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STATEMENT

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of the

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I am delighted to respond to the invitation to present my views on S. 1201. I will restrict my comments to Section 4 of the bill, which would give to the Board of Governors of the Federal Reserve System authority to establish supplemental reserve requirements against assets for Federal Reserve member banks -- in addition to the reserves they are now required to keep against deposit liabilities.

I welcome this hearing as an important step in the evolution of reserve requirements as a tool of monetary policy. Supplemental reserve requirements on assets could prove highly beneficial in avoiding unwanted and disproportionate effects of monetary restraint in particular sectors of the economy. These hearings focus public attention on the proposal and serve to stimulate examination and refinements. Hopefully, the result will be its adoption in some form in the near future. However, I think the preferable course of action is not to adopt Section 4 at this juncture. I can see a number of questions which should be resolved before the proposal is put into effect. I also have several specific reservations about some aspects of the present draft:

- In its present form, the bill would apply only to Federal Reserve member banks. I believe all insured commercial banks should be covered.
- The bill is overly specific with respect to the types of credit flows which should be facilitated. With less detail, the broad objectives of the proposed legislation could still be achieved.

Before proceeding with the rest of this testimony, let me express my appreciation to the Chairman of this Subcommittee for taking

note of the fact, when he introduced this bill, that I suggested on April 1, 1970, variable reserve requirements on bank assets should be explored. I am flattered that only a year later the idea is being given a hearing before this Committee of Congress.

In the rest of this statement, I will try to accomplish the following tasks:

- Provide information on the changing sources and uses of funds raised in capital markets in recent years partly in response to the changing posture of monetary policy.
- Show that a significant part of the sharp changes in the availability of commercial bank credit in recent years can be traced to the behavior of roughly 20 multi-national banks (which are an integral part of the Euro-dollar market) and about 60 larger banks which are dominant in their regions.
- Demonstrate the strong tendency for commercial banks to prefer loans to business firms over loans to other sectors of the economy -- with the preference for business loans rising progressively as the size of banks increases.
- Show that medium-sized national banks make relatively greater use of their legal real estate lending limit, compared to both the smallest and largest institutions.
- Show that insured nonmember banks are accounting for an increasing share of the fluctuations in bank credit and the money supply -- and consequently are further complicating the task of monetary management.

- Show that the Federal Reserve has already made considerable use of differential requirements to soften the effects of policy measures or to encourage banks to modify their borrowing and lending behavior to conform more to the objectives of monetary policy.
- Show that variable reserve requirements on bank assets need not place the Federal Reserve in the midst of private decision making and can encourage market forces to dampen undesirable effects of monetary restraint.

I believe that this analysis demonstrates the need to broaden the instruments of public policy available to cushion the impact of monetary restraint on particular sectors of the economy. Supplemental reserve requirements on assets may well provide an answer to this problem if they are extended (along with the privilege of borrowing from the Federal Reserve Banks) to insured nonmember banks as well as members.

#### Monetary Policy and Credit Flows in Recent Years

The differential impact of monetary policy on particular types of credit flows can be seen clearly in the record for the last few years. It will be recalled that, as a by-product of the policy of severe monetary restraint followed in 1969, a striking change occurred in the pattern of credit flows compared with that for the previous year. In

1970, to a considerable extent, such credit flows returned to more traditional channels. Of course, the policy of monetary restraint in 1969 itself was an integral part of the national campaign to check inflation. In the same vein, the policy of moderate easing in credit conditions was part of our national effort to cushion the slowdown in the economy and thereby prevent a large decline in production and an unacceptable rise in unemployment. Thus, in both 1969 and 1970, the pattern of credit flows was a by-product of concerted efforts to attain the nation's economic objectives.

To provide perspective on these changing credit flows, statistics are presented in Table 1 (attached) showing the amount and sources of funds raised in capital markets, by major economic sectors, in 1968, 1969 and 1970. Several highlights should be mentioned. The first thing to note is that a decline in the borrowing activity of the Federal Government was the cause of the reduction in total credit flows in 1969. In both 1968 and 1970, net Federal borrowing accounted for about one-seventh of total funds raised by nonfinancial sectors, and a small net repayment occurred in 1969.

For all other nonfinancial sectors, the volume of funds in 1969 expanded substantially from the level in the previous year, despite conditions of severe monetary restraint. Among principal borrowers, business firms (particularly corporate borrowers) recorded the most

striking gains in both absolute and relative terms. Their heavy borrowing was undertaken partly to finance a sizable expansion in current output and partly to finance a strong investment boom.

In contrast, in 1969, the volume of funds raised by State and local governments shrank somewhat, and net borrowing by households rose slightly. In 1970, total funds obtained by nonfinancial sectors (other than the Federal Government) declined to roughly the same level registered in 1968. But among these sectors, only State and local governments and agricultural businesses increased the volume of funds raised. The gain for State and local units was especially marked; in fact, last year they registered considerable progress toward making up the short-fall in borrowing which occurred during the period of credit stringency in 1969. The largest drop in the amount of funds raised last year occurred among households. A substantial part of the reduced borrowing by households in 1970 centered in home mortgages and consumer credit - both of which in turn reflected the lower rate of spending on home construction and consumer durable goods. Finally, with the moderation of economic activity in 1970 - particularly with the passing of the investment boom which had been so evident in 1969 - net corporate borrowing declined slightly. It will be recalled that the strength of business expenditures for plant and equipment in 1969 and the rapid expansion of commercial bank loans to business to help finance such outlays were of major concern to the Federal Reserve in that year.

The significant changes in the sources of funds supplied to capital markets in the last few years can also be traced in Table 1. In 1969, there was a sharp swing away from financial institutions and toward households and nonfinancial businesses as sources of funds. The reverse was true last year, and the more traditional pattern in the supply of funds was substantially restored. The greatest fluctuations occurred at commercial banks, but changes at other financial institutions (especially at savings and loan associations) were also noticeable. In 1969, commercial banks, which bore the brunt of monetary restraint, lost a sizable amount of time deposits, and their lending ability was severely restrained. Last year, reflecting the greater availability of bank reserves, the relative role of commercial banks in supplying funds returned to what it had been in 1968. Also in 1970, the relative position of savings and loan associations was substantially restored - a reflection of the greatly enhanced flow of savings to them (as well as to mutual savings banks and other financial intermediaries).

Of course, the most graphic picture of the impact of monetary policy on credit flows can be seen in the behavior of commercial banks. The figures in Table 2 can be used for this purpose. In 1969, commercial banks' liabilities (the key to their lending ability) rose by only two fifths as much as in the preceding year. As already mentioned, the primary reason was a noticeable loss of time deposits - especially negotiable certificates of deposits in denominations of \$100,000 and over (CD's). The latter experience, in turn, was due to the decision

of supervisory authorities to hold the maximum rates of interest which could be paid on time deposits below sharply rising market yields. In 1970 (and particularly after mid-year when the ceilings were suspended with respect to CD's with maturities of less than 90 days), interest rates offered by the banks were again competitive with market yields - which were declining sharply - and the banks gained funds.

The figures in Table 2 also show the sharp changes in uses of commercial bank funds in recent years. In 1969, total bank credit expanded by less than half the amount recorded the previous year. However, the rise in bank loans in 1969 was about as large as that recorded the year before. To meet this private demand for credit, the banks liquidated a sizable amount of U.S. Government securities and switched the funds into loans. In 1970, the growth in bank credit was nearly double that recorded in the preceding year. But the overwhelming proportion of the banks' funds went into investments, and only a modest growth occurred in bank loans. Finally, in 1969, commercial banks pulled in a record amount of Euro-dollars through their foreign branches in an effort to offset the loss of domestic time deposits. Last year, they employed a substantial portion of their enlarged resources to repay liabilities to their foreign branches.

#### Banking Structure and the Behavior of Bank Credit Flows

About a year ago, I devised a framework of analysis which allows one to study the lending behavior of commercial banks



according to the character of their business.<sup>(1)</sup> The framework was constructed by recasting data for selected groups of large banks which report to the Federal Reserve on a weekly basis.

Given the purpose of these hearings, it might be helpful to summarize here developments at these groups of banks during the last few years. The results of the regrouping are shown in Tables 3 and 4. In this schema, I identified 20 banks as "Multi-National Banks" and another 60 banks as "Major Regional Banks." Those banks classed as multi-national banks were picked on the basis of their size, volume of business loans, importance in the Federal Funds market in particular and the money market in general, the volume of their foreign lending, and the extent of their participation in the Euro-dollar market. Similar criteria were used to classify major regional banks, but greater stress was given to domestic activities and the relative importance of these banks in their own area of the country. The remaining 250 weekly reporting banks were designated "Large Local Banks."<sup>(2)</sup>

The experience of these groups of banks with deposit flows has differed considerably. In 1968, the multi-national banks lagged

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(1) The approach was first described in "The Banking Structure and Monetary Management," which I presented before the San Francisco Bond Club, April 1, 1970.

(2) It should be remembered that the smallest banks in this group have total deposits of at least \$100 million.

somewhat behind the other two groups in the expansion of deposits. However, in 1969, both the multi-national banks and major regional banks experienced deposit outflows that were relatively much more severe than those recorded by the large local banks. Yet, similar relative changes were recorded in earning asset holdings, both unadjusted and adjusted for loan sales, at all groups of banks. This similarity in total asset performance in the face of markedly different deposit flows reflected greater flexibility among the largest banks in developing alternative sources of lendable funds. The two larger groups of banks relied much more heavily on domestic nondeposit sources and siphoned substantially larger volumes of funds from the Euro-dollar market. The multi-national banks were particularly heavy borrowers in the Euro-dollar market. The affiliates of multi-national and major regional banks also sold a considerably larger volume of commercial paper - and in turn purchased larger quantities of loans - than did the large local banks.

General changes in the composition of asset portfolios were somewhat more similar at these three groups of banks. However, data in Table 3 do indicate that the multi-national banks made relatively larger reductions in their security holdings than did the other two bank groups. At the same time, after adjustment for loan sales, growth in total loans and in business loans was considerably stronger at the multi-national banks than at either the major regional or large local

banks in 1969.

The pattern of deposit and credit flows at these three groups of banks in 1970 differed considerably from that recorded in 1969. Referring again to Tables 3 and 4, it will be noted that the multi-national banks gained a substantial volume of new deposits during the year. This growth, measured in both absolute and relative terms, was considerably stronger than that which occurred at the major regional banks, and it was somewhat stronger than that recorded by the large local banks.

Yet, growth in earning assets at the multi-national banks was only slightly above that recorded by the major regional banks and was considerably less than that which occurred at the large local banks. The explanation for the failure of earning asset developments at the three groups of banks to match more closely changes in deposits at these banks is that the multi-national banks decided to use a large portion of their incoming deposit funds to reduce nondeposit liabilities. The large local banks, on the other hand, channeled only a small portion of their relatively large inflow of deposits to the repayment of nondeposit liabilities while there was virtually no net change at major regional banks.

