodes  
 Mr. Thompson

*Depression Stat.*

During the week ended October 14, demand for currency increased by \$50,000,000; whereas during the corresponding week of the three years 1927-1929 there was an average return flow of \$25,000,000. Excessive withdrawals for the week, therefore, are estimated at \$75,000,000 -- considerably less than the \$160,000,000 recorded during the week preceding the President's announcement, but substantially more than withdrawals for any week in September except that of September 23. Since mid-October of 1930 withdrawals of currency in excess of the three-year average currency movement for the corresponding period amounted to \$1,140,000,000 and were distributed among the Federal reserve districts as follows:

(Figures are to the nearest 5,000,000)

|               | October 1930 to<br>October 7, 1931 | Week ending<br>October 7, 1931 |
|---------------|------------------------------------|--------------------------------|
| New York      | + 310                              | + 20                           |
| Chicago       | + 290                              | + 5                            |
| Philadelphia  | + 135                              | + 15                           |
| Cleveland     | + 125                              | + 15                           |
| San Francisco | + 85                               | --                             |
| Richmond      | + 65                               | --                             |
| Kansas City   | + 35                               | --                             |
| Dallas        | + 35                               | --                             |
| Boston        | + 25                               | + 20                           |
| All other     | + 35                               | --                             |
| <b>Total</b>  | <b>+1,140</b>                      | <b>+ 75</b>                    |

Currency demand in all districts other than Boston, New York, Philadelphia, Cleveland, and Chicago, was of about usual seasonal proportions for the week. The increased demand for currency in the Boston district was a reflection of

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October 24, 1931

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Record for currency

OCT 24 1931

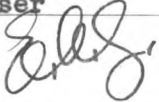
- 2 -

several bank failures in that district -- two of them involving banks with more than \$5,000,000 of deposits.

Preliminary estimates for the week of the 21st place excessive withdrawals of currency at \$60,000,000, bringing the total <sup>since</sup> for mid-October, 1931, to \$1,200,000,000.

DST:FCOH

Form No. 131

**Office Correspondence**FEDERAL RESERVE  
BOARDDate October 21, 1931To Governor MeyerSubject: Demand for CurrencyFrom Mr. Goldenweiser

2-8495

During the seven-day period following the President's announcement on October 7 there was some retardation in the outflow of currency from the reserve banks. The withdrawal during that period amounted to \$~~50~~<sup>7</sup>,000,000 as compared with weekly withdrawals ranging from \$80,000,000 to \$175,000,000 during the preceding three weeks.

Since October 14, money in circulation has increased \$75,000,000 to a figure of \$5,543,000,000 on Monday, October 19. This increase of \$75,000,000 compares with an estimated average Wednesday to Monday increase of \$40,000,000, and indicates that the abnormal demand for currency has not ceased.

The increase on Monday, October 19, amounted to \$15,000,000, whereas normally currency tends to return to the reserve banks on that day. The Federal Reserve Bank of Philadelphia alone paid out \$10,500,000 on that day; New York reported a return flow of currency amounting to about \$2,000,000.

October 14, 1931

Mr. Goldenweiser

Demand for

REC'D IN FILES SECTION  
currency

JUN 24 1953

244,211  
*Depression test.*

Mr. Rhodes and Mr. Thompson

During the week of October 7, demand for currency increased by \$185,000,000, exceeding the average increase for the corresponding week of the three years 1927-29 by \$160,000,000 or approximately the amount of the excessive withdrawals during the month of September. Since mid-October of 1930, withdrawals of currency in excess of the three-year average currency movement for the corresponding period amounted to \$1,065,000,000 and were distributed among Federal reserve districts as follows:

(Figures are to the nearest 5,000,000)

|               | October 1930 to<br>October 7, 1931 | Week ending<br>October 7, 1931 |
|---------------|------------------------------------|--------------------------------|
| New York      | + 290                              | + 30                           |
| Chicago       | + 285                              | + 30                           |
| Cleveland     | + 110                              | + 10                           |
| San Francisco | + 85                               | + 10                           |
| Philadelphia  | + 120                              | + 45                           |
| Richmond      | + 65                               | + 5                            |
| Kansas City   | + 35                               | --                             |
| Dallas        | + 35                               | + 20                           |
| All other     | + 40                               | + 10                           |
| <b>Total</b>  | <b>+1,065</b>                      | <b>+ 160</b>                   |

The recent greater-than-seasonal increase in demand for currency in the Dallas District was first evidenced during the week ending September 30, following the failure of several large banks, and as more banks suspended reached significant proportions during the week ending October 7. The withdrawals reflected in part larger holdings of vault cash by the banks.

