

# FEDERAL RESERVE BANK OF SAN FRANCISCO

June 29, 1949

OFFICE OF  
CHAIRMAN OF THE BOARD  
FEDERAL RESERVE AGENT

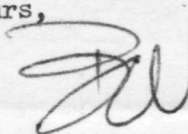
Dear Marriner:

At our directors' meeting yesterday I referred to a statement I recall you made to the effect that, in the early 40's (1940 or 1941), banks had substantial excess reserves, and that some bankers at that time had suggested the Board might well give consideration to increasing reserve requirements to syphon off some of the excess.

None of those present at our meeting had any recollection of such a situation, so I wonder if, at your convenience, you would let me know if I correctly recalled what you said, and, if so, whether you would give me a few more details respecting the situation as it existed then.

Thanks, and with warm regards,

Cordially yours,



Brayton Wilbur.

*Give me all the facts involved*

Mr. Marriner S. Eccles,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

July 6, 1949.

Mr. Brayton Wilbur, Chairman,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Brayton:

The situation at the end of 1940 to which you refer in your letter of June 29 is set forth in detail in the enclosed copy of the Federal Reserve Bulletin of January 1941. The very first thing is a copy of the Special Report to the Congress in which the Board, all Reserve Bank Presidents, and even the Advisory Council joined in recommending that Congress give the System authority to double the statutory reserve requirements and make them applicable to all commercial banks whether members of the System or not. In other words, even the Advisory Council recommended authority which, if used in the maximum, would have made reserve requirements on demand deposits 52%, 40%, and 28% respectively for Federal Reserve cities, reserve cities, and country banks. If you will note, the excess reserves amounted to seven billion dollars at the time.

There is a further discussion in the Review of the Month beginning on page 10 and then on page 12 there is a text of a talk I gave at about this time on the excess reserve picture, among other things.

I think this will give you all the acts involved. If not, please let me know.

Always with best regards,

Sincerely yours,

M. S. Eccles.

Enclosure.