A fairly diverse pattern of change in credit expansion can also be seen in the statistical data for the three groups of banks. It appears that loan demands, particularly business loan demands,

eased markedly at both the multi-national and major regional banks during 1970. Multi-national banks recorded a slight drop in their total loans, adjusted for loan sales, and a somewhat larger decrease in their business loans. The major regional banks had a modest rise in total loans (adjusted) and no net change in loans to business. In contrast, growth in total loans at the large local banks was somewhat stronger in 1970 than in 1969. In fact, the 1970 advance in their business loans was nearly as large as the relatively sharp advance recorded in 1969. All three groups of banks made net additions to their investment portfolios during 1970. However, growth at the multi-national banks was substantially stronger than at the other groups of banks.

The above analysis provides useful insight into the relative impact that changes in monetary and credit conditions have on different categories of banks and into the ways in which these different groups of institutions have adjusted to the shifting deposit and loan circumstances. I find information of this kind especially helpful in understanding how shifts in monetary policy or other exogenous developments work their way through the banking system and how the results of these developments alter the course of general economic conditions.

Asset Preferences of Commercial Banks

It is widely recognized that commercial banks channel a major share of their lendable funds into loans to business firms. However, the extent to which this is true is less widely appreciated. To cast more light on the role of business loans in bank lending, the composition of earning assets (total loans and investments) of all insured commercial banks, as of June, 1966, and June, 1970, was examined in considerable detail. The results are shown in Tables 5 through 12, and in Charts A through C. <sup>(3)</sup> There is no need to discuss here the detailed findings. However, several points should be made, for they throw considerable light on the asset preferences of commercial banks. The first comments are based on the banks' structure of earnings assets in June, 1970, and they apply to all classes of banks: all insured banks combined; all Federal Reserve member banks; national banks; and insured nonmember banks. Charts A through C might be particularly helpful in following the discussion. Chart A refers to all insured banks; Chart B to Federal Reserve member banks, and Chart C to insured nonmember banks. The following generalizations seem to hold true

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(3) In this part of the analysis, the 13,000-odd insured commercial banks were grouped by deposit size, and 22 asset categories were identified separately. For each individual bank, the ratio of a particular asset category to the bank's total earning assets was calculated. These ratios for individual banks were then averaged to obtain ratios for each size group of banks. All insured banks were further subdivided into three classes: all Federal Reserve member banks; national banks; and insured nonmember banks. Data were obtained from the Call Reports for June 1966 and June 1970.

for each group of banks:

- Small banks hold a larger proportion of their earning assets in securities than do larger banks: the ratio of total investments (mainly U.S. Government and State and local issues) to total earning assets declines continually as the size group of banks increases. While there are minor differences among various classes of banks, the ratio generally drops from about 40 per cent for the smallest banks to about 15 per cent for the largest.
- Holdings of U.S. Treasury securities become a progressively smaller proportion of total earning assets - and of total investments held - as the size of banks increase.
- Holdings of State and local government securities, expressed as a percentage of total earning assets, is generally higher at medium size banks than at either the smallest or largest size group.
- The ratio of total loans (including Federal funds sold) to total earning assets rises continually as the size of banks increases. Again, while there are some differences among bank classes, the ratio is generally about 60 per cent for the smallest size group and rises to about 75 per cent at the largest size group.
- Of the various categories of loans, business loans display the closest - and clearest - association with size of bank. The relative importance of such loans compared with total earning assets climbs progressively and in tandem as the size of banks advances. The ratio of business loans to total earning assets rises from about 8 per cent at the smallest size group to about 25 to 30 per cent at the largest.

- A similar pattern - although less dramatic - is evident in the case of loans to financial institutions (banks, nonbank financial institutions and brokers and dealers) and in loans to other investors for carrying securities. These "financial" loans rise from about 1 per cent at the smallest banks to about 8 per cent at the largest lenders.
- Loans to farmers as a percentage of total earning assets decline as the size of bank increases - from around 17 per cent to 1 per cent.
- Real estate loans expressed as a proportion of total earning assets are generally highest at the medium size banks and lowest at both the smallest and largest size groups of banks. In general, such loans at the largest banks amount to about 15 per cent of total earning assets. In contrast, at medium size banks, the ratio was about 20 per cent.
- A similar "rainbow-shaped" distribution of loans to individuals, with respect to size of bank, can be observed.

Still further insights into the lending behavior of commercial banks can be gotten from an analysis of the changes in the composition of their assets, by size of bank, between June, 1966, and June, 1970. The following generalizations are applicable for all classes of banks:

- During these four years, total investments declined as a percentage of total earning assets at all size groups (and in all classes) of banks. The extent of the decline was fairly uniform - ranging, in almost all instances, between 2 and 3 percentage points.
- In this period, U.S. Treasury issues declined - and other securities

increased - in relative importance at all size groups of banks.

- Total loans increased in relative importance during these years. With respect to business loans, there was little if any change in relative importance - except at the very largest banks, where such loans climbed a few percentage points in relation to total earning assets.
- Real estate loans decreased at the smallest size group of banks and increased at the largest size groups - when expressed as a proportion of total earning assets. However, in both cases, the changes were quite moderate - about 1 or 2 percentage points.
- No general pattern of change in relative importance of other loan categories is discernible. The changes which did occur in particular size groups were quite small.

One other aspect of the analysis of commercial bank asset preferences may be of particular interest to this Committee. This concerns the extent to which national banks are using their statutory potential to make real estate loans. Under Section 24 of the Federal Reserve Act, a national bank's total real estate loans are limited to an amount equal to its total capital and surplus or 70 per cent of its time and savings deposits - whichever is the greater. Thus, one can readily compare the national bank's actual holdings of real estate loans with their statutory lending potential.

The 70 per cent time and savings deposits criterion was used in the present analysis, and the results are shown in Table 13



and Chart D.(4) Several of the findings should be mentioned:

- The very largest and very smallest size groups of banks appear to make less use of their real estate lending than do banks in the medium size range. Thus, the pattern of use is approximately the same as that observed with respect to real estate loans as a proportion of the banks' total earning assets.
- The relative use of real estate lending potential by all except the very largest size group of banks declined between 1966 and 1970. At the largest banks, use of the potential rose significantly.
- As a result of these changes, in 1970 the use of lending potential by the largest group of banks was higher than that for the three smallest size classes. Banks in the three intermediate size groups, however, continued to make the most intensive use of their lending potential.

On the basis of the evidence yielded by this analysis of commercial banks' asset preferences, I reach the following conclusions: the attraction of loans to business is so strong that one should ordinarily expect banks to respond to the fullest extent possible to the demand for credit by business firms. Experience indicates, moreover, that in a period of severe monetary restraint, other sectors of the economy are likely to obtain proportionately less -- while the business sector obtains proportionately more -- of a given supply of commercial bank funds.

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(4) The calculations were made using the same statistical procedures described above for the analysis of the banks' asset composition.

Since the Federal Reserve must channel through the banking system whatever additions to bank reserves it finds consistent with overall monetary policy objectives, this suggests that the lending behavior of commercial banks must be a matter of prime concern. In my judgment, the Federal Reserve needs a better set of tools with which to assure that the banks' lending behavior reinforces the basic aims of monetary management.

#### Growing Importance of Banks Outside the Federal Reserve System

I stressed at the outset that the authority to set supplemental reserve requirements on assets should not be restricted to member banks of the Federal Reserve System. Instead, it should also apply to insured commercial banks that are not members of the System. There are at least two reasons why this should be the case.

The first one is the need to avoid aggravating the already serious problem of attrition in Federal Reserve membership. Between 1960 and 1970, the number of member banks shrank by 414 (6 per cent) to 5,803, while the number of all insured commercial banks expanded by 338 (2 1/2 per cent). The number of insured banks that are not members of the Federal Reserve System rose by 749 (11 per cent) to 7,675. Among Federal Reserve member banks, the number of national banks increased by 95 to 4,637. In contrast, the number of State-chartered member banks (which are members by choice) dropped by 509 (30 per cent) to 1,166.

Reflecting these trends, a significant change occurred in the structure of the banking system during the last decade as far as membership in the Federal Reserve System is concerned. In 1960, member banks constituted 47 per cent of the total number of insured commercial banks, and they held 84 per cent of total deposits and of total loans and investments. By 1970, they represented 43 per cent of the banks, and the ratio for both deposits and loans had dropped to 80 per cent. Moreover, during the last decade, insured nonmember banks accounted for one-quarter of the rise in total deposits and in total loans and investments - although they held only one-sixth of the total in each category in 1960.

To a considerable extent, the attrition in Federal Reserve membership can be traced to the reluctance of many of the smaller State-chartered banks to carry the already existing burden of required reserves. In fact, all of the relative decline in the proportion of banks that are members of the Federal Reserve System was among State-chartered institutions. State members declined from 13 per cent to 9 per cent of all insured commercial banks, between 1960 and 1970, while national banks remained unchanged at 34 per cent. This already difficult situation should not be made worse by restricting the application of supplemental reserve requirements only to Federal Reserve member banks.

The second reason for covering insured nonmember banks is their growing impact on total bank credit and the money supply. The

magnitude of this impact can be seen clearly in Tables 14, 15, and 16. Table 14 shows the level of the total money supply and its components as of December for each year from 1960 to 1970. Table 15 shows (a) Federal Reserve member bank and nonmember bank demand deposits as a percentage of demand deposits included in the total money supply and (b) the distribution of changes in these items for each year 1960-1970. These data indicate that, in all years except 1970, the proportion of the change in the demand deposit component of the money supply accounted for by nonmember banks was greater than the proportion of total demand deposits accounted for by these banks. From these data it would appear that, on average, nonmember banks have an impact on the change in the money supply which is greater than the relative share of money supply deposits held at these institutions.

In Table 16, total bank credit and selected components outstanding at each class of bank are shown for each year 1960-1970. These data tell the same kind of story sketched above in the case of the money supply. Nonmember banks are providing a rising share of the credit extended by insured commercial banks, and they are responsible for an increasing proportion of the fluctuations in the volume of such credit outstanding. Their impact on the market for particular types of bank loans (for example, real estate loans) in a given year can be especially noticeable.

Thus, the lending behavior of commercial banks outside the Federal Reserve System is already complicating the task of monetary

management. Hopefully, the situation will not be made more complicated by the continued exemption of nonmember banks from the requirement to carry reserves fixed by the Federal Reserve - while supplemental reserves on assets are applied to member banks. Instead, it would be preferable that all insured commercial banks be required to carry reserves - both on deposits and on assets - set by the Federal Reserve on the basis of overall requirements of monetary management. At the same time, as the Federal Reserve Board has recommended for several years, nonmember banks should be given the privilege of borrowing at Federal Reserve Banks.

#### Reserve Requirements in Historical Perspective

At this juncture, I would like to digress briefly to stress a few points that are frequently overlooked in discussions of the appropriate role of required reserves in the banking system. Unfortunately, even today the fact that such reserves are useful purely as instruments of monetary management is not fully understood -- and the possibility of extending this function further is comprehended even less.

In the United States, several historical experiences with required reserves are quite instructive. It will be recalled that the National Banking Act of 1863 for the first time established legal reserve requirements for Federally-chartered banks. The basic assumption was that required reserves would provide liquidity for both bank notes and deposits. National banks in central reserve and reserve cities had to maintain reserves equal to 25 per cent of outstanding notes and deposits,

and for banks in other cities (country banks) the ratio was 15 per cent. The requirement for notes was dropped in 1874. The notion that reserves were assumed to provide liquidity for individual banks was evidenced by the form in which required reserves could be held: for banks, in central reserve cities, vault cash; for reserve city banks, half in vault cash and half in deposits in central reserve or reserve city banks; for country banks, two-fifths in vault cash and three-fifths in deposits in reserve city or central reserve city banks. The record of American economic history shows quite clearly that the system of required reserves established under the National Banking Act failed to meet the liquidity goal each time it was tested. The reason for the failure (the impossibility of an individual bank being able to liquidate enough assets to meet withdrawals during periods of crisis) was understood by only a few observers.

