reserve system was responsible for such an excessive increase in credit in 1927. According to one economist whose paper appears in the proceedings of the American Economic Association for 1928, the "reserve banks in the summer of 1927 undertook to aid European and American trade and agriculture by lowering their discount rates in the face of a member bank credit expansion exceeding 4½% per annum and before the gold inflow had changed to an outflow. After this easing measure, three successive rate increases had to be enacted before the rate of member bank credit expansion declined in the late summer to less than 4½%. * * * The securities market was now in a mood to fight for its credit by paying higher rates."

Even if there were not an element of injustice in the reserve system, which intentionally or unintentionally had given rise to a use of credit in securities markets, altering its position to an attitude of hostility and discrimination, there would remain the question of the possibilities of success in any attempts at discrimination in the uses of such a fluid thing as credit. Though the person who obtains bank credit may use it for an approved purpose, its very use involves its being passed to another person who is necessarily free to apply it to any purpose he may see fit.

Machinery of Market

References to speculation generally relate to buying and selling on the stock market, and this is particularly true just now by reason of recent events. It is to be remembered, however, that banking operations in connection with stock market transactions are carried on with such efficiency that there is not the effect upon the credit situation that would accompany a similar volume of transactions in some other direction. A study which was made in 1926, when brokers' demand loans in New York were under $2,500,000,000, resulted in a conclusion that brokers' loans might rise to six billion or even more without a serious effect upon money rates in New York and without more than a slight effect upon the lending capacity of the American banking system as a whole. This statement was based upon the efficiency which has been built up to handle transactions in securities. The author of this study, of course, was speaking only of the effects upon the credit available for other fields; he remarked upon the dangers from such a situation if for any reason any considerable portion of such demand loans had to be liquidated at any particular time.

Brokers' Loans

In August, 1929, brokers' demand loans in New York in fact exceeded six billion. They reached their high point, of $6,804,000,000, on October 2, fluctuated for several weeks, and then dropped by large amounts, on December 24, 1929, standing at $2,886,000,000 as against $4,538,000,000 on December 26, 1928. The weekly averages for months of 1929 to October and the weekly figures to December 24 were:

January	$5,408,000,000	October 16	$6,801,000,000
February	5,555,000,000	October 23	6,634,000,000
March	5,679,000,000	October 30	5,538,000,000
April	5,477,000,000	November 6	4,882,000,000
May	5,491,000,000	November 13	4,172,000,000
June	5,383,000,000	November 20	3,587,000,000
July	5,841,000,000	November 27	3,450,000,000
August	6,069,000,000	December 4	2,945,000,000
September	6,540,000,000	December 11	2,991,000,000
October 2	6,804,000,000	December 18	2,943,000,000
October 9	6,713,000,000	December 24	2,886,000,000

Out-of-Town Banks

It is possible to point out that the figures for brokers' loans are not so accurate as they might be, to reflect the call loans made to brokers in connection with their transactions for their customers, but expressly include loans made to dealers on securities they hold in the course of marketing new issues, and to remark upon defects in the figures from several other points of view, but whatever the defects of the figures for

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