Meeting on April 15, 1938.

MEMBERS PRESENT:

Mr. Eccles, Chairman

Mr. Ransom, Vice Chairman

Mr. Szymczak

Mr. McKee

Mr. Davis

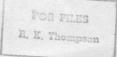
Mr. Draper

Reduction in Reserve Requirements of Member Banks.

ments and thereby proventing in

It was voted unanimously at this meeting, for the purpose of reducing reserve requirements of member banks, to adopt, effective at the opening of business on April 16, 1938, a revised supplement to Regulation D, Reserves of Member Banks, requiring that each member bank maintain on deposit with the Federal reserve bank of its district reserve balances equal to 12 percent of its net demand deposits if the bank be not located in a reserve or central reserve city, 17 1/2 percent of its net demand deposits if the bank be located in a reserve city, and 22 3/4 percent of its net demand deposits if the bank be located in a reserve city, plus 5 percent of its time deposits.

requirements excess reserves of member banks would increase by about \$750,000,000. This action had been agreed upon by the members of the Board as a part of the program announced by the President of the United States on April 14, 1938, for the encouragement of business recovery. Although there had been excess reserves in amounts considered ample to meet all probable needs of agriculture, commerce and business, the volume of business activity had declined with such rapidity as to produce injurious, deflationary effects upon commodity prices, the capital market, and industry generally. In these circumstances and in view of the other steps proposed to be taken in the Government's program for encouraging business recovery, the Board decided that a reduction in reserve require-



ments of member banks might be helpful, as a part of a concerted effort by the Government to carry out the purposes of this program, by assuring the continued availability of ample funds for meeting business requirements and thereby preventing injurious credit contraction.

Prior to this mosting atl of the aesbers of the Board had agreed

informally to take action, as a part of the program appeared by the Prest-

In meda, to carry out the regression, it was world unmissionally at this meeting to adopt a revised supplement to Regulation D. Reserves of a Member Banks, requiring the set offentive as all the consist of the immes on April 16, 1978, said member and serves satisfied a deposit with the Federal reserve bank of its district sound to 5 per cent of its time deposite; plus 12 per cent of its met desayed doposite if the bank is not located in a reserve or control reserve city.

17 1/2 per cent of its met demand deposite if the bank is located in a reserve city, and 21 5/4 per cent of its not demand deposite if the bank is located in a reserve city. (It was estimated that the reserve percentages two preserved would affect a reduction of approximately \$750,000,000 in

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Mr. Szymczak Mr. McKee

Mr. Davis and an armount of the contraction.

Mr. Draper

Reduction in Reserve Requirements of Member Banks.

Prior to this meeting all of the members of the Board had agreed informally to take action, as a part of the program announced by the President of the United States on April 14, 1938, for encouragement of business recovery, to reduce reserve requirements of member banks by approximately \$750,000,000.

In order to carry out this agreement, it was voted unanimously at this meeting to adopt a revised supplement to Regulation D, Reserves of Member Banks, requiring that, effective as of the opening of business on April 16, 1938, each member bank shell maintain reserve balances on deposit with the Federal reserve bank of its district equal to 5 per cent of its time deposits, plus 12 per cent of its net demand deposits if the bank is not located in a reserve or central reserve city, 17 1/2 per cent of its net demand deposits if the bank is located in a reserve city, and 22 3/4 per cent of its net demand deposits if the bank is located in a central reserve city. It was estimated that the reserve percentages thus prescribed would effect a reduction of approximately \$750,000,000 in the required reserves of member banks.

In taking this action it was recognized by the Board that while there were ample excess reserves to meet any probable needs of agriculture, commerce and business, there was no immediate denger of an injurious eredit expansion. On the contrary, the volume of business activity had declined with rapidity to a point where ar injurious deflationary situation was developing in industry, in the capital market, and in commodity

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prices. In view of these circumstances, the Board decided that a reduction in reserve requirements might be effective, as a part of a concerted effort by the Government to encourage business recovery, in counteracting the deflationary trend and in thus preventing injurious credit contraction.