Perhaps that fact explains why the concept of "pooling" reserves was carried over into the Federal Reserve Act in 1913. While a few innovations were made in the administration of required reserves, the idea that they were needed as a source of liquidity persisted until the mid-1930's. By an amendment to the Federal Reserve Act in May, 1933 (referred to as the Thomas Amendment), authority was given for the first time to vary reserve requirements for member banks. However, the authority was subject to the proclamation of an emergency by the President (which was never done in this connection), and the authority was never used.

In the Banking Act of 1935, the discretionary authority was given to the Federal Reserve Board directly. This step represented a clear recognition of the role of required reserves as a tool of monetary control -- which could be used to influence directly the rate of expansion of aggregate bank credit. The Board has made considerable use of this authority since it was first employed in August, 1936.

In my opinion, the next step in the evolution of the reserve requirement tool should be to make it more useful in cushioning the impact of shifts in bank credit flows on particular sectors of the economy. The suggestion that the Board have authority to set supplemental reserve requirements on bank assets represents such an innovation.

#### Evolution of Reserve Requirements in Recent Years

The suggestion that one of the traditional instruments of monetary policy be reordered to influence the cost and availability of credit in particular economic sectors is not especially startling. As a matter of fact, the Federal Reserve Board has shown considerable flexibility in the use of reserve requirements in the last few years. For the most part, this has involved tailoring changes in such requirements to differentiate the impact by size of bank -- as implied by deposit size. For example, in July, 1966, the requirement on time deposits over \$5 million was raised from 4 per cent to 5 per cent -- and kept at 4 per cent on deposits

below that amount. In September of the same year, the percentage was raised further to 6 per cent on the \$5 million and over category; again no change was made for amounts below that figure. In March, 1967, in two 1/2 percentage point steps, reserve requirements were cut from 4 per cent to 3 per cent on savings deposits and on time deposits under \$5 million. The requirement was left at 6 per cent on time deposits over \$5 million.

In January, 1968, the Federal Reserve Board also began to differentiate reserve requirements on demand deposits. At that time, the requirement was raised from 16-1/2 per cent to 17 per cent on deposits over \$5 million at Reserve City banks, while the requirement on amounts below this figure was left unchanged. At country banks, the corresponding increase was from 12 per cent to 12-1/2 per cent for demand deposits over \$5 million, while it remained at 12 per cent on amounts below that cutoff. In April, 1969, a 1/2 percentage point increase was made effective at all member banks and on all demand deposits while maintaining the 1/2 percentage point differential on demand deposits above and below \$5 million.

Undoubtedly the most imaginative use of reserve requirements in recent years has been their application to Euro-dollar borrowings by American banks. In October, 1969, the Board established a marginal reserve requirement of 10 per cent on Euro-dollar borrowings in excess of amounts outstanding in a base period -- the four weeks ending May 28, 1969 -- and on foreign branch loans to U.S. residents in excess of base-period amounts. (Banks that did not have outstanding borrowings were



given minimum reserve-free bases equal to a specified percentage of deposits.) The Board also provided that the reserve-free bases be subject to automatic downward adjustment to the extent that borrowings fell below the base-period levels, thereby creating some incentives for banks to avoid precipitate reduction in Euro-dollar borrowings at times, such as the present, when interest differentials favor repayment of those borrowings.

In the same vein, the Federal Reserve Board published for comment a proposal to apply reserve requirements to commercial paper when offered by a bank-related corporation and when the proceeds are used to supply funds to the member bank. The Board put this issue aside for a time in early 1970, because of a desire to avoid exerting additional restraint on money and credit markets. However, the question was opened again last summer, and reserve requirements were applied to bank-related commercial paper in October, 1970. Demand deposit requirement percentages were applied to paper with initial maturities of less than 30 days, and time deposit requirements were applied to paper with longer maturities. This action was announced a month in advance of the effective date, and banks were able to shift most of their commercial paper funds into the time deposit requirement category. In this action, the Board lowered reserve requirements on time deposits over \$5 million one percentage point to 5 per cent and established the new commercial paper requirement at the same level.

In November, 1970, following significant reductions by some banks in outstanding Euro-dollar borrowings, and in reserve-free bases,

the Board increased from 10 per cent to 20 per cent the rate of reserve requirement on borrowings in excess of reserve-free bases, thereby giving the banks an added inducement to preserve their reserve-free bases against a time of future need. At that time, the Board also applied the automatic downward adjustment to banks that operated under a minimum base equal to 3 per cent of deposits.

On January 15, 1971, the Board amended its regulations to permit banks to count toward maintenance of their reserve-free bases any funds invested by foreign branches in Export-Import Bank securities offered under a program announced by that institution. At that time, the Board postponed for banks using a minimum base the application of the automatic downward adjustment of their bases. Last week, a further amendment was made to the Board's regulations which extended to direct Treasury securities the same privilege previously accorded the Export-Import Bank issues.

#### Extending the Range of Reserve Requirements

It was against this emerging background that I first suggested in February, 1970, that consideration might be given to applying a supplemental reserve requirement on loans extended by U.S. banks to foreign borrowers as a replacement for the present voluntary foreign credit restraint program. At the time, I emphasized that such a market-oriented approach would be superior to one based on ceilings fixed by administrative decision -- and at the same time it would offer meaningful protection to our balance of payments.

In April last year, I went on to suggest that thought might also be given to the possibility of adopting such a requirement for domestic purposes as well. The objective of the supplemental reserve on domestic loans would be to raise the cost of bank lending by reducing the marginal rate of return to the bank making the loan -- and thereby dampen the expansion of bank loans. The basic purpose of the supplemental reserve would not be simply to levy new reserve requirements on the banking system. If it were thought that its adoption would raise the average level of reserves required beyond what the Board thought was necessary for general stabilization purposes, the regular reserve requirements applicable to deposits of Federal Reserve member banks (and hopefully to nonmember banks in the future) could be reduced.

In suggesting that this possibility be explored, I am convinced that the Federal Reserve needs a better means of influencing the availability of credit in different sectors of the economy. At the same time, I am keenly aware of the desirability of assuring that the instrument used would minimize interference with normal business decisions and the economic forces of the market place. The banking community -- within whatever outer limits of credit expansion the central bank considers are consistent with stabilization policy -- can best allocate financial resources among individual borrowers. Therefore, banks should be assured as much freedom of choice as the basic objectives of maintaining a balanced economy would permit.

Since, during a period of inflation, the object would continue to be to restrain the growth of bank lending, rather than to burden the

amount of lending achieved by some date in the past, the reserves might apply only to the amount of lending above some determined volume. That is, the cash reserves would constitute marginal, rather than average, required reserves. The approach might be varied so that a cash reserve requirement might be applied against whatever new loans the bank might extend rather than apply a marginal reserve against the amount of loans above the amount outstanding on a particular date.

Under either variant of this approach, the percentage reserve requirement would be set on the basis of the Federal Reserve's determination of the degree of influence to be applied, for domestic stabilization reasons, against unchecked bank loan expansion. The restraint would be levied in proportion to the lending. The approach would not require immediate asset adjustments by each bank; instead it would leave the decision to individual banks to adapt their lending to the circumstances at the time.

The loans that would be subject to the supplemental reserve requirement could be defined in a way that would take account of any set of priorities that might be established from time to time. For example: if the objective of public policy were to give priority to loans to meet the credit needs of State and local governments, it could be achieved through a lower reserve ratio against State and local security holdings than the ratio applied to other assets. Loans to acquire homes could be encouraged -- if public policy calls for giving housing a high priority -- by setting the requirement very

low, or perhaps at zero. In contrast, if policy called for substantial restraint on consumer credit or on loans to business, the reserve ratio applicable to such loans could be set quite high. In fact, any array of loan priorities could be adopted and the reserve requirement scaled accordingly -- depending on the changing needs of public policy.

Under ordinary circumstances, however, if there were no need to pursue a policy of monetary restraint -- and consequently no need to be concerned about the side-effects of such a policy course -- less differentiation among types of assets would be necessary. In fact, if there were no need to counteract any adverse by-products of monetary restraint, no supplemental reserve requirements would need to be established. If already employed, they would not have to be changed.

Such a supplemental cash reserve requirement system sketched above would have the effect of cushioning the impact of monetary policy on particular sectors of the economy. However, it would do so without any direct interference by the Federal Reserve in the detailed lending decisions of individual banks. The new reserve requirement, which probably would be much smaller than the reserves now required against deposit liabilities, would not necessarily pose insurmountable problems for overall monetary policy. While there would be an impact on the required reserves of commercial banks, if the Federal Reserve wished, this could be offset by an appropriate reduction in reserve requirements on deposits or by open market operations. While the technical aspects of open market operations might become more complex, I believe such difficulties could be overcome.

Another question that would be raised if supplemental reserve requirements were employed concerns larger corporations which have access to credit in many markets. If bank loans were the only forms of credit so restrained, these corporations could well do their borrowing elsewhere, displacing other borrowers. Consequently, it is necessary to assess the degree to which such shifts from banks to other credit markets could impair the objective of assuring that credit is available for high-priority needs.

But having cited several questions, I remain confident that answers to problems such as these can be found if enough effort is devoted to solving them.

Last year, when I urged the consideration of the supplemental reserve requirement against assets, I stressed that it be viewed as a long-run approach. I emphasized that time would be needed to explore its ramifications -- aside from the fact that the Federal Reserve Board does not now have the authority to apply reserve requirements to domestic loans of member banks. Moreover, to avoid adding further to the already existing inequities between nonmember and member banks of the Federal Reserve System, I urged that all commercial banks be made subject to the new provision. As I indicated above, I still believe that this step should be taken. It might be recalled that, for several years, the Board has urged in its Annual Report that legislation be passed which would permit the establishment of a system of graduated reserve requirements on deposits, while extending the coverage to

nonmember banks -- who would also be given access to the Federal Reserve Banks' discount window.

Now that Congress is weighing the modification of reserve requirements, I hope consideration will be given to extending them to nonmember banks. I also hope that these hearings are the first step in a process that will lead, within a year or so, to further broadening of the scope of reserve requirements to include the option to impose variable requirements on particular types of bank loans or investments. In the meantime, its probable impact on our banking system must be carefully assessed. I believe such an assessment will provide answers to the questions that have been raised about this proposal -- and thus hasten progress toward a better monetary policy -- a goal we all seek,

Table 1.