DST:gow

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Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date October 12, 1931

To Governor Meyer *EM*

Subject: \_\_\_\_\_

From Mr. Goldenweiser *EGW*

**FILE**  
E. M.

FEDERAL RESERVE BOARD FILE  
*new*  
2-8495

You may be interested in the following table showing the amount of currency outstanding by Federal reserve districts in excess of the amount last year.

INCREASE IN MONEY IN CIRCULATION BY FEDERAL RESERVE DISTRICTS  
(In millions of dollars)  
September 30, 1931  
over October, 1930

|                     |              |
|---------------------|--------------|
| New York .....      | + 260        |
| Chicago .....       | + 255        |
| Cleveland .....     | + 100        |
| San Francisco ..... | + 80         |
| Philadelphia .....  | + 75         |
| Richmond .....      | + 60         |
| Kansas City .....   | + 35         |
| All other .....     | + 40         |
| <b>Total .....</b>  | <b>+ 905</b> |

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin
  - Mr. James
  - Mr. Magee
  - Mr. Miller
  - Mr. Pele
  - Mr. *Monroe CW*
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note-initial and return to GOVERNOR.



October 8, 1931

Dr. Goldenweiser  
 Mr. Rhodes  
 Mr. Thompson

Demand for currency  
 REC'D IN FILES SECTION  
 JUN 24 1953  
 244.211  
 Depreciation Stat

During the week ending September 30, demand for currency in the United States increased by \$80,000,000, exceeding by \$45,000,000 the average for the corresponding week of the three years 1927 - 1929. During September, excessive withdrawals amounted to \$160,000,000. Since mid-October of 1930, excessive withdrawals of currency have amounted to \$900,000,000, and were distributed among Federal Reserve Districts as follows:

EXCESSIVE WITHDRAWALS OF CURRENCY  
 (in millions of dollars)

|                     | October, 1930, to :<br>September 30, 1931 | Week ending<br>September 30, 1931 |
|---------------------|---|-----------------------------------|
| New York .....      | +260                                      | +15                               |
| Chicago .....       | +255                                      | +15                               |
| Cleveland .....     | +100                                      | +20                               |
| San Francisco ..... | + 80                                      | --                                |
| Philadelphia .....  | + 75                                      | + 5                               |
| Richmond .....      | + 60                                      | --                                |
| Kansas City .....   | + 35                                      | --                                |
| All other .....     | + 40                                      | -10                               |
| <b>Total .....</b>  | <b>+905</b>                               | <b>+45</b>                        |

These figures do not of course take into account expected changes in demand for currency resulting from reductions which have occurred in the volume of wage and payroll disbursements and in retail sales. Such changes during this period would probably have resulted in a reduction in demand for currency of about \$200,000,000. Excessive currency demand during the past eleven months, therefore, was probably in excess of \$1,000,000,000.

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 R + S  
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Form No. 131

# Office Correspondence

To Governor Meyer

From Miss Joy

*629  
A.J.*

For CIRCULATION

Mr. Hamilton

Mr. James

Mr. Magee

Mr. Miller

Mr. Pole

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

Please note initial

FEDERAL RESERVE BOARD FILE

Date September 29, 1931

Subject: Demand for Currency

*244.211*

2-8495

Currency has been withdrawn from the Reserve banks in large amounts in the past week, although ordinarily there is a seasonal decline during the latter part of September. On Friday, September 25, the circulation of \$5,207,000,000 was \$84,000,000 larger than a week earlier, and \$723,000,000 in excess of the same day last year.

