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MEMBER BANK RESERVE REQUIREMENTS -- ANALYSIS OF COMMITTEE PROPOSAL*

Member bank reserves are the medium through which Federal Reserve monetary and credit policies operate and consequently reserve requirements for member banks are the most important part of the mechanism of monetary regulation. At present these requirements vary according to classes of banks and types of deposits, but the bases of classification have been arbitrary. As a result reserve requirements have not been altogether equitable as among individual member banks, nor have they operated entirely satisfactorily as an instrument of Federal Reserve policy.

The System has for a long time recognized the importance of making reserve requirements more equitable and also more flexible as an instrument of policy. The only flexibility provided for in the Act until 1933 was the power of the Board to change the reserve classifications of cities and of banks in the outlying sections of cities. Some studies were made of the problem in the 1920's and in 1929 a Federal Reserve System Committee was appointed to study the question of reserves. In 1931 this Committee recommended a radical change in the method of computing reserve requirements, the most important features of which were (1) inclusion of vault cash in reserves; (2) uniform percentage requirements against the volume of deposits of both types and in all classes of cities; and (3) requirements against debits to deposits. This memorandum is primarily concerned with a discussion of that proposal.

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* Memorandum prepared by Woodlief Thomas on the basis of material from studies made by L. M. Piser.

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Since the proposal was made, however, there have been several important developments which make desirable a reconsideration of its recommendations. In the first place there has been a radical change in the reserve position of banks, owing to the substantial increase in the volume of reserves, and there has also occurred a decline in the activity of deposits. The power to change reserve requirements, given the Board by legislation in 1933 and revised in 1935, was the first provision for general flexibility in these requirements, but this power has been fully utilized in eliminating some of the expansion in excess reserves. Operation of the Committee proposal would not have obviated the necessity for this increase in reserve percentages.

Provisions in the Banking Act of 1935 regarding reserves against United States Government deposits and regarding deductions from deposits corrected some inequitable features in the system of requirements. There remain, however, wide differences in requirements as between banks, which have little relation to differences in potentialities of credit expansion. These differences are due to the more or less arbitrary variations in requirements on the different classes of banks and types of deposits and to the exclusion of vault cash from reserves. They result in discrimination among individual banks and also provide loopholes for lessening the effect of Federal Reserve policy actions. An analysis of the operation of the Committee proposal for a selected list of banks over a period of years indicates that it would have corrected some of the deficiencies of the existing system of reserves but would have introduced some new difficulties and inequities.

The problem of the ability of the Reserve banks to absorb sufficient reserves of member banks to control credit expansion in case a powerful speculative boom should develop makes a reconsideration of the entire system of reserve requirements particularly appropriate.

Reserve requirements against turnover of deposits, recommended by the Committee, would help to accomplish this purpose so far as the expansion was based upon increased activity of deposits rather than upon a growth in the supply of reserves. In considering changes in reserve requirements that may be desirable for purposes of credit control, attention must be paid to established customs and to avoiding sudden drastic changes in existing practices. Any system of requirements should also be simple to administer and at the same time difficult to avoid.

Purposes of reserve requirements

Purposes of reserve requirements under the Federal Reserve System were lucidly stated by the Committee on Bank Reserve as follows:

> "The committee takes the position that it is no longer the primary function of legal reserve requirements to assure or preserve the liquidity of the individual member bank. The maintenance of liquidity is necessarily the responsibility of bank management and is achieved by the individual bank when an adequate proportion of its portfolio consists of assets that can be readily converted into cash. Since the establishment of the Federal Reserve System, the liquidity of an individual bank is more adequately safeguarded by the presence of the Federal Reserve banks, which were organized for the purpose, among others, of increasing the liquidity of member banks by providing for the rediscount of their eligible paper, than by the possession of legal reserves. The two main functions of legal requirements for member bank reserves under our present banking structure are, first, to operate in the direction of sound credit conditions by exerting an influence on changes in the volume of bank credit, and, secondly, to provide the Federal Reserve banks with sufficient resources to enable them to pursue an effective banking and credit policy. Since the volume of

member bank credit needed to meet the legitimate needs of trade and industry depends on the rate at which credit is being used as well as on its aggregate amount, it is essential for the exercise of a sound control that legal requirements differentiate in operation between highly active deposits and deposits of a less active character. Requirements for reserves should also be equitable in their incidence, simple in administration, and, so far as possible, not susceptible of abuse."

The defects of the existing system of reserve requirements were described by the Committee as follows:

"...experience shows that since 1914 and especially since 1922 the proportion of primary reserves held by member banks has steadily declined in relation to the volume of member bank deposits and to their activity.

"This outcome has been the result of defects in the definition of reserves, in the method of determining liabilities against which reserves must be carried, and in the classification of banks and of deposits for reserve purposes. The exclusion of vault cash from required reserves of member banks in 1917 has been followed by a reduction in the vault cash holdings of some city banks to a minimum; the rule that amounts due from banks may be deducted only from amounts due to banks has tended to decrease reserves in times of business activity and to increase reserves in times of depression, and the establishment of a low reserve against time deposits in 1914 has facilitated the growth of bank credit without a corresponding growth in reserves. Even if these particular defects in the present system of reserves had not existed, however, the rapid increase in the turnover of demand deposits which has occurred in recent years would still have tended to prevent reserve requirements from increasing in proportion to the growth in the effective use of credit by the customers of member banks."

Recommendations of the Committee

The Committee on Bank Reserves, after a thorough effort "to frame provisions designed to correct the existing situation through modifications in the classification of cities for reserve purposes and in the classification of deposits subject to reserve" came to the conclusion that the various provisions studied "would not be effective and that an entirely new approach to the reserve problem was necessary."

The principal elements of the new basis of calculating required reserves proposed by the Committee were as follows:

> "... to abolish completely the classification of deposits into time and demand deposits, and the classification of member banks according to their location, into central reserve city banks, reserve city banks, and country banks. Instead, the committee recommends that all member banks and all deposits be treated alike for reserve purposes, and that the formula used in calculating reserve requirements take into account directly, instead of indirectly as in the existing law, the activity as well as the volume of the deposits held by each individual member bank, without regard to the location of the bank or the terms of withdrawal on which the deposits are technically held. To accomplish this, the committee proposes that each member bank be required to hold a reserve equivalent to (a) 5 per cent of its total net deposits, plus (b) 50 per cent of the average daily withdrawals actually made from all of its deposit accounts."
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> "... to include in legal reserves, in addition to the funds which member banks have on deposit with their Federal Reserve bank, their vault cash, with certain limitations, as both classes of funds contribute to the strength of the Reserve banks and have a direct effect on the Reserve System's control of changes in member bank credit."
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> "... to place country member banks on a parity with city banks with respect to deductions from deposit accounts by permitting banks in calculating net deposits subject to reserve to deduct balances due from member banks and items in process of collection from total deposits instead of from balances due to banks alone, as is the practice as present."
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> It was also a part of the Committee proposal that reserves be required against United States Government deposits, then exempt from requirements.

At that time the Committee felt that no change was necessary in the total existing amount of bank reserves, and the specific figures proposed were designed to maintain the total volume of required reserves essentially unchanged.

Aims of the Committee's proposal

The Committee's proposal that reserve requirements be based upon the turnover of deposits, as well as upon their volume, was designed to bring about an automatic increase in required reserves with an increase in the use of deposits. Thus in the event of an active speculative movement, which increased the turnover of deposits while the volume remained unchanged, there would be an automatic restriction on the increased use of credit.

Another important aim of the proposed change in reserve requirements was to provide a uniform method of computing reserves for all member banks that would do away with the arbitrary distinctions in the existing scheme which result in inequities among individual banks and also permit avoidance of the requirements.

Important developments since Committee report

Since the adoption of the report of the Committee on Bank Reserves, there have been a number of developments which make desirable a reappraisal of the reserve situation and a reconsideration of the recommendations of the Committee. The principal developments have been the following:

(1) A large inflow of gold and purchases of silver by the Treasury have

(a) tripled the amount of reserves held by member banks, and

(b) given the Treasury substantial inactive monetary reserves that are available for use at the will of the Government.

(2) Power given to the Board of Governors to increase or decrease reserve requirements of member banks within specified limits has increased flexibility of reserve requirements.

(3) New legislation has prohibited the payment of interest on demand deposits and provided for maximum limitations on rates paid on time deposits.

(4) More stringent regulations have been issued governing the definition of time deposits, with respect both to the payment of interest and to the calculation of required reserves.

(5) Reserve requirements against United States Government deposits have been established by legislation.

(6) Full deduction of balances due from banks and collection items in calculating net demand deposits subject to reserves has been permitted by legislation, thus resulting in a more equitable treatment of country banks and in reducing the effect on reserve requirements of interbank transactions.

(7) Member banks have become accustomed to holding excess reserves and have developed an increased reluctance to borrow. This may be temporary.

(8) The turnover of bank deposits declined in the depression years, and the low rate of turnover continued as recovery was financed by a growth in the volume of deposits.

(9) Prohibition of loans to security brokers by nonbanking lenders and margin requirements provide a direct means of limited speculative activity in the stock market, which was the important element in the increased turnover of deposits in 1928 and 1929.

Since 1934 an analysis has been made in the Division of Research and Statistics of the effect of the Committee proposal on the reserve requirements of a sample group of member banks in the period 1924 to 1934. This analysis provides a broader factual basis for appraising the proposal than was available to the Committee.

Power to change reserve requirements, which provided an element of flexibility not previously available, has been fully utilized by an increase in these requirements to the maximum permitted in order to absorb a part of the growth in monetary reserves. In view of the large volume of bank deposits now outstanding and the substantial amount of excess reserves remaining, as well as the inactive reserves of the Treasury, it is likely that in the long run reserve requirements will need to continue at least as high as they are now. It may be necessary ultimately to raise requirements further, even though there should be times when some reduction may seem desirable.

The stricter definition of time deposits and regulation of interest paid on such deposits may prove to be effective in limiting the transfer of deposits from one category to another in order to reduce required reserves, and thus make unnecessary the substantial increase in requirements against time deposits that would result from the Committee's plan. The placing of time deposits and demand deposits on the same basis, except so far as their velocities differ, is one of the controversial features of the plan, opposed by those who consider that monetary controls should be directed only at demand deposits and not at time deposits.

There will be no real test, however, of the effectiveness of these new regulations until banks are again under pressure to obtain reserves and find it profitable to encourage transfers of deposits from the demand to the time category. At present there is probably a large amount of demand deposits held idle awaiting investment that represent savings and might be changed to time deposits were it profitable for the banks.

Although in general there are broad, well-defined differences between demand and time deposits, there are many border-line cases, which could be shifted on the initiative of the banks so as to change by substantial amounts the volume of required reserves.

Imposition of reserve requirements against Government deposits and allowance for full deduction of amounts due from banks and in process of collection, provided for in the Banking Act of 1935, put into effect two important aspects of the Committee proposal. They had the joint effect of raising somewhat the requirements for city banks, which held relatively large Government deposits, and reducing them for country banks, which had substantial amounts of balances due from other banks not previously deductible because not offset by balances due to banks. The net effect was a reduction of about $35,000,000 in required reserves for all member banks under then-existing requirements. Under present requirements this amount would have, of course, been larger.

Member banks cannot be counted upon to continue their present desire or willingness to hold large amounts of idle funds, although in the immediate situation this practice has to be considered in determining policy. Under present conditions a decline in excess reserves at New York City banks to $100,000,000 or less seems to be as restrictive a factor in the money market as was an increase in their borrowings to over $100,-000,000 in the Twenties. When an active demand for bank credit develops, when business conditions are favorable, and when interest rates are high, this attitude of banks may be expected to change. The Federal Reserve authorities should at that time be in a position to impose the needed restrictions.

Nor can it be expected that the present low rate of turnover of bank deposits will continue, although restrictions on stock market speculation may prevent the reoccurrence of any such high rate of turnover as occurred in 1929. More active business at a time when the volume of deposits is not increasing will result in more rapid turnover of existing deposits, or expressed another way, more active investment of the available idle funds should give a stimulus to business and result in more rapid turnover of deposits. At such times any control over the situation that can be exercised by the Federal Reserve authorities will need to be effected through a contraction in the volume of reserves or an increase in requirements.

Objections to the Committee proposal

Criticisms of the Committee's proposal have been of two sorts: (1) relating to the general principles of the scheme and (2) relating to its practical operation. The critics appear to agree with the general aim of the plan, i.e. to provide for changes in reserve requirements commensurate with changes in both the amount and use of credit. They question, however, the validity of the basic principle that total debits against deposit accounts provide a significant standard for control of the business cycle. Such a large portion of debits reflect financial transactions, which may have little relation to the volume of business activity. To the extent that they reflect speculative activity in security markets, it is questioned whether such activity should be restricted by attempting to force general credit contraction rather than by some more direct method such as through margin requirements.