Amount and Sources of Funds Raised in Capital  
Markets by Major Sectors, 1968, 1969, and 1970  
 (Amounts in billions of dollars)

<u>Sector</u>	<u>1968</u>		<u>1969</u>		<u>1970</u>	
	<u>Amount</u>	<u>Per cent of total</u>	<u>Amount</u>	<u>Per cent of total</u>	<u>Amount</u>	<u>Per cent of total</u>
Total funds raised by nonfinancial sectors	96.9	100.0	90.4	100.0	95.4	100.0
U.S. Government (1)	13.4	13.8	- 3.6	- 4.0	12.7	13.3
Public debt securities	10.3	10.6	- 1.3	- 1.4	12.8	13.4
Budget Agency issues	3.1	3.2	- 2.4	- 2.6	- 0.1	- 0.1
All other nonfinancial sectors	<u>83.5</u>	<u>86.2</u>	<u>94.1</u>	<u>104.0</u>	<u>82.7</u>	<u>86.7</u>
Distribution among sectors	83.5	100.0	94.1	100.0	82.7	100.0
State and local governments	9.9	11.9	8.5	9.0	12.2	14.8
Households	31.8	38.1	32.2	34.2	21.3	25.8
Nonfinancial business	38.8	46.4	49.7	52.9	46.3	56.0
Corporate	30.3	36.3	39.1	41.6	37.9	45.8
Nonfarm noncorporate	5.8	6.9	7.4	7.9	5.1	6.2
Farm	2.7	3.2	3.2	3.4	3.3	4.0
Foreign	<u>3.0</u>	<u>3.6</u>	<u>3.7</u>	<u>3.9</u>	<u>2.8</u>	<u>3.4</u>
Sources of funds advanced	96.9	100.0	90.4	100.0	95.4	100.0
Federal Reserve System	3.7	3.8	4.2	4.7	5.0	5.2
U.S. Government	4.7	4.9	2.7	3.0	4.5	4.7
Direct	4.9	5.1	2.5	2.8	3.3	3.5
Credit agencies (net)	- 0.2	- 0.2	0.2	0.2	1.2	1.2
Funds advanced	3.2	3.3	9.0	9.9	8.8	9.2
Less funds raised in credit market	3.5	3.6	8.8	9.7	7.6	8.0
Commercial banks, net (2)	39.5	40.8	12.2	13.5	31.1	32.6
Funds advanced	39.7	41.0	16.5	18.3	29.3	30.7
Less funds raised in credit market	0.2	0.2	4.3	4.8	- 1.8	- 1.9
Private nonbank finance	34.2	35.3	30.4	33.7	37.3	39.1
Savings institutions, net	14.6	15.1	10.4	11.5	14.9	15.6
Insurance	22.0	22.7	21.8	24.2	23.3	24.4
Finance, N.E.C., net	- 2.4	- 2.5	- 1.8	- 2.0	- 0.9	- 0.9
Private domestic nonfinancial	12.3	12.7	39.5	43.7	7.5	7.9
Business	7.4	7.6	13.8	15.3	1.9	2.0
State and Local gov't., gen.	0.4	0.4	6.1	6.7	- 2.7	- 2.8
Households	5.8	6.0	18.0	19.9	7.0	7.3
Less net security credit	1.4	1.4	- 1.6	- 1.8	- 1.2	- 1.3
Foreign	2.5	2.6	1.3	1.4	10.0	10.5



Table 2.

Sources and Uses of Funds Commercial Banks,  
1968, 1969, and 1970

(Amounts in billions of dollars)

Source or Use	1968		1969		1970	
	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total
Net acquisition of financial assets	44.0	100.0	19.7	100.0	41.9	100.0
Total bank credit	39.7	90.2	16.5	83.8	29.3	69.9
Credit Market instruments	38.4	87.3	17.7	89.9	27.5	65.6
U.S. Gov't. securities	3.4	7.7	- 9.5	- 48.2	8.2	19.6
Direct	2.2	5.0	- 9.3	- 47.2	5.2	12.4
Agency issues	1.1	2.5	1.1	5.6	3.7	8.8
Loan participation certifs.	0.2	0.5	- 1.3	- 6.6	- 0.7	- 1.7
State and local obligations	8.6	19.5	0.4	2.0	11.2	26.7
Corporate bonds	0.3	0.7	- 0.1	- 0.5	0.5	1.2
Home mortgages	3.5	8.0	3.0	15.2	0.9	2.1
Other mortgages	3.2	7.3	2.3	11.7	1.0	2.4
Consumer credit	4.9	11.1	3.3	16.8	1.9	4.5
Bank loans, N.E.C.	15.7	35.7	17.8	90.4	0.6	1.4
Open market paper	- 1.1	- 2.5	0.5	2.5	3.2	7.6
Security credit	1.3	3.0	- 1.1	- 5.6	1.8	4.3
Loans to affiliate banks	---	---	0.6	3.0	- 0.1	- 0.2
Vault cash and member bank reserves	2.0	4.5	0.4	2.0	2.2	5.3
Miscellaneous assets	2.3	5.2	2.2	11.2	10.5	25.1
Net increase in liabilities	42.2	100.0	18.0	100.0	39.8	100.0
Demand deposits, net	13.3	31.5	5.2	28.9	6.4	16.1
U.S. Government	- 0.2	- 0.5	*	*	2.7	6.8
Other	13.5	32.0	5.2	28.9	3.7	9.3
Time deposits	20.6	48.8	- 9.7	- 53.9	38.0	95.5
Large negotiable CD's	3.1	7.3	- 12.6	- 70.0	15.2	38.2
Other	17.4	41.2	2.9	16.1	22.9	57.3
Federal Reserve float	0.9	2.1	0.1	0.6	0.7	1.8
Borrowing at Federal Reserve Banks	*	*	*	*	0.2	0.5
Loans from affiliates	---	---	0.6	3.3	- 0.1	- 0.3
Bank security issues	0.2	4.7	0.1	0.6	*	*
Commercial paper issues	---	---	4.2	23.3	- 1.9	- 4.8
Profit tax liabilities	- 0.1	- 0.2	0.1	0.6	0.1	0.3
Miscellaneous liabilities	7.3	17.3	17.4	96.7	- 3.7	- 9.3
Liabilities to foreign branches	1.8	4.3	7.0	38.9	- 6.1	- 15.3
Other	<u>5.5</u>	<u>13.0</u>	<u>10.4</u>	<u>57.8</u>	<u>2.4</u>	<u>6.0</u>
Discrepancy	0.5		0.3		- 0.1	
Current surplus	2.9		3.1		3.0	
Plant and equipment	---		1.0		1.1	

NOTE: Data show combined statement for commercial banks and affiliates.

Table 3  
CHANGES IN MAJOR BALANCE SHEET ITEMS, WEEKLY REPORTING BANKS  
1968, 1969 and 1970 1/  
(In billions of dollars, not seasonally adjusted)

	Total			20-Multi-Nat'l Banks <u>7/</u>			60 Major Regional Banks <u>8/</u>			250 Large Local Banks		
	1968	1969	1970	1968	1969	1970	1968	1969	1970	1968	1969	1970
Total loans and investments, gross	23.0	2.6	21.8	10.9	1.7	5.7	6.2	-0.1	4.9	5.8	1.0	11.2
Total loan sales	n.a.	4.0	-1.0	n.a.	2.8	-0.3	n.a.	0.8	-0.5	n.a.	0.4	-0.3
Total loans and investments, adjusted for loan sales	23.0	6.6	20.8	10.9	4.5	5.4	6.2	0.7	4.4	5.8	1.4	10.9
U.S. Treasury	0.9	-5.8	4.4	0.9	-2.2	2.6	0.1	-1.7	0.8	--	-2.0	1.0
Other securities	5.4	-3.1	8.3	2.8	-2.7	3.3	1.2	-0.4	1.9	1.4	--	3.1
Total loans, gross	16.7	11.6	9.1	7.3	6.6	-0.3	4.9	2.1	2.2	4.5	2.9	7.1
Total loans, adjusted for loan sales	16.7	15.6	8.1	7.3	9.4	-0.6	4.9	2.9	1.7	4.5	3.3	6.9
Business loans	7.3	7.2	0.9	4.2	4.3	-1.8	1.6	1.6	0.3	1.5	1.3	2.4
Business loan sales	n.a.	2.9	-0.7	n.a.	2.1	-0.2	n.a.	0.4	-0.3	n.a.	0.3	-0.2
Business loans, adjusted for loan sales	7.3	10.1	0.2	4.2	6.4	-2.0	1.6	2.0	--	1.5	1.6	2.2
Real estate	3.1	2.1	--	0.9	1.1	-0.6	1.1	0.4	-0.2	1.1	0.6	0.8
Consumer installment	2.2	1.7	1.5	0.5	0.3	0.3	0.7	0.4	0.1	1.0	1.0	1.0
Total deposits <u>2/</u>	14.2	-15.6	29.9	4.0	-9.1	12.9	4.6	-4.5	5.7	5.6	-2.0	11.3
Total demand deposits <u>2/</u>	4.8	0.4	6.8	1.0	1.0	2.5	1.6	-0.5	0.9	2.1	-0.1	3.5
Total time and savings deposits	9.4	-16.0	23.0	3.0	-10.1	10.4	2.9	-4.0	4.7	3.5	-1.9	7.9
Large CD's <u>3/</u>	3.1	-12.4	14.8	0.5	-7.2	7.7	1.4	-3.4	3.6	1.2	-1.8	3.5
Borrowings from major domestic sources <u>4/</u>	3.7	10.1	-0.1	2.2	4.4	-0.5	1.3	3.4	0.3	0.2	2.3	0.1
Other liabilities	4.9	9.3	-4.7	4.1	7.4	-4.7	0.5	1.2	-0.3	0.3	0.7	0.3
Euro-dollar liabilities <u>5/</u>	2.7	7.5	-5.0	2.6	6.7	-4.2	0.1	0.6	-0.6	--	0.3	-0.3
Loans and security reserves and total capital account	1.8	1.8	1.6	0.9	0.7	0.3	0.4	0.5	0.3	0.4	0.7	1.0
MEMO:												
Commercial paper <u>6/</u>	n.a.	4.3	-2.0	n.a.	2.4	-0.7	n.a.	1.3	-0.8	n.a.	0.6	-0.5

1/ Changes for 1970 are from December 24, 1969, to December 23, 1970. Comparable dates were used to compute 1969 and 1968 changes.

2/ Less cash items in the process of collection.

3/ Negotiable time certificates of deposit in denomination of \$100,000 or more.

4/ Largely borrowing in the Federal funds market and from Federal Reserve Banks.

5/ Bank liabilities to foreign branches.

6/ Issued by a bank holding company or other bank affiliate.

7/ These banks were selected on the basis of a number of criteria including size, volume of business loans, relative participation in Federal Funds market, Euro-dollar market and commercial paper market.

8/ The same criteria as those listed in footnote 7 were used to select these 60 banks. However, these banks, in general, are smaller and each region of the country was given representation.

