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Chapter Author: Winfield W. Riefier, Chairman, David Friday, Walter Lichtenstein, J. H. Riddle

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*Composition and Behavior of Bank Deposits*

Among other major research projects that have engaged its attention, the Committee wishes to endorse especially a detailed analysis of the composition, flow and behavior of deposits in our banks. This study is essential to an understanding of financial developments in recent years and as background material for some of the most important work now going forward in monetary theory. The influence of excessive or deficient reserves on the willingness of banks to expand their loans and investments has been analyzed extensively and ample data are available to measure fluctuations in the total volume of deposits in response to the availability of reserves. During the recent financial cataclysm, however, changes in the total volume of deposits did not always correspond to the availability of reserves. Moreover, the most important factors in the general credit situation were not always those which had to do with the availability of reserves; they were rather those that made for changes in the composition and activity of deposits as between different classes of depositors. The monetary effects of the stock market collapse in 1929, for example, are not reflected in changes in reserves or in changes in total deposits, but rather are disclosed in the extent to which the repayment of brokers' loans resulted in a transfer of deposits from the balances of potential consumers, who were holding securities on margin, to those of business corporations, which had loaned surplus funds on the call market. To the extent to which this happened, the absence of change in the total volume of bank deposits during the autumn of 1929 concealed one of the important factors in the banking collapse, namely, that the purchasing power of consumers was being seriously depleted. During 1931 and