One critic held that activity of deposits is not a sound criterion for bank reserves, but that irregularity of deposits, liquidity of assets, and variations in customers borrowing demands are more significant. These criteria apply to safety principle of reserve requirements, which the Committee rejected as inapplicable under present conditions.

There has also been criticism of the higher reserve requirements against time deposits from those who believe that only demand deposits should be considered for the purpose of monetary control. The Committee felt that requirements against debits would automatically allow for the essential difference between demand deposits and time deposits, but at the same time remove the necessity for arbitrary differences in classification and the incentive for banks to classify deposits so as to reduce their reserve requirements.

Most of the criticisms have been concerned with the practical operation of the scheme and have been based on circumstances in which reserve requirements against debits would unduly increase required reserves for individual banks or groups of banks or for all banks at times when increases could not be justified on the basis of current monetary policy. These include variations caused by seasonal activity, by the large turnover found in the marketing of crops or in financial transactions, which represent ligitimate and customary shifts in funds and not excessive speculative activity, and by occasional large transactions of a nonspeculative nature.

Study of the proposal

For the purpose of appraising both the merits and demerits of the proposal, the Board's Division of Research and Statistics, with the use of data collected for the purpose by the Division of Bank Operations and by the Federal Reserve banks, has made a study of the operation of the proposal as it might have worked in the past. The study is based on the computation of required reserves for individual banks and groups of banks as they would have been had the proposal been in effect for the period 1924 to 1935, compared with required reserves as they actually were at the time. This comparison is necessarily based on the assumption that the different basis of computing reserve requirements would have had no effect on the amount and distribution of deposits and debits, as it cannot be known what that effect might have been. Explanation of this study, technical description of the methods of analysis employed, and detailed analysis of its results by Federal Reserve districts are available in other memoranda. This memorandum gives a discussion of its broad conclusions.

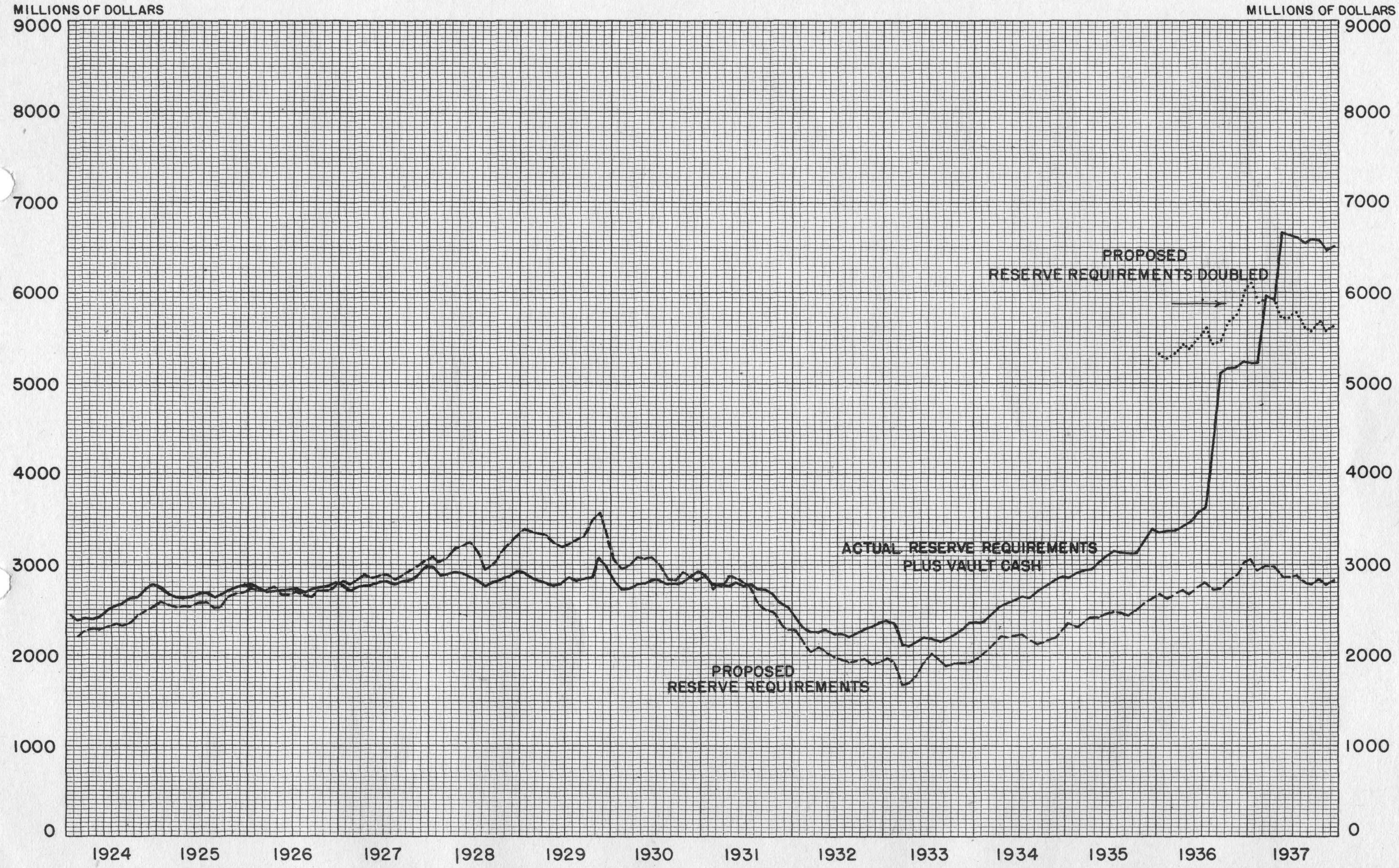
The most important result of the Committee proposal would have been to increase reserve requirements in the larger cities, particularly New York City, in 1928 and 1929 and to reduce them substantially in the depression years. For the period as a whole, as shown in Table I at the end of this memorandum, requirements would have been increased somewhat at banks in New York City and in marketing centers for agricultural staples and considerably at banks doing business with stockyards. At most other places requirements for the period as a whole would have been decreased somewhat. This was an unusual period with wide variations in activity of deposits. It would appear that in a comparatively normal period reserves would be larger under the Committee proposal than under the existing scheme at banks in financial centers, as well as at those mentioned above as showing larger requirements, while the general run of medium-sized city banks would show about the same requirements, and banks in agricultural producing sections would generally show smaller requirements, except for seasonal movements.

