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## The Federal Reserve System in Wartime

THE MAJOR OBJECTIVE of Federal Reserve policy while the war continues is to assist the government in financing the war effort. The character and size of the Reserve System's task in war finance is primarily determined by the scale of the government's spending program and by the extent to which this expenditure is covered by taxes and by sales of United States securities to nonbank investors. The magnitude of the undertaking confronting the System is indicated by the figures presented in Table 1, which are based on the current records and budget estimates of federal expenditures and public debt increases, coupled with data and estimates showing the participation of the banking system in financing the federal debt.

Commercial bank participation in the government's financing program during the coming months of war is necessarily highly conjectural. However, it is widely assumed that the banks will continue to make substantial additions to their government security portfolios. It is estimated that even with considerable success in selling government security offerings outside the banking system, total bank holdings of federal debt will range from \$95 billion to \$107 billion by the end of June 1945.

### FUNCTIONS OF THE FEDERAL RESERVE SYSTEM IN WARTIME

For the duration of the war the Federal Reserve officials will presumably endeavor within the limits of their powers to keep government borrowing from commercial banks at the lowest level compatible with prompt and adequate provision of the funds required for war purposes. Although the character of the government's taxing and borrowing program is not a responsibility of the Federal Reserve officials, they conduct research on problems connected with the program and offer suggestions to the Congress and to the Treasury that may affect the decisions finally made. When the