Table 4  
CHANGES IN MAJOR BALANCE SHEET ITEMS, WEEKLY REPORTING BANKS  
1968, 1969 and 1970 1/  
(In per cent, not seasonally adjusted)

	Total			20-Multi-Nat'l Banks <u>7/</u>			60 Major Regional Banks <u>8/</u>			250 Large Local Banks		
	1968	1969	1970	1968	1969	1970	1968	1969	1970	1968	1969	1970
Total loans and investments, gross	10.9	1.1	9.2	11.1	1.6	5.1	12.3	-0.1	8.6	9.3	1.4	16.1
Total loan sales	n.a.	n.a.	-25.9	n.a.	n.a.	-9.4	n.a.	n.a.	-65.7	n.a.	n.a.	-63.3
Total loans and investments, adjusted for loan sales	10.9	2.8	8.6	11.1	4.2	4.8	12.3	1.2	7.7	9.3	2.1	15.6
U.S. Treasury	3.2	-20.1	19.0	7.8	-18.1	27.0	1.3	-24.1	15.0	-0.4	-19.5	12.0
Other securities	16.3	-8.0	23.1	19.7	-16.0	23.4	14.7	-4.6	20.2	12.9	0.3	24.9
Total loans, gross	11.1	6.9	5.1	10.0	8.2	-0.3	14.0	5.3	5.3	10.7	6.3	14.5
Total loans, adjusted for loan sales	11.1	9.4	4.4	10.0	11.7	-0.6	14.0	7.2	4.0	10.7	7.2	13.9
Business loans	11.1	9.9	1.1	11.2	10.2	-4.0	11.2	10.0	1.8	10.9	8.9	15.1
Business loans sales	n.a.	n.a.	-24.8	n.a.	n.a.	-10.0	n.a.	n.a.	-65.5	n.a.	n.a.	-71.7
Business loans, adjusted for loan sales	11.1	13.8	0.2	11.2	15.3	-4.2	11.2	12.7	0.2	10.9	10.9	13.5
Real estate	10.8	6.7	0.1	8.3	8.8	-4.4	17.0	6.0	-2.3	9.8	5.0	6.3
Consumer installment	13.6	9.3	7.2	9.4	6.0	5.4	16.6	8.1	2.1	14.6	12.2	11.4
Total deposits <u>2/</u>	7.0	-7.2	14.9	4.4	-9.7	15.2	9.2	-8.3	11.4	9.0	-2.9	17.2
Total demand deposits <u>2/</u>	4.8	0.4	6.6	2.4	2.3	5.4	6.5	-1.9	3.5	6.9	-0.2	10.7
Total time and savings deposits	9.1	-14.3	24.0	6.3	-20.4	26.3	12.1	-14.7	20.5	11.1	-5.4	23.7
Large CD's <u>3/</u>	15.5	-53.3	135.1	4.7	-59.1	156.0	27.5	-53.1	119.2	33.5	-37.9	116.6
Borrowings from major domestic sources <u>4/</u>	48.8	88.7	-0.7	52.7	70.2	-4.9	61.7	95.1	4.4	15.9	148.7	2.1
Other liabilities	38.8	56.2	-17.4	45.9	56.2	-22.7	29.2	56.4	-10.4	15.6	29.2	10.8
Euro-dollar liabilities <u>5/</u>	63.0	107.1	-36.1	63.0	98.0	-33.2	--	600.0	-62.0	--	--	-67.1
Loan and security reserves and total capital account	7.7	7.4	6.0	8.4	5.5	2.4	7.6	8.6	5.2	6.7	9.6	12.1
MEMO:												
Commercial paper <u>6/</u>	n.a.	n.a.	-45.3	n.a.	n.a.	-31.7	n.a.	n.a.	-59.4	n.a.	n.a.	-56.8

1/ Changes for 1970 from Dec. 24, 1969, to Dec. 23, 1970. Comparable dates were used to compute 1969 and 1968 changes.

2/ Less cash items in the process of collection

3/ Negotiable time certificates of deposit in denomination of \$100,000 or more.

4/ Largely borrowing in the Federal funds market and from Federal Reserve Banks.

5/ Bank liabilities to foreign branches.

6/ Issued by a bank holding company or other bank affiliate.

7/ These banks were selected on the basis of a number of criteria including size, volume of business loans, relative participation in Federal Funds market, Euro-dollar market and commercial paper market.

8/ For definition see Table 1.

NOTE: Figures may not sum exactly due to rounding.

Table 5.  
 Ratios of Selected Assets to Total Earning Assets <sup>1/</sup>  
 All Insured Commercial Banks, by Size Groups  
 June 1970  
 (In per cent)

Item (as per cent of total earning assets)	Size Group -- Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1,000,000	Over 1,000,000
U.S. Treasury securities	25	20	17	14	14	12	9	8
All other securities	15	19	21	21	21	19	17	16
Total loans	60	61	63	65	65	69	74	75
Real estate loans	15	18	19	20	20	19	16	14
Nonresidential	7	8	7	8	8	8	6	5
Residential	8	10	12	12	12	11	10	9
Loans to financial institutions and investors in securities	1	1	1	2	3	4	7	10
Agricultural loans	18	11	6	2	1	1	1	1
Business loans	8	10	13	16	18	22	28	36
Loans to individuals	13	16	19	20	19	19	16	11
Government agency securities	7	5	4	4	3	2	1	1
Municipal securities	7	13	16	17	17	17	15	14
Corporate and other securities	1	1	1	1	1	1	1	1
Trading account securities	--	--	--	--	--	--	1	1
Federal funds sold	4	4	4	3	3	2	4	2
Total loans less Federal funds sale	56	58	59	62	63	66	70	74
Residential, Government guarantee	1	1	1	2	2	2	3	3
All other residential	7	10	11	11	10	9	7	6
Loans to commercial banks	--	--	--	--	--	--	1	1
Loans to other financial institutions	1	1	1	1	1	2	5	6
Loans to brokers and dealers	--	--	--	--	--	--	1	2
Other loans for carrying securities	--	1	1	1	1	1	1	1
Number of banks (Total: 13,483)	4,792	3,432	3,170	1,106	480	394	62	47
Average size (Total: 31,245)	2,835	7,087	15,095	33,516	67,048	199,139	683,654	3,093,814

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

Table 6  
 Ratios of Selected Assets to Total Earning Assets <sup>1/</sup>  
 All Insured Commercial Banks, by Size Groups  
 June 1966  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1,000,000	Over 1,000,000
U.S. Treasury securities	32	26	23	21	19	17	13	12
All other securities	12	16	17	17	17	16	15	14
Total loans	56	58	60	62	64	67	72	75
Real estate loans	16	19	20	20	20	17	15	13
Nonresidential	7	7	7	7	7	7	5	4
Residential	9	12	12	12	12	10	10	9
Loans to financial institutions and investors in securities	1	1	2	3	4	5	9	14
Agricultural loans	17	9	4	2	1	1	1	1
Business loans	8	11	13	16	19	21	27	33
Loans to individuals	14	17	19	20	18	19	17	11
Government agency securities	5	4	3	3	3	2	1	1
Municipal securities	7	12	13	14	14	14	14	12
Corporate and other securities	1	1	1	--	--	--	--	--
Trading account securities	na	na	na	na	na	na	na	na
Federal funds sold	--	--	1	1	1	1	1	1
Total loans less Federal funds sale	56	57	59	61	63	66	71	74
Residential, Government guarantee	1	1	2	2	3	3	4	4
All other residential	8	10	11	10	9	7	6	5
Loans to commercial banks	--	--	--	--	--	--	1	1
Loans to other financial institutions	--	1	1	2	2	4	6	8
Loans to brokers and dealers	--	--	--	--	1	1	1	3
Other loans for carrying securities	--	1	1	1	1	1	1	2
Number of banks (Total: 13,555)	6,697	3,127	2,282	726	329	304	53	37
Average size (Total: 23,391)	2,539	6,793	14,847	33,124	66,128	190,031	610,693	2,945,526

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

Table 7  
 Ratios of Selected Assets to Total Earning Assets <sup>1/</sup>  
 Federal Reserve Member Banks, by Size Groups  
 June 1970  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000 1,000,000	Over 1,000,000
U.S. Treasury securities	25	19	17	14	14	12	9	8
All other securities	15	19	20	21	21	19	17	17
Total loans	61	62	63	65	65	69	74	75
Real estate loans	14	17	19	21	21	18	16	14
Nonresidential	5	6	7	7	8	8	6	5
Residential	9	10	12	13	13	10	10	9
Loans to financial institutions and investors in securities	1	1	1	2	2	4	7	10
Agricultural loans	17	12	6	3	1	1	--	1
Business loans	8	10	12	16	19	22	28	36
Loans to individuals	15	17	19	20	19	18	16	11
Government agency securities	6	5	4	4	3	2	1	1
Municipal securities	8	13	16	17	17	17	15	14
Corporate and other securities	1	1	1	1	1	1	1	1
Trading account securities	--	--	--	--	--	--	1	1
Federal funds sold	5	4	4	3	2	2	4	2
Total loans less Federal funds sale	56	58	59	62	63	66	70	74
Residential, Government guarantee	1	1	1	2	2	2	3	3
All other residential	8	10	11	12	10	8	7	6
Loans to commercial banks	--	--	--	--	--	--	1	1
Loans to other financial institutions	--	--	1	1	1	3	5	6
Loans to brokers and dealers	--	--	--	--	--	--	1	2
Other loans for carrying securities	--	--	--	1	1	1	1	1
Number of banks (Total: 5,805)	1,165	1,457	1,697	723	332	327	57	47
Average size (Total: 57,950)	3,108	7,108	15,137	33,275	66,519	201,207	691,032	1,018,913

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfer between banks and their affiliates are not reflected in the data.

Table 8  
 Ratios of Selected Assets to Total Earning Assets <sup>1/</sup>  
 Federal Reserve Member Banks, by Size Groups  
 June 1966  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1,000,000	Over 1,000,000
U.S. Treasury securities	30	26	23	21	20	17	13	12
All other securities	12	16	17	16	16	16	15	14
Total loans	58	58	60	62	64	67	72	75
Real estate loans	14	18	20	20	19	17	15	13
Nonresidential	5	7	7	7	7	7	5	4
Residential	9	12	13	13	12	10	10	9
Loans to financial institutions and investors in securities	1	1	1	3	4	6	9	13
Agricultural loans	16	10	5	2	2	1	1	1
Business loans	9	11	13	16	19	21	27	33
Loans to individuals	16	17	19	19	18	19	17	11
Government agency securities	4	4	3	3	2	1	1	1
Municipal securities	7	12	13	14	14	14	14	12
Corporate and other securities	1	1	1	--	--	--	--	--
Trading account securities	na	na	na	na	na	na	na	na
Federal funds sold	--	1	1	1	1	1	1	1
Total loans less Federal funds sale	58	58	59	61	63	66	71	74
Residential, Government guarantee	1	1	2	2	3	3	4	4
All other residential	8	11	11	10	9	7	6	5
Loans to commercial banks	--	--	--	--	--	--	1	1
Loans to other financial institutions	--	--	1	2	2	4	6	8
Loans to brokers and dealers	--	--	--	--	1	1	1	3
Other loans for carrying securities	--	--	--	1	1	1	1	2
Number of banks (Total: 6,194)	2,089	1,593	1,398	502	255	268	52	37
Average size (Total: 42,326)	2,858	6,770	14,926	33,024	66,073	188,260	609,221	2,945,526

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

Table 9  
 Ratios of Selected Assets to Total Earning Assets 1/  
 All National Banks, by Size Groups  
 June 1970  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1,000,000	Over 1,000,000
U.S. Treasury securities	24	19	16	14	14	12	9	8
All other securities	14	19	20	21	20	19	17	17
Total loans	61	63	63	64	66	69	74	75
Real estate loans	13	16	18	20	20	18	15	14
Nonresidential	5	6	6	7	8	7	6	4
Residential	8	10	12	13	12	10	9	10
Loans to financial institutions and investors in securities	1	1	1	2	3	4	7	8
Agricultural loans	17	11	6	3	2	2	5	1
Business loans	8	11	13	16	19	22	30	33
Loans to individuals	16	18	20	20	20	18	16	13
Government agency securities	6	5	4	4	3	2	1	1
Municipal securities	8	13	16	17	17	16	14	14
Corporate and other securities	1	1	1	1	1	1	1	1
Trading account securities	0	0	0	0	0	0	1	1
Federal funds sold	5	5	4	3	2	3	3	2
Total loans less Federal funds sale	56	58	59	62	63	67	71	72
Residential, Government guarantee	1	1	1	2	2	2	3	4
All other residential	8	9	11	11	10	8	6	6
Loans to commercial banks	0	0	0	0	0	0	0	1
Loans to other financial institutions	1	0	1	1	1	3	5	5
Loans to brokers and dealers	0	0	0	0	0	0	1	1
Other loans for carrying securities	0	1	1	1	1	1	1	1
Number of banks (Total: 4,638)	886	1,172	1,395	593	271	246	46	29
Average size (Total: 53,468)	3,118	7,099	15,036	33,076	66,247	197,330	691,629	3,379,351

1/ Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.