Cyclical variations in requirements.- Comparison of variations in reserve requirements for all member banks as they would have been under the Committee proposal and as they actually were, including vault cash,[1/] for the period from 1924 to 1937 is shown in the attached chart. In general proposed requirements increased substantially more than current requirements from 1924 to 1929 and decreased more rapidly from 1929 to 1933. It would appear that from 1933 to 1936, even after allowance for excess vault cash holdings, actual requirements increased more than would have the proposed requirements. This shows that the Committee proposal would not have obviated the necessity for increasing the reserve percentages so as to eliminate the large volume of excess reserves added in recent years.

The increase in proposed requirements from 1924 to 1929 and particularly from 1927 to 1929 would have resulted primarily from the extremely rapid increase in activity in the security markets in that period, and most of it would have occurred at New York City banks, the center of that speculative activity. This increase in proposed requirements reflects the fact that bank debits are considerably affected by financial activity because of the large amount of monetary transactions involved. As shown in Table II at the end of this memorandum, there would also have been somewhat larger increases in proposed than in actual requirements at some other large cities in the 1924-1929 period, but these increases would in practically no case have been substantial. At most other city banks and at country banks the changes in proposed requirements during the 1924-1929 period would not have differed substantially from changes in actual requirements.

1/ Vault cash is included in actual current requirements to make them comparable with proposed requirements, because under the proposal vault cash may count as reserves and it may be assumed that in general the cash actually held by banks was the amount that they needed to hold to meet the current demands of their customers. This is not a correct assumption for the period 1931-1936, when banks held larger amounts of vault cash than necessary. The surplus should be considered as a part of their excess reserves. In that period, therefore, the amount of current requirements shown on the chart is overstated by $100,000,000 or more.

MEMBER BANK RESERVE REQUIREMENTS



During the period of rapid decline both in deposits and in business activity from 1929 to 1932 the decrease in proposed, as in actual, requirements would have been widespread, but would have been largest at New York and Chicago banks. Substantial declines would also have occurred at banks in some of the other large cities, but at a large number of banks the declines in proposed requirements would have been little if any greater than those in actual requirements. These changes are shown in Table II.

