

September 25, 1942

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

I. Public debt

(Billions of dollars)

Sept. 30, 1942.....	90
Dec. 31, 1942.....	105
Dec. 31, 1943.....	155
Dec. 31, 1944.....	205

*File
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II. Bank takings (including Federal Reserve)

	<u>A</u>	<u>Range</u>	<u>B</u>
Last quarter 1942	9		9
Year 1943	30		20
Year 1944	30		20

A. Assuming banks take 60 per cent
of increase in total debt.

B. Assuming banks take 40 per cent
of increase in total debt.

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III. Assume public debt indicated and currency growth of 4 billions a year, amount of additional reserve funds that banks will need in addition to present excess reserves (depending on range above):

	<u>Range</u>	
	<u>A</u>	<u>B</u>
Last quarter of 1942 ...	0.7	0.7
Year 1943	8.4	6.7
Year 1944	<u>8.4</u>	<u>6.7</u>
Total	17.5	14.1

If the demands were all met by open-market purchases - the portfolio would be at the end of 1943 between 11 and 13 billions and at the end of 1944 between 17 1/2 and 21 billions.

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IV. In absence of open-market operations this would require reduction of required reserves to an average of:

Per cent of member bank deposits
(adjusted demand plus time)

	<u>A</u>	<u>B</u>
December, 1942	16.7	16.7
December 1943	8	9
December 1944	2.5	3

(Existing requirements average about 20 per cent, minimum statutory requirements about 11 per cent)

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V. If currency drain is met by open-market operations (i.e. if total reserves are maintained at 12 billion dollars) required reserves would have to be reduced to an average of:

	<u>A</u>	<u>B</u>
December 1942	20	20
December 1943	15	16.7
December 1944	12	14

In addition the portfolio would be at the

end of 1942 - 5 billions

1943 - 9 billions

1944 - 13 billions