

CONFIDENTIAL

July 26, 1944

To: Chairman Eccles

Bank holdings of Government

From: L. M. Piser

securities

Early this year, the Treasury estimated that commercial banks and the Federal Reserve Banks during the calendar year 1944 would increase their holdings of Government securities by 21.9 billion dollars. By the end of May, the increase amounted to 6 billion dollars. Between May 31 and July 19, weekly reporting member banks increased their holdings by 5.4 billion dollars. During the same period, Federal Reserve holdings increased by about 300 million dollars.

Making an allowance for nonreporting banks and extending the period to the end of July, it is estimated that the total increase for the banking system during June and July will be 8 billion dollars. The increase from the end of the year, therefore, is estimated at 14 billion dollars. During August, September, and October, it is estimated that holdings by the banking system will increase by 2 billion dollars, as nonbank investors reduce their holdings in preparation for the next drive.

During November and December, the increase by the banking system is estimated at 5 billion dollars on the assumption that the offerings included in the drive will follow the pattern of the fourth rather than of the fifth drive. The total increase for the year, therefore, is now estimated at 21 billion dollars, compared with the original Treasury estimate of 22 billion. Since the increase in the debt is now estimated at 62 instead of 60 billion dollars, it appears that nonbank investors will increase their holdings by 41 instead of 38 billion.