The study seems to show, therefore, that in cities and banks with a considerable amount of financial activity, the Committee proposal would substantially increase reserve requirements at times of great increases in such activity and reduce them at times of diminished activity. For the general run of banks engaged in financing industry, commerce, and agriculture, however, even wide fluctuations in business conditions would not have had a substantially greater effect on reserve requirements under the Committee proposal than under the then-existing scheme.

Effect of inclusion of vault cash.- An important effect of the proposal would be to decrease existing differentials among banks outside Reserve bank and branch cities in the ratio of effective reserves, including vault cash, to total deposits. This is shown in Table III at the end of this memorandum. The inclusion of vault cash in reserves in the Committee proposal would make it possible for banks to carry smaller balances with the Reserve banks and would thus decrease differentials in reserves plus cash that arise from wide variations in the amount of vault cash needed. Since banks distant from Federal Reserve banks have to carry larger amounts of vault cash than those more accessible to Reserve banks, the ratio of reserves plus cash has generally been larger for the more distant than for the nearer banks of the same reserve class. This differential is in part compensated for by differences in reserve requirements, since in general reserve city banks, with larger reserve requirements, are more accessible to Federal Reserve banks and therefore carry relatively smaller amounts of vault cash than do country banks. But this is not altogether true, and the result has been that banks outside Reserve bank and branch cities frequently hold larger effective reserves, including vault cash, than do banks in or near those cities. Many country banks, therefore, hold larger effective reserves than banks in Reserve bank and branch cities.

There is also considerable variation in amounts of vault cash held among individual banks in these groups owing to differences in types of business or in individual habits, as well as in distance from Reserve banks. Table III indicates that for banks outside Reserve bank and branch cities variations in the ratio of effective reserve requirements, including vault cash, to vault cash are to some extent due to differences in vault cash holdings and that these variations would be smaller under the Committee proposal. For banks in Reserve bank and branch cities the variations in existing effective requirements are not so much due to differences in vault cash holdings and under the Committee proposal the variations in requirements would be equally as wide or wider, owing to differences in turnover of deposits.

Effect on seasonal and irregular variations in requirements. - At banks which regularly experience seasons of strain the effect of the Committee proposal would have varied considerably, increasing the strain in some instances and decreasing it in others. In most instances the differences between the two systems were not sufficiently large to be significant. In a few cases, particularly at banks in marketing centers for agricultural products, where there is a seasonal strain, owing to payments to growers for crops, either this strain would be increased materially by the proposed requirements or these banks would have more idle funds in periods of ease.

Large irregular changes in deposits, such as result from transfers of funds by State governments, affect requirements under both systems, but since large withdrawals substantially increase debits, requirements would be larger following the withdrawal under the proposal than under the existing system. At times of runs on banks, for example, the decrease in reserve requirements resulting from the decline in deposits would be partially offset by an increase resulting from the larger volume of debits. The effect of large withdrawals of deposits could be eliminated by having the requirements based upon credits to deposit accounts instead of upon debits. Thus larger reserves would be required of the banks receiving the deposits rather than of those losing them.

Other changes in reserve requirements. - In a variety of ways not connected with fluctuations in the business cycle or in speculative activity, the Committee proposal would have substantially changed reserve requirements for many banks and groups of banks. Some of the previously existing variations among groups of banks reflect differences in the amount of balances with correspondents not deductible before 1935 in computing reserve requirements. These variations would have been reduced by the aspects of the Committee proposal which has already been put into effect by the Banking Act of 1935. Differences in the relative amounts of demand and time deposits held would appear in some cases to result in increasing differentials in requirements among banks under the Committee plan.

Those banks which hold large amounts of time deposits and are more largely savings banks than commercial banks would have their requirements increased under the proposal. The increase in reserves required against time deposits, together with the small amount to be required against debits, would exceed the decline in reserves required against the small amount of demand deposits held.

Conclusions of study.- In summary it would appear that, although the Committee proposal would eliminate some of the inequalities in the present system of computing reserves, it would introduce some new inequalities. It would also bring a great many uncertainties into the problem of adjusting reserves. Analysis of debits indicates that they are much more largely influenced by financial transactions of various kinds than by those transactions that reflect the flow of goods and services through the channels of industry and commerce. They are affected by the repetitive turnover of goods and of funds, which is a characteristic of the manner of doing business rather than an indication of variations in speculative activity or of the use of credit to finance such activity. In some businesses daily debits may frequently be many times as large as the volume of deposits held at the end of the day. 1/

There would also be difficulties in the administration of such a scheme. A uniform definition of debits would not be entirely simple to attain, owing to the variety of accounting procedures used by banks. Banks, moreover, would find means of eliminating debits. Clearing arrangements could be established for particular types of transactions. As a result any set of ratios established at the beginning of the system would eventually prove to be too small, and either new legislation would be required or the Board would need to have power to change the ratios.