Table 10

Ratios of Selected Assets to Total Earning Assets<sup>1/</sup>  
 All National Banks, by Size Groups  
 June 1966  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1,000,000	Over 1,000,000
U.S. Treasury securities	29	25	22	21	20	17	13	11
All other securities	12	16	17	17	16	17	15	15
Total loans	59	59	60	62	64	67	72	73
Real estate loans	14	18	19	19	19	16	14	13
Nonresidential	5	6	7	7	7	7	5	4
Residential	9	12	12	12	12	10	9	9
Loans to financial institutions and investors in securities	1	1	1	3	4	6	9	11
Agricultural loans	15	9	5	2	2	1	1	2
Business loans	10	11	14	16	19	22	28	34
Loans to individuals	18	18	19	19	18	19	17	12
Government agency securities	5	4	3	3	2	1	1	2
Municipal securities	7	11	13	14	14	14	13	14
Corporate and other securities	1	1	1	--	--	--	--	--
Trading account securities	na	na	na	na	na	na	na	na
Federal funds sold	--	1	1	1	1	1	1	1
Total loans less Federal funds sale	59	58	60	61	63	66	71	73
Residential, Government guarantee	1	1	2	2	3	3	3	4
All other residential	8	10	11	10	9	6	6	5
Loans to commercial banks	--	--	--	--	--	--	1	1
Loans to other financial institutions	--	--	1	2	2	4	6	7
Loans to brokers and dealers	--	--	--	--	--	1	1	2
Other loans for carrying securities	1	1	1	1	1	1	1	1
Number of banks (Total: 4,811)	1,596	1,256	1,115	389	193	191	40	21
Average size (Total: 38,327)	2,854	6,769	14,840	32,937	65,659	187,947	598,663	3,379,351

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

Table 11  
 Ratios of Selected Assets to Total Earning Assets<sup>1/</sup>  
 Insured Commercial Banks not members of the Federal Reserve System  
 June 1970  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000 1,000,000	Over 1,000,000
U.S. Treasury securities	25	20	17	14	13	12	11	--
All other securities	15	18	21	21	22	20	16	--
Total loans	60	61	62	65	65	68	73	--
Real estate loans	15	19	19	20	21	23	24	--
Nonresidential	7	9	8	8	9	9	11	--
Residential	8	10	11	11	12	14	14	--
Loans to financial institutions and investors in securities	1	1	2	2	3	3	4	--
Agricultural loans	18	11	5	2	1	1	1	--
Business loans	8	10	13	17	18	19	22	--
Loans to individuals	13	16	18	20	19	19	19	--
Government agency securities	8	5	5	4	3	4	2	--
Municipal securities	7	14	16	16	17	16	13	--
Corporate and other securities	--	--	1	--	1	1	1	--
Trading account securities	--	--	--	--	--	--	--	--
Federal funds sold	4	3	3	3	3	2	2	--
Total loans less Federal funds sale	56	57	58	62	62	66	71	--
Residential, Government guarantee	1	1	1	1	2	3	3	--
All other residential	7	9	10	10	10	11	10	--
Loans to commercial banks	--	--	--	--	--	--	1	--
Loans to other financial institutions	1	1	1	1	1	1	3	--
Loans to brokers and dealers	--	--	--	--	--	--	--	--
Other loans for carrying securities	--	1	1	1	1	1	--	--
Number of banks (Total: 7,678)	3,627	1,975	1,473	383	148	67	5	0
Average size (Total:11,054)	2,748	7,072	15,048	33,971	68,233	189,044	599,546	--

<sup>1/</sup> Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

NOTE: Five banks with deposits greater than \$500 million and no banks greater than \$1 billion.

Table 12. Ratios of Selected Assets to Total Earning Assets<sup>1/</sup>  
 Insured Commercial Banks, not Members of the Federal Reserve  
 System, by Size Group  
 June 1966  
 (In per cent)

Item (as per cent of total earning assets)	Size Group--Total Deposits (in thousands of dollars)					
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000 <sup>2/</sup>
U.S. Treasury securities	33	26	24	21	19	19
All other securities	12	17	17	17	17	15
Total loans	55	57	59	62	64	65
Real estate loans	16	20	20	20	20	20
Nonresidential	8	8	8	8	8	8
Residential	8	11	12	12	12	13
Loans to financial institutions and investors in securities	4	2	2	3	4	4
Agricultural loans	18	9	3	1	1	1
Business loans	7	10	13	16	19	19
Loans to individuals	13	16	19	21	19	19
Government agency securities	5	4	3	3	3	2
Municipal securities	6	12	13	13	13	12
Corporate and other securities	--	--	1	--	1	1
Trading account securities	--	--	--	--	--	--
Federal funds sold	--	--	--	1	1	1
Total loans less Federal funds sale	55	57	59	61	63	64
Residential, Government guarantee	1	1	1	2	2	4
All other residential	8	10	11	10	10	9
Loans to commercial banks	--	--	--	--	--	--
Loans to other financial institutions	--	1	1	2	2	3
Loans to brokers and dealers	--	--	--	--	1	1
Other loans for carrying securities	--	1	1	1	1	1
Number of banks (Total: 7,360)	4,608	1,534	884	224	74	36
Average size (Total: 7,365)	2,395	6,817	14,723	33,350	66,318	203,218

1/ Ratios are average of ratios for individual banks. Loan transfers between banks and their affiliates are not reflected in the data.

2/ Data not provided to comply with nondisclosure requirements.

NOTE: Only one bank with deposits greater than \$500 million and no banks with deposits greater than \$1 billion.

Table 13.

Use of Legal, Real Estate Lending Potential  
By Various Size Groups of National Banks  
June 1966 and June 1970

Item	Size Group--Total Deposits (in thousands of dollars)							
	Under 5,000	5,000- 10,000	10,000- 25,000	25,000- 50,000	50,000- 100,000	100,000- 500,000	500,000- 1 billion	Over 1 billion
1 9 6 6 (\$ thousands)								
(1) 70% of total time and savings deposits	1,506	3,075	6,169	4,726	4,553	11,730	7,394	25,109
(2) Total real estate loans	663	1,543	3,236	2,484	2,434	5,985	3,502	7,367
(3) Nonresidential	234	533	1,121	896	940	2,426	1,226	2,276
(4) Residential	429	1,010	2,115	1,588	1,494	3,558	2,276	7,091
Use of Potential (In per cent)								
(5) Total real estate loans	44	50	53	53	54	51	47	37
(6) Nonresidential	16	17	18	19	21	21	17	9
(7) Residential	29	33	34	34	33	30	31	28
Number of banks (Total: 4,811)	1,596	1,256	1,115	389	193	191	40	21
Average size (Total: 38,327)	2,854	6,769	14,840	32,937	65,659	187,194	598,663	3,291,781
1 9 7 0 (\$ thousands)								
(8) 70% of total time and savings deposits	1,023	3,282	8,558	7,883	7,077	17,047	9,516	30,440
(9) Total real estate loans	391	1,364	3,928	3,965	3,649	8,787	4,699	13,856
(10) Nonresidential	138	487	1,378	1,393	1,449	3,525	1,817	3,589
(11) Residential	253	876	2,550	2,572	2,200	5,213	2,882	10,267
Use of Potential (In per cent)								
(12) Total real estate loans	38	42	46	50	52	51	49	46
(13) Nonresidential	14	15	16	18	21	21	19	12
(14) Residential	25	27	30	33	31	31	30	34
Number of banks (Total: 4,638)	886	1,172	1,395	593	271	246	46	29
Average size (Total: 53,468)	3,118	7,099	15,036	33,076	66,247	197,330	691,629	3,379,351

NOTE: Items (1) through (4) data are averages for banks in each group.

Table 14

Money Supply and Components

1960 - 1970

(Not seasonally adjusted, in billions of dollars)

<u>Period</u>	<u>Total Money Supply</u>	<u>Member Bank Demand Deposits</u>	<u>Nonmember Bank Demand Deposits</u> <sup>1/</sup>	<u>Currency and Coin</u>
December Average:				
1960	145.5	95.1	20.8	29.6
1961	150.1	98.2	21.7	30.2
1962	152.3	98.4	22.7	31.2
1963	157.9	100.6	24.2	33.1
1964	165.3	104.4	25.9	35.0
1965	173.1	107.9	28.1	37.1
1966	176.9	108.7	29.1	39.1
1967	188.6	116.1	31.3	41.2
1968	203.4	124.3	34.8	44.3
1969	209.8	125.3	37.6	46.9
1970	221.1	131.6	39.5	50.0

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<sup>1/</sup> Includes small amounts of deposits at Federal Reserve Banks.

Table 15

Member and Nonmember Demand Deposits as a Per Cent  
of Total Money Supply Deposits 1/

	Per Cent of Demand Deposit Component of the Money Supply, Accounted for by:		Dollar Change in Member and Nonmember Demand Deposits as a Per Cent of Dollar Change in Total Money Supply Deposits	
	<u>Member banks</u>	<u>Nonmember banks</u>	<u>Member banks</u>	<u>Nonmember banks</u>
Last month of year				
1960	82.1	17.9	133.3	<u>2/</u>
1961	81.9	18.1	77.5	22.5
1962	81.3	18.7	16.7	83.3
1963	80.6	19.4	59.5	40.5
1964	80.1	19.9	69.1	30.9
1965	79.3	20.7	61.4	38.6
1966	79.0	21.0	44.4	55.5
1967	78.8	21.2	77.1	22.9
1968	78.1	21.9	70.1	29.9
1969	76.9	23.1	26.3	73.7
1970	76.9	23.1	76.8	23.2

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1/ Based on not seasonally adjusted last-month of year data.

2/ Not definable because total deposits declined and nonmember deposits increased.

