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WHO INFLATED THE CURRENCY?

George E. Roberts Gives Common Sense Explanation for Currency Increase and Decrease.

GOVERNMENT TOOK NO PART

Due to Changes in Supply, Demand and Prices of Commodities Caused by War—Federal Reserve Not to Blame.

The mistaken notion that the currency is inflated and deflated by the government in the United States from motives beyond the understanding of average people is effectually set at rest by George E. Roberts, noted banker and exponent of sound money, in an article in the Journal of the American Bankers Association.

"There has been inflation by the governments of Germany and other European countries, which have issued money for the purpose of paying their expenses," Mr. Roberts says. "The United States Government has done nothing of this kind since the Civil War.

"There is a genuine need for elasticity in the volume of currency, and for machinery to adjust it to the legitimate needs of the country. The means provided are the Federal Reserve Banks, authorized to issue currency to their member banks, either in payment of deposits or for loans.

Side-Tracked Like Freight Cars
 "More currency is needed in September, October, November and December than in January and February. As business slackens, currency naturally retires from circulation. Money accumulates in the member banks and they send it in to the Reserve banks, which in effect retires it, as freight cars are retired when traffic falls off.

"What caused the great inflation of credit and currency? It was due primarily to the war, which made extraordinary demands upon the industries and caused a great rise of wages and prices. It was inevitable that more credit and money would be called for to carry on business.

"The boom year of business that followed the armistice was likewise abnormal. The end of the war released a great many demands that had been held in check. The foreign demands upon us at first increased. There was a temporary stimulus, but the volume of business was abnormal and could not be sustained. Agricultural production in Europe revived, the prices of agricultural products moved back toward normal, importations from the United States fell off, prices declined, "deflation" began.

"Some say 'inflation should not be permitted,' but if war occurs inflation is unavoidable. Recruiting armies makes a labor scarcity. Contractors bid above going wages to attract men. The war industries did the same and the peace industries raised wages to hold their men. Governments of Europe sent representatives to this country to buy food and they bid up prices on the grain exchanges. Higher levels of wages and prices meant that more credit and money was required to handle business.

More Business, More Money
 "The increased issues of currency was a result of allowing business to go ahead, upon the rising level of wages and prices. When a factory pay-roll doubled, twice as much currency had to be furnished for it. When cotton rose from 10 cents a pound to 30 and 40, more currency was required to handle the crop, and so all around the circle.

"Deflation did not come by an act of the government or the Federal Reserve authorities in suddenly withdrawing money from circulation. Deflation came naturally when business fell off and prices declined. Just as an increasing volume of business at higher prices called more currency into use, so a decreasing volume of business at lower prices released currency from use and caused it to return to the Reserve banks.

"There has been absolutely nothing new or strange in these price movements related to the war. Inflation and deflation have been just as always when wars have occurred. The only new factor has been the population. That is always being renewed, and most people do not learn by the experience of others. When hard times come it is always the thing to lay the blame on somebody, and this time the Federal Reserve System has taken most of it."

AMERICAN SAVINGS INCREASE

New York.—Continued increase in the savings of the American people is indicated by the latest national compilation just completed by the Savings Bank Division of the American Bankers Association. Savings deposits in banks and trust companies of the United States were reported at \$17,300,000,000, June 30, 1922, the last available nationwide figures, as compared with \$16,620,000,000, June 30, 1921. This is an increase of \$680,000,000 or 4.1 per cent.

The number of savings depositors, as indicated by the number of accounts, shows an increase of 4.9 per cent, with the states reporting for the first time in 1922 excluded. The third annual report of the Savings Bank Division on school savings banking also shows increased American thrift, 1,271,029 pupils having savings accounts during the school year of 1921-1922 as against 802,906.

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