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Volume Title: Monetary Statistics of the United States: Estimates, Sources, Methods

Volume Author/Editor: Milton Friedman and Anna Jacobson Schwartz

Volume Publisher: NBER

Volume ISBN: 0-870-14210-0

Volume URL: <http://www.nber.org/books/frie70-1>

Publication Date: 1970

Chapter Title: Deposits with the Postal Savings System

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Chapter URL: <http://www.nber.org/chapters/c5296>

Chapter pages in book: (p. 562 - 563)

DEPOSITS WITH THE POSTAL SAVINGS SYSTEM

THE POSTAL SAVINGS SYSTEM was established by an Act of Congress in 1910 and went into operation January 3, 1911, with the opening of postal savings banks in each state. Depositors' balances including outstanding principal and unclaimed deposits, but excluding accrued interest outstanding and postal savings stamps (which were sold until September 1942), were compiled by us from the *Annual Report of Operations of the Postal Savings System* for monthly dates beginning January 1911. Beginning 1914, annual figures are available on depositors' balances in the Possessions. We obtained a monthly series by interpolating by Method L between the annual figures. We deducted the monthly series from the balances to the credit of all depositors of postal savings. The residual series, which was seasonally adjusted, January 1913–July 1930, therefore represents all postal savings deposits to the credit of depositors in the continental United States.

The government did not keep funds received on deposit on hand but transferred them back to the banks throughout the United States and the Possessions, or alternatively invested them in government securities. Up to 90 per cent of postal savings were redeposited in banks through 1932; thereafter the proportion redeposited dwindled, as the payment of the 2½ per cent interest required by the government became burdensome to the banks. We excluded amounts redeposited in banks from our figures of time deposits at all banks in the United States, and present total deposits with the Postal Savings System, including both amounts redeposited in banks and amounts not so redeposited, minus amounts deposited in the Possessions. Small differences between our series and

the published Federal Reserve postal savings series—end of the month, 1943–46, last Wednesday of month thereafter—are attributable to Federal Reserve exclusion of amounts redeposited in banks outside the continental United States rather than amounts to the credit of depositors there.¹ Beginning November 1955, we show Federal Reserve figures in Table 1. The Postal Savings System was discontinued on April 27, 1966, by the Act of March 28, 1966. Entries for Postal Savings System deposits were given in the *Federal Reserve Bulletin* on a preliminary basis through September 27, 1967; entries on a revised basis were eliminated after June 30, 1967.

¹ See Chapter 15, footnote 4, for sources of the Federal Reserve postal savings series.