Table 16.a

Total Bank Credit and Selected Components  
(Not Seasonally Adjusted, in Billions of Dollars)

	<u>Total Loans and Investments</u>			<u>U.S. Government Securities</u>		
	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>
1960	198.9	164.7	4.2	61.0	49.1	11.9
1961	214.4	178.6	35.8	66.6	54.1	12.5
1962	233.3	193.3	40.0	66.4	53.0	13.4
1963	250.6	206.7	43.9	63.4	49.3	14.1
1964	273.9	225.2	48.7	63.0	48.7	14.3
1965	301.8	247.7	54.1	59.5	45.0	14.5
1966	317.9	260.5	57.4	56.2	41.9	14.3
1967	354.5	288.9	65.6	62.5	47.0	15.5
1968	393.4	318.4	75.0	64.5	47.9	16.6
1969	410.5	328.0	82.5	54.7	39.8	14.9
1970	442.4	352.3	90.1	61.2	45.1	16.1

Per Cent of Credit Item Accounted for by:

1960	83	17	80	20
1961	83	17	81	19
1962	83	17	80	20
1963	82	18	78	22
1964	82	18	77	23
1965	82	18	76	24
1966	82	18	75	25
1967	81	19	75	25
1968	81	19	74	26
1969	80	20	73	27
1970	80	20	74	26

Dollar Change in Member and Nonmember Credit Item as a  
Per Cent of Total Change in Credit Item

1960	80	20	347	-247
1961	90	10	89	11
1962	77	23	55	45
1963	79	21	123	-23
1964	86	14	150	-50
1965	81	19	106	-6
1966	80	20	94	6
1967	78	22	81	19
1968	76	24	45	55
1969	56	44	81	19
1970	76	24	82	18

Table 16.b

Total Bank Credit and Selected Components (cont'd)  
(Not Seasonally Adjusted, in Billions of Dollars)

	<u>Other Securities</u>			<u>Total Loans (Net)</u>		
	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>
1960	20.9	16.6	4.3	116.7	99.0	17.7
1961	23.9	19.3	4.6	123.9	105.2	18.7
1962	29.3	24.1	5.2	137.5	116.2	21.3
1963	35.1	29.1	6.0	152.4	128.3	24.1
1964	38.8	32.1	6.7	172.1	144.4	27.7
1965	44.9	36.8	8.1	197.4	165.9	31.5
1966	48.8	39.0	9.8	213.0	179.6	33.4
1967	61.5	49.3	12.2	230.5	192.6	37.9
1968	71.5	56.9	14.6	257.4	213.6	43.8
1969	71.3	54.8	16.5	284.5	233.4	51.1
1970	85.7	66.2	19.5	295.5	241.0	54.5

Per Cent of Credit Item Accounted for by:

1960	79	21	85	15
1961	81	19	85	15
1962	82	18	85	15
1963	83	17	84	16
1964	83	17	84	16
1965	82	18	84	16
1966	80	20	84	16
1967	80	20	84	16
1968	80	20	83	17
1969	77	23	82	18
1970	77	23	82	18

Dollar Change in Member and Nonmember Credit Item as a  
Per Cent of Total Change in Credit Item

1960	75	25	69	31
1961	90	10	92	8
1962	89	11	81	19
1963	86	14	61	39
1964	81	19	88	12
1965	77	23	85	15
1966	56	44	88	12
1967	81	19	92	8
1968	76	24	78	22
1969	1050	-950	73	27
1970	79	21	60	40



Table 16.c

Total Bank Credit and Selected Components (cont 'd)  
(Not Seasonally Adjusted, in Billions of Dollars)

	<u>Business Loans</u>			<u>Real Estate Loans</u>		
	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>
1960	43.1	39.3	3.8	28.7	22.5	6.2
1961	45.2	40.9	4.3	30.3	24.0	6.3
1962	48.7	43.8	4.9	34.3	27.2	7.1
1963	52.9	47.4	5.5	39.1	31.0	8.1
1964	60.2	53.7	6.5	43.7	34.6	9.1
1965	71.4	64.0	7.4	49.3	39.0	10.3
1966	80.6	72.6	8.0	54.0	42.4	11.6
1967	88.5	79.3	9.2	58.5	45.5	13.0
1968	98.4	87.8	10.6	65.1	50.5	14.6
1969	108.8	96.1	12.7	70.5	53.2	17.3
1970	111.7	N.A.	N.A.	72.1	N.A.	N.A.

Per Cent of Credit Item Accounted for by:

1960	91	9	78	22
1961	91	9	79	21
1962	90	10	79	21
1963	90	10	79	21
1964	89	11	79	21
1965	90	10	79	21
1966	90	10	79	21
1967	90	10	78	22
1968	89	11	78	22
1969	88	22	75	25
1970	N.A.	N.A.	N.A.	N.A.

Dollar Change in Member and Nonmember Credit Item as a  
Per Cent of Total Change in Credit Item

1960	86	14	50	50
1961	73	27	94	6
1962	83	17	70	30
1963	86	14	78	22
1964	86	14	80	20
1965	92	8	79	21
1966	93	7	72	28
1967	85	15	69	31
1968	86	14	76	24
1969	80	20	50	50
1970	N.A.	N.A.	N.A.	N.A.

Table 16.d

Total Bank Credit and Selected Components (cont'd)  
(Not Seasonally Adjusted, in Billions of Dollars)

All Other Loans

	<u>All Commercial Banks</u>	<u>All Member Banks</u>	<u>Non- Member Banks</u>
1960	44.9	37.2	7.6
1961	48.4	40.3	8.1
1962	54.5	45.2	9.3
1963	60.4	49.9	10.5
1964	68.2	56.1	12.1
1965	76.7	62.9	13.8
1966	78.4	64.6	13.8
1967	83.5	67.8	15.7
1968	93.9	75.3	18.6
1969	105.2	84.1	21.1
1970	111.7	N.A.	N.A.

Per Cent of Credit Item Accounted for by:

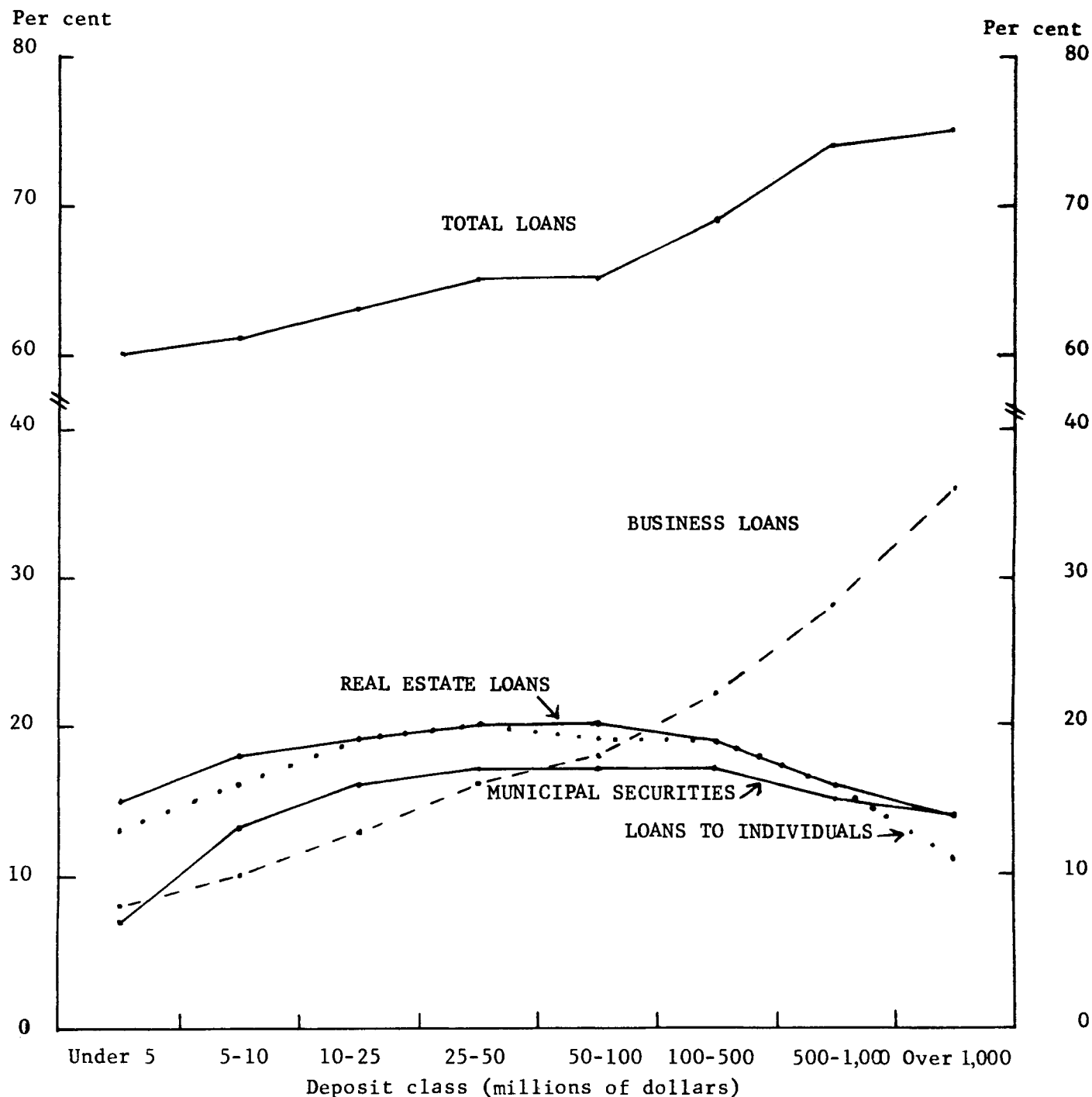
1960	83	7
1961	83	17
1962	83	17
1963	83	7
1964	82	18
1965	82	18
1966	82	18
1967	82	18
1968	80	20
1969	80	20
1970	N.A.	N.A.

Dollar Change in Member and Nonmember Credit Item as a  
Per Cent of Total Change in Credit Item

1960	56	44
1961	100	--
1962	80	20
1963	80	20
1964	79	21
1965	80	20
1966	100	--
1967	63	27
1968	72	28
1969	78	22
1970	N.A.	N.A.