The largest drain of currency was in New York where there were withdrawals of \$25,000,000 -- \$30,000,000 more than usual in the five days following the suspension of the Gold Standard Act by Great Britain. Ten million dollars in gold certificates was withdrawn by a member for the account of a Canadian correspondent. However, shipments to the Continent were very small, probably not over \$3,000,000, including \$2,000,000 sent to Poland, offset by the receipt of \$2,300,000 returning from Germany.

Demand for currency continued to increase in the Chicago, Philadelphia, Richmond, Cleveland, and San Francisco Federal Reserve Districts as a result of local banking disturbances. In the Philadelphia district withdrawals centered in Wilkes-Barre and Scranton; in the Cleveland district, in the Pittsburgh area. The Richmond Federal Reserve Bank furnished funds for a run on a large Baltimore Trust Company which, however, did not suspend operations. General uneasiness over the banking situation is reported in California, although comparatively few banks in the state have closed.

September 22, 1931

Governor Meyer

*Miss Jay*

REC'D IN FILES SECTION  
 Money in circulation  
 JUN 24 1953 *de*  
*244.211*  
*by permission Stat.*

Money in circulation on Wednesday, September 16, was \$5,087,000,000--  
\$629,000,000 more than a year ago at this time.

Hoarding appears to have increased somewhat since the first of September; certainly there is no evidence of a reduction in the country as a whole. The return of cash to the reserve banks following the Labor Day holiday has been \$20,000,000 to \$30,000,000 less than usual, indicating that larger amounts of cash are being held by banks or individuals. Our latest estimate of \$700,000,000 increase in private domestic hoarding since last October should probably be increased by several millions.

This expansion in circulation since the first part of September centered chiefly in the Chicago, Philadelphia, Richmond, Dallas, and San Francisco Federal reserve districts. Small bank failures continued in the Chicago district; there was one suspension in the city of Philadelphia; and large banks closed their doors in Frederick, Maryland, El Paso, Texas, and Ogden, Utah. The suspension yesterday by the Bank of Pittsburgh, N. A., which with its subsidiary has deposits exceeding \$50,000,000, will add to currency demand at the Cleveland Federal Reserve Bank.

Increased foreign shipments of American currency and hoarding of American money already in circulation in foreign countries is almost certain to result from the British suspension of the Gold Standard Act, and the consequent uneasiness throughout the Continent. In the month of August, the latest date for which figures were available, foreign shipments were smaller than in July, but exceeded those in August of recent years by over \$2,000,000, indicating a continued outward movement of American money.

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Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
 Date August 25, 1931  
 244

To Governor Meyer ✓

Subject: \_\_\_\_\_

From *E.F.* Mr. Parry *hEP*

GPO 2-8495

244,211

I transmit herewith a statement relating to American investments  
 abroad, which has been prepared recently, along lines that have, I be-  
 lieve, been discussed with you by Mr. Goldenweiser and Mr. Riefler.

