# Increases in the Federal Reserve Discount Rate and Reserve Requirements Against Member Bank Demand Deposits

The following statement was released by the Board of Governors of the Federal Reserve System on April 3, 1969:

In a further move against inflation, the Board of Governors of the Federal Reserve System today:

(1) Increased reserve requirements against demand deposits at all member banks by ½ percentage point, effective in the reserve computation period beginning April 17 and applicable to average deposits in the period April 3-9, inclusive.

(2) Approved action by the directors of eleven Federal Reserve Banks increasing the discount rate at those Banks from 5½ to 6 percent, effective April 4. The discount rate is the interest rate charged member banks for borrowing from their District Federal Reserve Banks.

The increase in reserve requirements will mean that the nearly 6,000 national and state member banks must set aside as reserves an additional $650 million, approximately $375 million at reserve city banks—generally the larger banks in larger cities—and $275 million at other member banks, frequently referred to as "country banks".

The action will raise reserve requirements at reserve city banks from 16½ to 17 percent on net demand deposits under $5 million and from 17 to 17½ percent on deposits over $5 million. For all other member banks the increase will be from 12 to 12½ percent on deposits under $5 million and from 12½ to 13 percent on those over $5 million. Reserve requirements against time deposits remain unchanged.

The new top rate of 17½ percent on net demand deposits is the highest since 1960. The last previous change in reserve requirements took effect in January 1968, when they were raised ½ percentage point on all demand deposits over $5 million.

The new discount rate will be put into effect tomorrow by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. The 6 percent rate is the highest in forty years, although the rate has been as high as 7 percent in 1920-21.

The seven members of the Board were unanimous on the discount rate action, and all members of the Board voted in favor of the reserve requirement action except Governor Maisel, who stated: "I have no disagreement with the majority of the Board in either the ultimate goal being sought for the economy nor with the view that demand for output and services is continuing to rise at an inflationary pace. However, current money market relationships have, for the past five months, led to modest growth in most monetary aggregates, a sharp rise in interest rates, and a rapid reduction of bank liquidity. The existing relationships appear to me proper to sustain a long period of noninflationary growth of money and credit. I conclude that until evidence arises that the demand for funds is leading to an undesirable upward shift in the rate of monetary expansion, an increase in reserve requirements is not called for."