

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date February 1, 1939.To Chairman EcclesSubject: Factors in recent changes ofFrom Lauchlin Currie  
*LHC*Adjusted Demand Deposits

The following table shows factors in the decrease of adjusted demand deposits in insured banks during 1937, and factors in the increase of adjusted demand deposits in member banks during 1938.

Figures for all insured banks when available for the end of 1938 will probably show that adjusted demand deposits at that time were several hundred million dollars higher than at the end of 1936. Liquidation of U. S. Government obligations was the most important factor in the decline of deposits in 1937, accounting for \$1,075,000,000 of the \$1,551,000,000 decrease in demand deposits. Gold inflow and release of sterilized gold have been the most important factors in the restoration of deposits since the end of 1937, accounting for \$1,878,000,000 of the \$2,040,000,000 increase shown by member bank demand deposits up to the end of 1938. Bank holdings of U. S. Government obligations increased by \$842,000,000 in 1938, but the effect of this factor was largely offset by liquidation of bank loans.

FACTORS IN RECENT CHANGES OF ADJUSTED DEMAND DEPOSITS  
(millions of dollars)

	1937 Insured banks	1938 Member banks <sup>1/</sup>
Factors increases in which increase demand deposits:		
Monetary gold stock, adjusted for changes in Treasury holdings of sterilized gold and other cash and deposits	+361	+1,878
Selected member bank assets:		
Loans	+777	-753
U.S. Government obligations (direct & fully guaranteed)	-1,075	+842
Other securities	-751	+349
Factors increases in which decrease demand deposits:		
Currency in circulation, adjusted for cash holdings of banks and Treasury currency issues	+35	-151
Time deposits	+773	+10
Net due to domestic and foreign banks	-143	+435
Nonmember deposits in Reserve banks	+148	+34
Effect upon demand deposits of:		
Factors of increase	-688	+2,316
Factors of decrease	-813	-328
Miscellaneous minor factors	-50	+52
Demand deposits, adjusted	-1,551	+2,040

<sup>1/</sup> Partly estimated