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Executive Folder

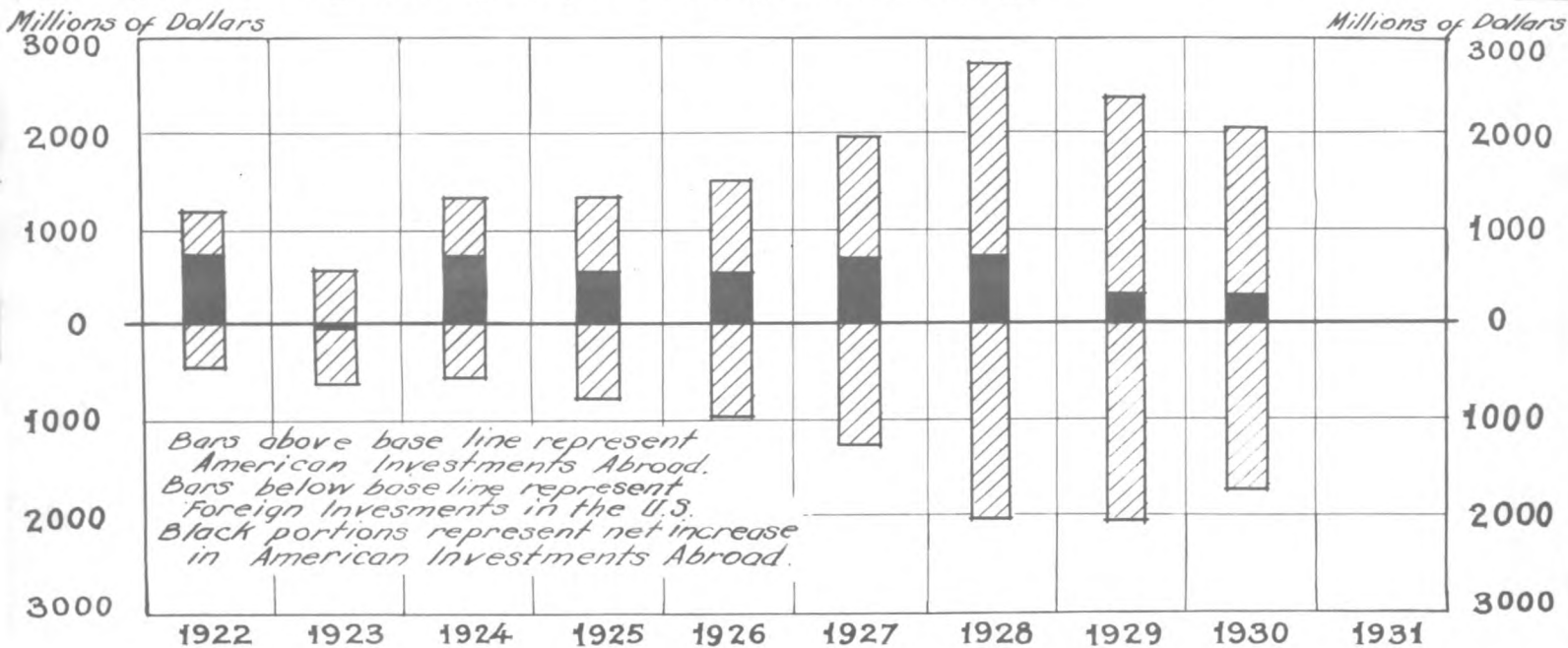
Date 8/28/31

AMERICAN INVESTMENTS ABROAD AND FLIGHT OF CAPITAL FROM EUROPE

American investors during the past nine years have placed large amounts of long-term funds abroad, but the movement of European capital to the United States has largely neutralized this outflow. Had foreign purchases of American securities since 1922 been smaller by about 20 per cent, the necessity of balancing accounts through shipments of gold, which aggregated \$1,000,000,000 during the period, would not have arisen.

Increased purchases of European government securities by American investors can do little to help in the reconstruction of Europe so long as the flow of private capital from Europe to the United States continues to increase in proportion to our investments abroad. Until there is a change in the fundamental conditions which have impaired the confidence of European investors in their own securities and increased the attractiveness to them of American securities, low money rates and a good bond market in this country cannot result in more than a temporary improvement in foreign credit conditions.

The chart below shows the movement of long-term capital to and from the United States since 1922. Movements of short-term capital, which have had little effect upon the situation over the period as a whole, are not included. The bars above the line on the chart show the volume of long-term funds which American investors have placed at the disposal of foreigners, while those below the line show the long-term funds which foreigners have sent to this country. The difference, representing net exports of long-term capital, is shown by the black areas.



About one-half billion dollars of foreign long-term capital came to this country in 1922 and again in 1923, when post-war currency inflation abroad was at its height and there was every incentive for capital to seek safer markets. During these years American long-term investments abroad were small, reflecting a general lack of confidence in foreign securities. Following the adoption of the Dawes plan in 1924 and the subsequent stabilization of foreign currencies, American investors regained confidence in the foreign situation, and foreign long-term loans were floated in this market in large volume. Only a small proportion of these increased investments, however, represented a net export of American long-term capital, since the greater portion was offset by increased foreign investments here. The movement of foreign capital to this market was not stopped or even slowed down by the moves toward stabilization of foreign currencies, which from 1924 to 1929 gave an impetus to American investment abroad. On the contrary, investment of foreign long-term funds in this market increased after 1924. In fact, the more we lent abroad the more capital was sent by foreigners to this country. Our purchases of foreign government and corporate securities, in effect, created the foreign exchange that facilitated the movement of capital of private individuals to America, so that the net amount remaining abroad to be used for reconstruction was relatively small.

For the nine years as a whole, our gross long-term investments abroad, exclusive of refunding and redemption operations, amounted to about 10 billion dollars, of which about half was returned through foreign long-term investments here. Could movements to European countries be given separately, the proportion of our investment funds that was returned would be shown to be even larger.

Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate June 16, 1931.To Gov. Meyer ✓

Subject: \_\_\_\_\_

From FLF244.211

2-8495

Miss Joy, of the Division of Research, telephoned in answer to your request for figures as to the hoarding of currency that they estimate that the amount hoarded at this time, both by individuals and held in bank vaults, is in the neighborhood of \$350,000,000 to \$370,000,000.

They estimate that, up to last Friday, the increase in the hoarded amount due to the Chicago bank failures was in the neighborhood of \$65,000,000 to \$75,000,000; and that since last April the Chicago situation has taken out of circulation something like \$150,000,000 to \$175,000,000

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE

Date April 6, 1931

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser

Deposits in savings banks

*Edg.*

*244*

2-8495

*244.211*

Supplementing my memorandum of April 2, I am attaching tabulations showing fluctuations in deposits of savings banks in Ohio and parts of Pennsylvania. These data together with those previously forwarded to you account for 82 per cent of the savings deposits of all mutual savings banks in the United States and 26 per cent of the estimated total of savings deposits of all banks in the United States on June 30, 1930.

The data of deposits of the four mutual savings banks in Philadelphia have not been collected regularly and figures for the current months of 1931 are therefore not available.

For CIRCULATION \_\_\_\_\_

Mr. Hamlin

Mr. James

Mr. \_\_\_\_\_

Mr. Miller

Mr. Pole

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

Mr. \_\_\_\_\_

Please not initial and return to GOVERNOR.

SAVINGS DEPOSITS AT 28 SELECTED SAVINGS BANKS  
IN OHIO AND WESTERN PENNSYLVANIA  
(First of month figures)  
In millions of dollars

|           | <u>1929</u> | <u>1930</u> | <u>1931</u> |
|-----------|-------------|-------------|-------------|
| January   | \$758       | \$751       | \$764       |
| February  | 761         | 751         | 765         |
| March     | 760         | 754         |             |
| April     | 758         | 755         |             |
| May       | 758         | 758         |             |
| June      | 768         | 762         |             |
| July      | 753         | 755         |             |
| August    | 757         | 756         |             |
| September | 758         | 750         |             |
| October   | 757         | 761         |             |
| November  | 752         | 767         |             |
| December  | 756         | 776         |             |

Source: - Federal Reserve Bank of Cleveland.

