



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-944

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1942

Dear Sir:

We have received reports that a number of State and local governments have been holding some of their liquid funds in the form of currency. In view of the rapid increase in the volume of currency in circulation during recent years, particularly in large denomination bills, we are interested in determining the prevalence of this practice and to what extent it has been growing or declining. We are therefore requesting each Federal Reserve Bank to obtain reports of the amount of cash on hand, i.e. coin and currency, held by the State governments whose capital is located in the Bank's district and by several of the more important local government units in the district. The figures should be obtained from official published reports wherever possible. If no such reports are published by government units that are of considerable financial importance, however, it would be desirable to get in touch with the appropriate government officials to see if such information can be made available for our confidential use. For purposes of comparison, the reports should show the volume of cash on hand held on some recent date and on the same date two or three years ago, such as December 31, 1941 and December 31, 1938.

In requesting this information, we realize that the situation is complicated by the fact that there are frequently a number of autonomous and overlapping government units within the same area and that funds of any one government unit may be in the custody of several officials. In such cases it is not necessary to obtain complete coverage of these units, but we are hoping that an adequate sample of those of substantial financial importance can be covered.

If it is not possible to obtain such figures, it would be desirable for representatives of your Bank to discuss with the appropriate government officials their practice with regard to the holding of currency and whether this practice has been substantially changed during the past two or three years.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS