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MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE OF THE  
FEDERAL OPEN MARKET COMMITTEE  
HELD AT WASHINGTON, D. C.  
AUGUST 8, 1934

*333.3-a-1*  
*Final Minutes*  
*8/8/34*

There were present for the meeting

Governor Harrison, chairman, Governors Norris, Fancher, and Schaller, and Deputy Governor Burgess, secretary.

At 10:45 a. m., the committee met with the Federal Reserve Board, there being present

From the Federal Reserve Board  
Governor Black, Messrs. Miller, Hamlin, and Thomas,

Undersecretary Coolidge,

From the Board staff  
Messrs. Morrill, Wyatt, Goldenweiser, Martin and Jones.

Governor Harrison reported upon his recent trip abroad, <sup>*informally*</sup> the meeting having been called at his request for that purpose.

At 12:00 o'clock the committee adjourned from the Board offices to the Treasury and, in company with Governor Black, met with Secretary Morgenthau, who discussed with them informally the method of handling silver certificates to be issued against purchases of silver by the Treasury. The Secretary stated that his present plan was to issue up to \$100,000,000 of silver certificates, and he trusted the Reserve banks would cooperate by receiving and paying out these silver certificates in the normal course of business.

There was some discussion of the method by which these certificates should be distributed, and it was agreed that further consideration would be given by the individual members of the committee.

There was also discussion of the method of dealing with any shortage of tenders for the \$150,000,000 of bonds of the Home Owners Loan Corporation being offered that afternoon.

The meeting adjourned at one o'clock.

*Trans letter 10/2/34 filed 333.3-a-1*

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The meeting reconvened at 2:15 p. m. in the offices of the Federal Reserve Board with Governor Black. Governor Harrison referred to the fact that at the last joint conference in June the members of the Executive Committee of the Federal Open Market Committee had been asked to serve as a continuing committee to study ways and means of aiding the recovery program, as well as to study necessary changes in the banking system. It was recognized that there was probably little specific action, other than what has already been taken by the Federal Reserve System to aid directly in recovery, except through the extension of industrial loans under the Act of June 19, 1934. In this connection, reference was made to the fact that commercial bankers are reported to be hesitant to participate in these 5-year industrial loans for fear that such loans will be criticized by bank examiners. Governors Harrison and Fancher were appointed a committee to discuss this question with the Secretary of the Treasury.

There ensued a discussion of plans for studies of changes in the banking system. It was agreed that in order to conduct such studies it would be desirable to place the responsibility on a small group of workers *who would be detached from their regular duties for that purpose* and it was agreed that Dr. Goldenweiser and Dr. John Williams should be designated to that work and that they should associate with themselves Mr. Walter Stewart if he were available and, if not, that some other outsider should be considered. Governor Black indicated that he would like to add to the committee of governors for the purpose of these studies a member of the Federal Reserve Board, in order that the Board might have representation on the committee. It was felt that this would be advisable.

The Secretary's report of operations was distributed and considered. There ensued a discussion of the disposition of profits on securities sold and those present agreed that it would be desirable to use realized profits to write

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down the book value of government security holdings rather than to distribute them as income. It was recognized that this procedure involved a number of accounting problems which should be given careful study before the end of the year.

Governor Black reported that the directors of the Federal Reserve Bank of Atlanta had expressed a desire to discontinue the Havana Agency, and reported that both representatives of the State Department and the principal banks having branches in Cuba had expressed themselves as opposed to the discontinuance of the Agency. Governor Black pointed out that the law provided that the Board can require any bank to establish a foreign agency. He raised the question whether some means could be devised by which the expenses and risk of maintaining the agency could be distributed among the twelve Federal reserve banks rather than having it all fall upon the Atlanta bank. Governor Harrison suggested that consideration should be given to the possibility of using one or more of the commercial banks having branches in Havana as agencies of the System.

The meeting adjourned at 3:15 p. m.

W. Randolph Burgess  
Secretary.