**DECLASSIFIED**  
 Authority NND 30026

**CONFIDENTIAL**

**DEPOSITS OF 4 MUTUAL SAVINGS BANKS  
 IN PHILADELPHIA**

| Year<br>and<br>Month | 1   | 2  | 3  | 4   | 5  |
|----------------------|---|--|--|---|--|
|                      | RECEIPTS  | PAYMENTS   | DEPOSITS   | DEPOSITORS                                  | DEPOSITS                                   |
|                      | Total Amount<br>Received Dur-<br>ing Month<br>(000 omitted) | Total Amount<br>Withdrawn Dur-<br>ing Month<br>(000 omitted) | Total Amount<br>of Deposits<br>End of Month<br>(000 omitted) | Total Number<br>of Accounts<br>End of Month | Average Amount<br>In Each Deposit<br>3 + 4 |
| <b>1929</b>          |   |  |  |   |  |
| January              | 9,783   | 8,537  | 365,817  | 521,602                                     | 701.33                                     |
| February             | 7,677   | 7,778  | 365,723  | 525,874                                     | 695.46                                     |
| March                | 9,001   | 9,482  | 365,252  | 527,905                                     | 691.89                                     |
| April                | 8,970   | 9,135  | 365,104  | 528,047                                     | 691.42                                     |
| May                  | 8,377   | 9,503  | 363,999  | 527,950                                     | 689.46                                     |
| June                 | 8,042   | 9,824  | 362,240  | 534,279                                     | 678.00                                     |
| July                 | 8,827   | 9,155  | 361,943  | 533,939                                     | 677.87                                     |
| August               | 7,399   | 7,638  | 361,734  | 533,937                                     | 677.48                                     |
| September            | 6,940   | 7,735  | 360,972  | 537,914                                     | 671.06                                     |
| October              | 8,019   | 10,775   | 358,263  | 546,829                                     | 655.16                                     |
| November             | 7,980   | 10,566   | 355,724  | 549,973                                     | 646.80                                     |
| December             | 11,181  | 8,346  | 358,606  | 552,049                                     | 649.59                                     |
| <b>1930</b>          |   |  |  |   |  |
| January              | 13,459  | 8,387  | 376,652  | 556,851                                     | 676.40                                     |
| February             | 9,888   | 7,514  | 379,033  | 561,470                                     | 675.07                                     |
| March                | 10,673  | 8,587  | 381,131  | 564,407                                     | 675.28                                     |
| April                | 9,391   | 8,802  | 381,736  | 564,282                                     | 676.50                                     |
| May                  | 9,118   | 9,092  | 381,783  | 564,346                                     | 676.51                                     |
| June                 | 9,411   | 10,172   | 381,049  | 563,619                                     | 676.08                                     |
| July                 | 9,338   | 8,175  | 382,242  | 563,212                                     | 678.68                                     |
| August               | 8,813   | 7,047  | 384,037  | 563,687                                     | 681.29                                     |
| September            | 8,715   | 7,500  | 385,287  | 566,452                                     | 680.18                                     |
| October              | 10,166  | 8,510  | 386,988  | 572,715                                     | 675.71                                     |
| November             | 9,228   | 7,672  | 388,587  | 574,589                                     | 676.29                                     |
| December             | 23,725  | 11,235   | 401,135  | 586,026                                     | 684.50                                     |

Source: - W. J. Carson, University of Pennsylvania.

**DECLASSIFIED**  
 Authority NND 30024

CONFIDENTIAL

TOTAL DEPOSITS AT 4 MUTUAL SAVINGS BANKS  
 IN PHILADELPHIA  
 (End of month figures)  
 In millions of dollars

|           | <u>1919</u> | <u>1920</u> | <u>1921</u> | <u>1922</u> | <u>1923</u> | <u>1924</u> | <u>1925</u> | <u>1926</u> | <u>1927</u> | <u>1928</u> | <u>1929</u> | <u>1930</u> | <u>1931</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| January   | 208         | 225         | 241         | 244         | 252         | 267         | 282         | 301         | 322         | 345         | 366         | 377         |             |
| February  | 212         | 226         | 242         | 244         | 253         | 268         | 283         | 301         | 323         | 346         | 366         | 379         |             |
| March     | 214         | 227         | 241         | 244         | 253         | 269         | 284         | 302         | 324         | 347         | 365         | 381         |             |
| April     | 213         | 226         | 240         | 243         | 254         | 268         | 284         | 302         | 324         | 348         | 365         | 382         |             |
| May       | 210         | 225         | 239         | 241         | 254         | 267         | 284         | 302         | 324         | 347         | 364         | 382         |             |
| June      | 208         | 225         | 238         | 240         | 254         | 267         | 284         | 302         | 324         | 346         | 362         | 381         |             |
| July      | 209         | 226         | 237         | 240         | 254         | 267         | 285         | 303         | 324         | 346         | 362         | 382         |             |
| August    | 210         | 227         | 236         | 239         | 254         | 267         | 285         | 304         | 324         | 346         | 362         | 384         |             |
| September | 210         | 227         | 235         | 238         | 254         | 267         | 285         | 304         | 324         | 350         | 361         | 385         |             |
| October   | 211         | 228         | 234         | 238         | 255         | 268         | 286         | 305         | 325         | 350         | 358         | 387         |             |
| November  | 212         | 228         | 234         | 237         | 255         | 268         | 287         | 305         | 327         | 350         | 356         | 389         |             |
| December  | 214         | 230         | 234         | 240         | 256         | 270         | 289         | 308         | 330         | 352         | 359         | 401         |             |

Source: - W. J. Carson, University of Pennsylvania.

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
Date March 3, 1931  
*244*

To Governor Meyer

Subject: \_\_\_\_\_

From Mr. Goldenweiser *Goldenweiser*

2-8495  
*244.211*

*Circulate*

I am sending you Mr. Garfield's report on the discussion of the business situation, in New York last Friday.

- For CIRCULATION: \_\_\_\_\_
- Mr. Hamlin
  - Mr. James
  - Mr. \_\_\_\_\_
  - Mr. Miller
  - Mr. Polo
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_
  - Mr. \_\_\_\_\_

Please note-Initial and return to GOVERNOR.




Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARD244.211  
Date March 3, 1931To Mr. Goldenweiser

Subject: \_\_\_\_\_

From Mr. Garfield 

2-8495

A moderate degree of optimism with respect to the business situation in the near future prevailed at the meeting held at the Railroad Club, February 27, under the auspices of the American Telephone and Telegraph Company. This generally optimistic attitude was reflected in expressions of opinion as to the time when recovery would begin and in discussions of developments in particular industries.

Mr. Andrews reported that the A. T. & T. index of industrial activity, which had been 32.5 points below normal in December and 33.5 in January, would probably be minus 33.5 in February.

Mr. Tower, of the Bethlehem Steel Co., was moderately optimistic about the steel industry, pointing out greater than seasonal gains in January and February and forecasting a continuance of this move in March. He said that structural steel demand had been poorer than demand for other types in January and February, but expressed the opinion that with a great deal of work on the drawing boards the demand for structural steel might pick up in March; the structural steel will be needed, he said, for bridges, subways, etc. and not for commercial or industrial building.

Mr. Hayford, of General Motors, spoke of a "terrific jump in sales" of automobiles--General Motors products--in the last ten days of January. Following this there was some letdown in early February, but the situation was better at the middle of February than early in January, taking seasonal considerations into account. He preferred to consider various makes separately and I gathered that while Buick and Pontiac sales had been holding well recently, Chevrolet, with an earlier introduction of models than usual, was

not faring quite so well. He reported an unusual increase in used car sales in January, but there seemed to be some question as to whether this was a sign of good or of bad times. Discussing the export situation, Mr. Hayford said stocks abroad were liquidated in 1930, sales abroad in 1931 are likely to be less than in 1930, and shipments abroad are likely to be about the same as in 1930.

Mr. Hettinger, from the Investment Research Corporation, talked about a study made recently in his office concerning the residential building situation; analyzing the rate of growth of cities in the decades from 1900 to 1930, and noting the increases in residential building, he came to the tentative conclusion that the amount of overbuilding in the 1920-1930 decade has not been as great as commonly supposed. He expressed the opinion that with continued depression on the farms, the movement of population to cities in the next decade would be considerable, resulting in a demand for more housing in cities. He thought that once recovery started in other lines, the volume of residential building would increase substantially.

There was very little comment about the recent <sup>favorable</sup> developments in the textile industries, although someone remarked that prospects in the woolen goods industry were better than for some time previous.

Discussion brought out the fact that construction outlays of the A. T. & T. in 1931 would be about 25 per cent less than in 1930, and that there would be somewhat larger reductions in similar outlays of other public utilities, such as light and power companies.

It was the consensus of opinion that a recovery of moderate proportions would start in March and that with irregular movements the upward trend would

continue until "normal" was reached in the third quarter of 1932. However, the majority were not able to see what lines of industry would lead the recovery.