

FEDERAL RESERVE BOARD FILE  
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December 5, 1936.

Mr. Geo H. Hamilton, President  
Federal Reserve Bank of Kansas City  
Kansas City, Missouri

Dear Mr. Hamilton:

I wish to acknowledge receipt of your letter of November 24 expressing your views with reference to open market operations and member bank reserve requirements. It was good of you to take the trouble to communicate your comments to me, and I am very glad to have them.

Your letter and that from the country banker in your District, which you enclosed, raises the point that imported gold comes largely to city banks and that the resulting reserves do not reach the country banks. The fact is that, while gold imports have at first increased reserves of New York City banks, the reserves so acquired have been widely distributed to banks in other sections of the country through the flow of payments from one region to another. An important factor in this movement of funds to the interior has been the Government borrowing and spending program.

Our figures show that country banks now hold a higher percentage of total to required reserves than do city banks, and that New York banks hold less than banks in other cities. This is shown in the attached table giving the latest available complete figures. The total amount of excess reserves of country banks is almost as large as it was before the increase in requirements; the decrease in excess reserves was almost entirely at city banks.

In addition to their excess reserves country banks hold exceptionally large balances with their city correspondents, and these balances constitute additional reserve funds for the country banks. It may be said that for all practical purposes the excess reserves of many reserve city and central reserve city banks represent reserve funds of country banks, redeposited with city correspondents and subject to withdrawal on demand.

A more complete discussion of the origin and distribution of excess reserves is given in the 1935 Annual Report of the Board, pages 11 to 18, and a later discussion is published in the Federal Reserve Bulletin for May 1936, pages 312-314. Current information regarding the distribution of excess reserves by groups of banks is given each month in the Bulletin, see November issue page 890.

Very truly yours,

(signed) Marriner S. Eccles

Marriner S. Eccles,  
Chairman.

*Handwritten:* Filed 4/15/4

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RESERVE POSITION OF MEMBER BANKS

Averages of daily figures. Oct. 15-31, 1936

(In millions of dollars)

	Total reserves	Required reserves	Excess reserves	Percent of total to required
Central reserve city banks				
New York	2,622	1,937	685	135.4
Chicago	652	433	219	150.6
Reserve city banks	2,194	1,465	729	149.8
Country banks	1,229	729	500	168.6
All member banks	6,697	4,564	2,133	146.7