N.A. Not Available  
1970 is Preliminary

CHART A  
 RATIO OF SELECTED ASSETS TO TOTAL EARNING ASSETS<sup>1</sup>  
 All Insured Commercial Banks, by Size Group  
 June, 1970



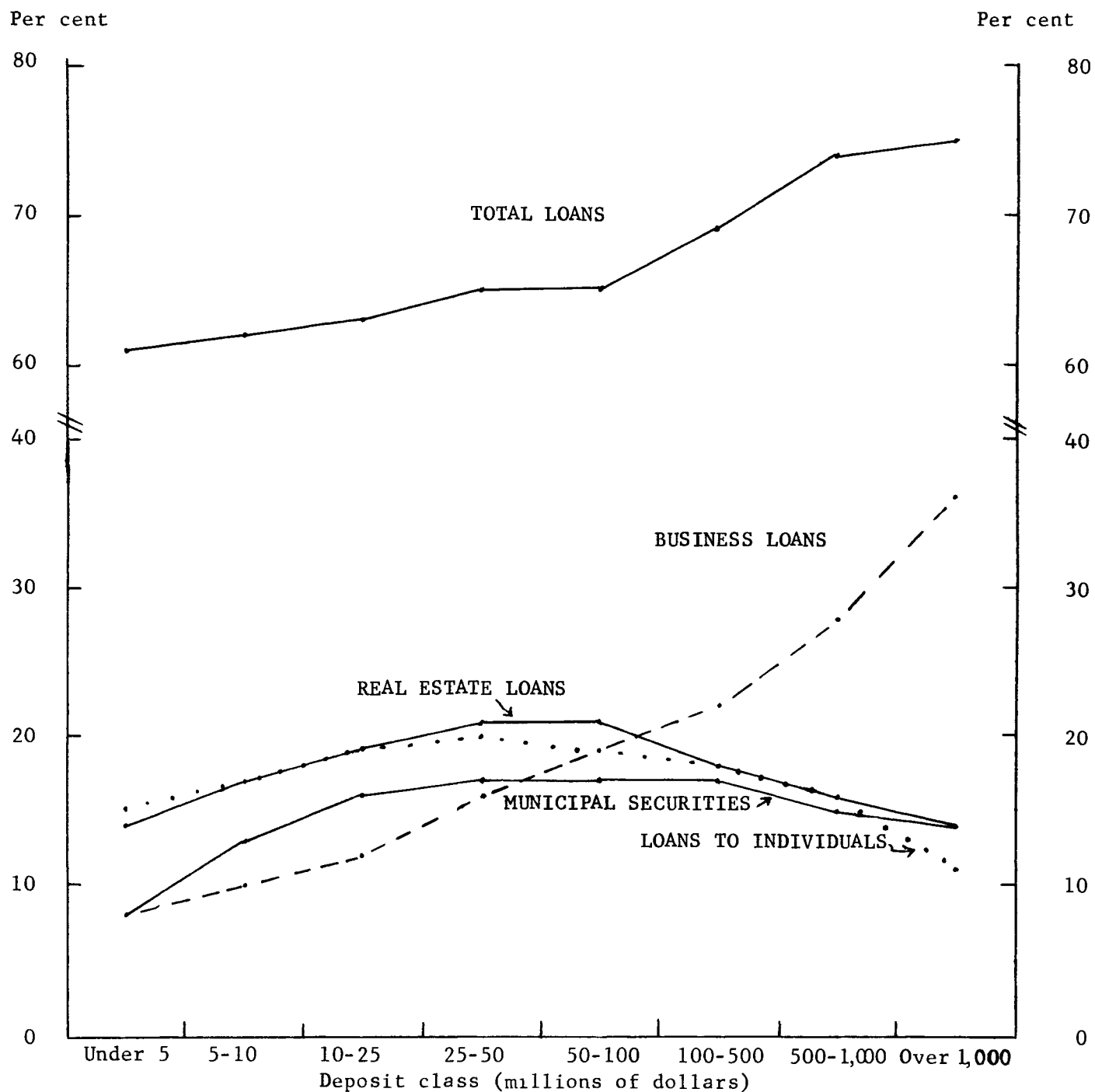
<sup>1/</sup> Total earning assets consist of total loans and investments.

CHART B

RATIO OF SELECTED ASSETS TO TOTAL EARNING ASSETS<sup>1</sup>

Federal Reserve Member Banks, by Size Group

June, 1970

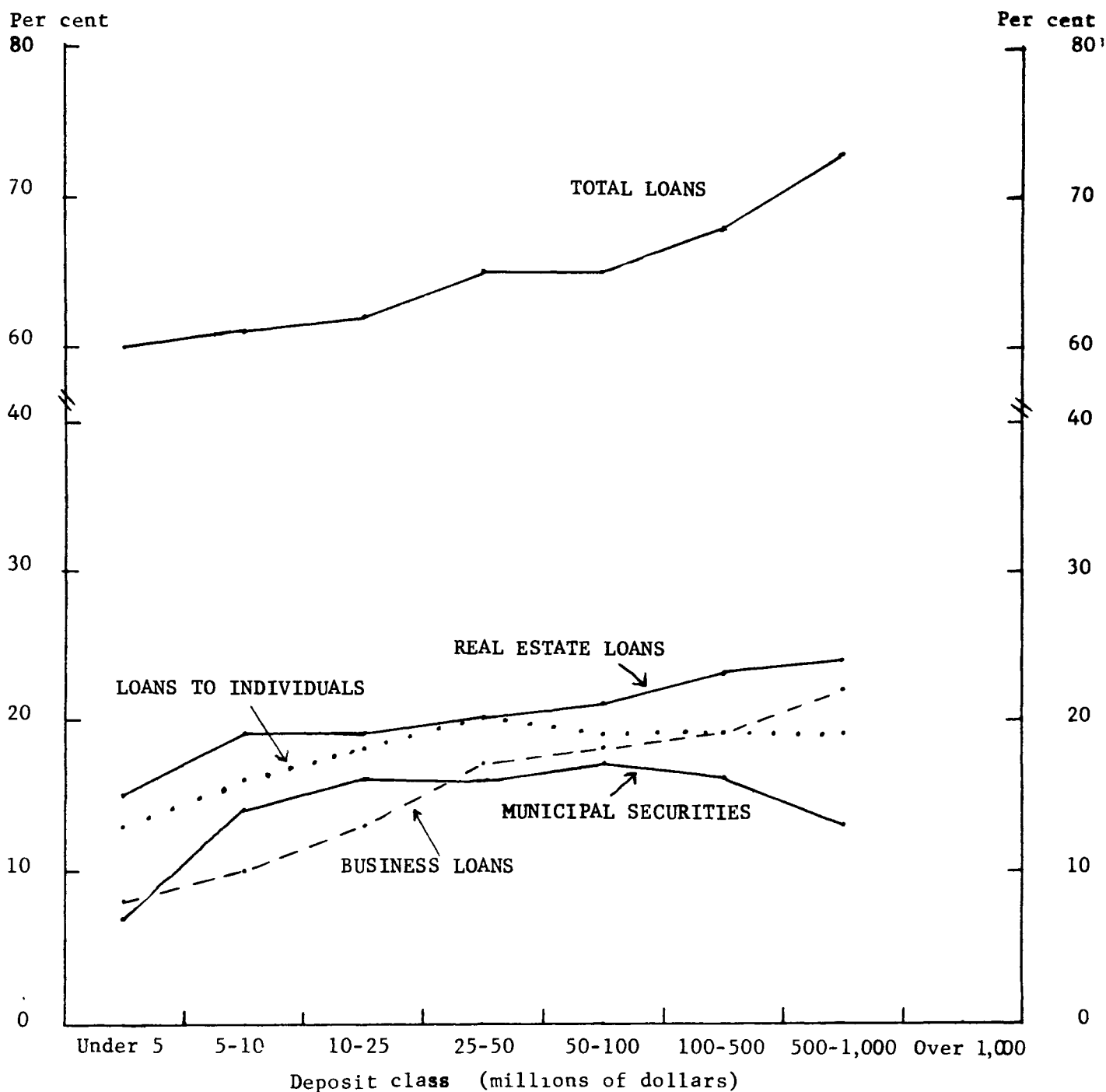


<sup>1/</sup> Total earning assets consist of total loans and investments.

# CHART C

## RATIO OF SELECTED ASSETS TO TOTAL EARNING ASSETS<sup>1</sup>

Insured Commercial Banks, not Members of the Federal Reserve System, by Size Group  
June, 1970

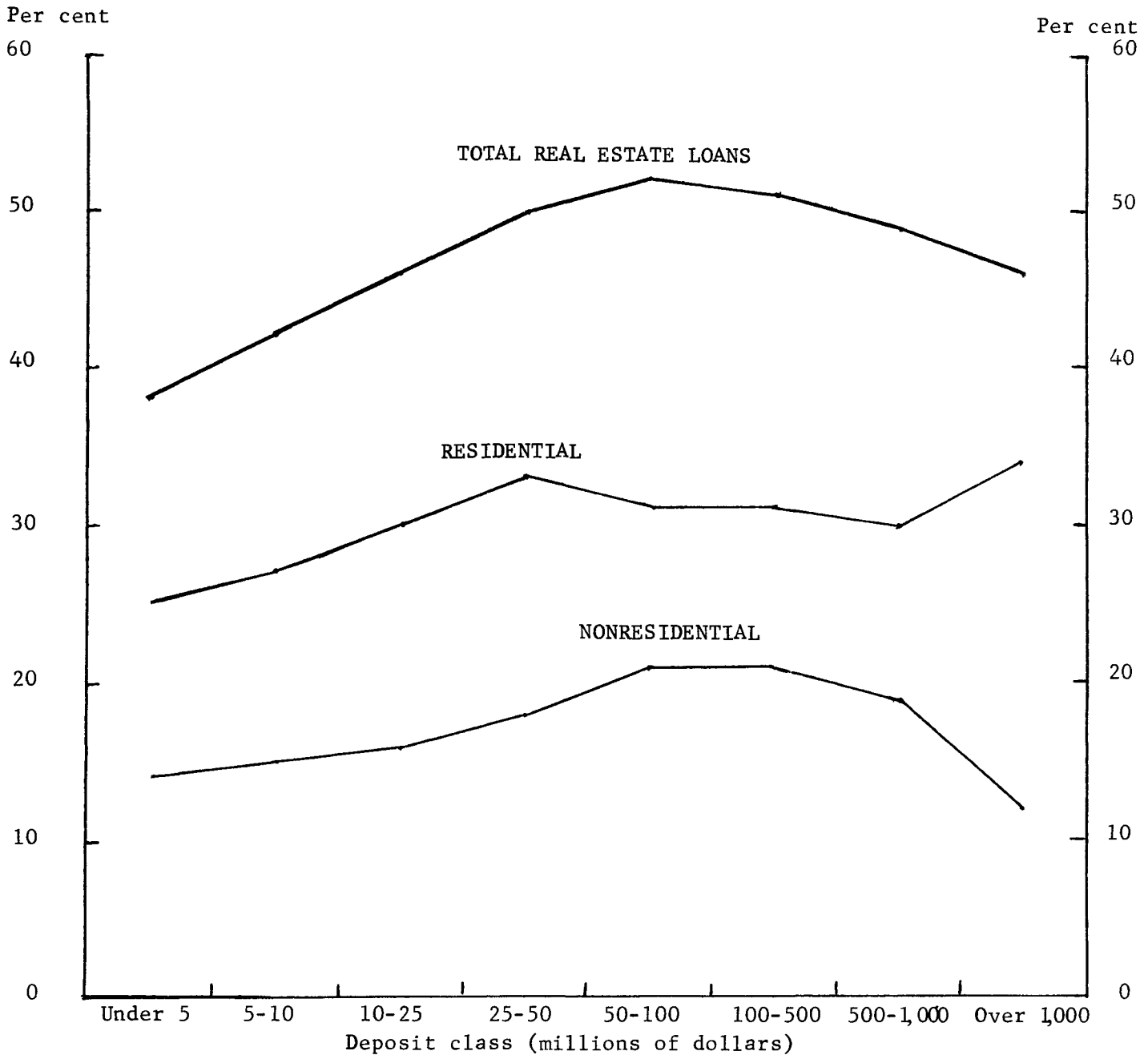


<sup>1/</sup> Total earning assets consist of total loans and investments.

CHART D

USE OF LEGAL REAL ESTATE LENDING POTENTIAL BY NATIONAL BANKS,<sup>1</sup>  
BY SIZE OF GROUP

June, 1970



<sup>1/</sup> Under Section 24 of the Federal Reserve Act, a national bank's total real estate loans are limited to an amount equal to its total capital and surplus or 70 per cent of its time and savings deposits--which ever is the greater. The time and savings deposits criterion was used in the present analysis.