It seems probable that in the next few years there will be an increase in the turnover of deposits from the present low level and that this increase will be more rapid than any growth in the volume of deposits that may take place. Reserve requirements against debits would, therefore, automatically increase the amount of required reserves. Whether or not this would be desirable from the standpoint of monetary policy would depend on the credit situation at the time. In view of the large amount of existing and potential bank reserves in excess of present requirements, it is likely that an increase in requirements will be needed in the future.

In conclusion it would seem that, although the Committee proposal would accomplish many of the reforms needed in the system of reserves, it has serious difficulties of its own. If some such proposal is not adopted, however, some other scheme needs to be evolved to correct the defects in the present system of reserves and to provide the System with a more effective instrument of credit control.

1/ The Committee recognized this difficulty and provided for a maximum requirement of 50 percent against specifically designated deposits and a maximum total requirement of 15 percent against the gross deposits of any one bank, these provisions would complicate the administration of reserve requirements, and it does not appear that either of them would have materially reduced some of the important increases in requirements, such as a stockyard bank.

Table I.

Percentages of Proposed to Existing Requirements,
by Groups of Cities
(Averages for period 1925-1934)

	Percent		Percent
All member banks	102	Country banks	
New York City banks	105	Savings	119
Stockyard banks		In Federal Reserve bank and branch cities	95
		Industrial and commercial	94
Chicago	107	Lake ports	90
Reserve city banks	130	Lumber	86
Country banks	204	Dairying	91
		Wheat	88
Reserve city banks in Federal Reserve bank and branch cities		Fruit and vegetables	87
		Citrus fruit	81
		Cotton - Pine Bluff	107
Agricultural marketing	125	- Other	77
Industrial and commercial	101	Corn - Sioux Falls	100
Chicago	66	- Other	75
		Mixed farming	79
Reserve city banks outside Federal Reserve bank and branch cities		Tobacco	79
		Apples	76
		Livestock	74
		Sugar beets	70
Agricultural marketing	108	Anthracite	97
Industrial and commercial	92	Bituminous coal	78
Corn	84	Oil and gas	77
		Other mining	72

Table II.

Percentage Changes in Ratio of Requirements to Net Deposits
(Based on annual averages)

	1927-1929		1929-1932	
	Proposed requirements	Existing requirements excluding cash	Proposed requirements	Existing requirements excluding cash
New York City banks	+22	+1	-40	0
Chicago banks	+4	+4	-29	-8
Stockyard banks				
Chicago	-5	0	-25	-6
Reserve city banks	+9	0	-25	-8
Country banks	+6	-1	-22	-6
Reserve city banks in Federal Reserve bank and branch cities	+3	-3	-19	-4
Reserve city banks outside Federal Reserve bank and branch cities				
Industrial and commercial	+1	-3	-12	-6
Corn	+7	0	-3	-6
Country banks				
In Federal Reserve bank and branch cities	-1	-4	-6	-7
Industrial and commercial	+3	-2	-9	-3
Lake ports	+4	-3	-11	-2
Lumber	+1	-2	-8	-8
Agricultural producing	+1	-3	-6	-4
Mining	0	-5	-4	+3

Table III.

Ranges of Variations in Proposed and Existing Reserve Requirements Among Groups of Banks*

(Percent of proposed net deposits, averages for period 1925-1934)

	Existing require-ments	Existing requirements plus vault cash	Proposed require-ments
Reserve city banks in Federal Reserve bank and branch cities			
Industrial and commercial	6-8	7-11	7-10
Agricultural marketing	7-9	9-10	9-13
Reserve city banks outside Federal Reserve bank and branch cities			
Industrial and commercial	6-10	9-14	8-10
Country bank cities			
Industrial and commercial	4-7	6-11	6-9
Agricultural	4-9	6-12	6-9
Mining	4-8	6-15	5-9

* In the case of reserve city banks a group includes all reporting banks in a given city, whereas in the case of country banks a group includes all reporting banks in all places of a given economic classification in a Federal Reserve district.