ward over such periods that true trends are discernible so far as the general level is influenced by the volume of credit.

Experience

Studies which have been made by statisticians and economists suggest that the average growth in the physical volume of business in the United States is about 4%, and that since 1921 a tendency of bank credit to grow at a higher rate than 4½% a year has led to conditions recognized by the federal reserve system as requiring it to apply restraints, whereas growth in bank credit at a rate less than 4½% has brought about a situation in which the federal reserve system has seen reason to make credit easier. Discussions of these studies appear in the proceedings of the American Economic Association at its meeting of 1928. Those who argue that the federal reserve system should have an express duty with respect to the general price level see in the facts corresponding changes in the price level.

Proposals for Legislation

At one of the legislative stages the bill which became the Federal Reserve Act provided that rediscount rates should be made, not only "to accommodate commerce and business," the existing language, but also to "promote a stable price level." As the bill became law, however, the latter phrase was omitted. Over a period of years bills have been introduced in Congress the effect of which would be to place in the law this omitted phrase.

Strong Bill

In 1926 and in 1928 hearings were held upon bills of this kind, in each instance the bill being known by the name of its author, Congressman Strong. The principal provision in the bill which was introduced in March, 1928, read as follows:

"The federal reserve system shall use all the powers and authority now or hereafter possessed by it to maintain a stable gold standard; to promote the stability of commerce, industry, agriculture, and employment; and a more stable purchasing power of the dollar, so far as such purposes may be accomplished by monetary and credit policy. Relations and transactions with foreign banks shall not be inconsistent with the purposes expressed in this amendment."

Stable Money Association

In favor of the principle of such legislation there is support of a kind which cannot be ignored. For example, the executive officer of the Stable Money Association, testifying in 1926 at elaborate hearings held by the House Committee on Banking and Currency, said: "We are hoping to see the activities of the Reserve Board in the direction of preventing inflation and deflation extended, refined, perfected, legalized and made mandatory on future boards, and made to operate ministerially and not left to discretion."

This organization has a membership which includes distinguished names in banking, business, and economics. It does not concern itself with methods but emphasizes the importance of a stable general price level. A statement in its bulletin was:

"There is probably no defect in the world's economic organization more serious than the fact that our most common unit of value is a fixed weight of one commodity having a varying value. The resultant monetary instability brings in its train many serious economic and social results. The changing purchasing power of the dollar robs one class of persons to the extent of billions of dollars within a few years only to give

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