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FEB 28 1934  
*333-3-a-1*

MINUTES OF THE MEETING OF THE  
SYSTEM COMMITTEE ON THE RECOVERY PROGRAM  
WASHINGTON, D. C., SEPTEMBER 6 AND 7, 1934

*Final Minutes  
9/6/34*

The meeting was called to order at 10:50 a. m., there being present:

Governor Harrison, chairman, and Governors Thomas, Young,  
Fancher, Schaller,  
Deputy Governors Hutt and Burgess, secretary, and  
Messrs. Goldenweiser and Williams.

There was first a discussion of the organization of the committee, and  
it was voted that Governor Harrison should continue to act as chairman and Mr.  
Burgess as secretary.

Question was raised as to the relationship between this committee and  
the committee of Federal Reserve Agents for the study of legislative suggestions,  
consisting of Messrs. Peyton, Newton, and Williams, and Mr. Stephens, ex officio.  
It was generally agreed that some plan should be worked out for cooperation be-  
tween the two groups, and Governor Harrison was asked to discuss the question  
with Governor Thomas.

Governor Black entered the meeting at this point.

Governor Harrison reviewed previous discussions as to the most effective  
means for considering banking legislation, and called attention to the unanimous  
agreement of the joint conference in June that the President should be asked to  
appoint a commission for the study of banking legislation.

Governor Black suggested that the desirability of that procedure hinged  
on the character of commission which might be appointed, and expressed doubt  
whether in practice a commission could be assured qualified to deal understandingly  
with the Federal Reserve System. After some further discussion no action was  
taken on this question.

*Trans letter 12/4/34 filed 333: 3-a-1  
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Governor Black and Governor Thomas both commented on the desirability for more widespread public and particularly congressional information with respect to the operations of the Federal Reserve System. It was generally agreed that whatever report the committee might make should be directed in part at least toward this end, and should include some review of the purposes and accomplishments of the Federal Reserve System.

Dr. Goldenweiser reported as to what research workers might be available to assist the committee in its work, and after discussion it was moved and carried that Mr. W. R. Stark be employed on a month to month basis by the committee, his salary to be subject to the approval of the Federal Reserve Board.

Dr. Williams suggested that it was of importance to determine what the emphasis should be in the study. An historical defence of the System would necessarily be highly controversial. A discussion centered upon the structure of the banking system could include a review of the System's experience with least danger of controversy, would attack the real point of weakness, and lead to constructive conclusions.

It was agreed that the committee and its investigators should cooperate as closely as possible with the Treasury study on banking headed by Professor Jacob Viner.

The meeting adjourned at 12 noon.

At 2:45 p. m. the meeting reconvened, there being present:

Governor Harrison, chairman, and Governors Thomas, Black, Young, Fancher, and Schaller, Deputy Governors Burgess and Hutt, and Messrs. Goldenweiser and Williams.

There was further discussion of the character of the proposed report, and question was raised as to the audience to which the report should be addressed. It was agreed that the report should be written in simple language, should be brief, and should be of such character that it might be addressed to

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the President, the Secretary of the Treasury, or Congress. It was suggested that it should be in effect a report and recommendation on the banking structure of the United States made by the Federal Reserve System.

There then ensued an informal discussion of the outline of topics which Dr. Goldenweiser had submitted for the consideration of the committee. This outline is attached to these minutes. The discussion which was wholly preliminary covered the following points.

✓ (1) Whether the prestige of the System might be strengthened by leaving bankers off the boards of directors of the Federal reserve banks.

(2) What changes might be made in the composition of the Federal Reserve Board. Upon this point it was agreed that the various suggestions which have been made should be assembled and scrutinized.

(3) Whether the governors of the Reserve banks should be members of the boards of directors.

(4) Whether the examination function, if it were undertaken by the Federal Reserve System, should be centralized in Washington or decentralized in the several reserve districts. Decentralization of supervision and of the insurance of deposits might answer one of the criticisms to unified banking, namely, that it would tend toward bureaucracy and undue centralization.

(5) Whether the Federal Advisory Council should be partly composed of business men, and whether if the Council is to function more vigorously it should not have a larger executive staff. The opinion was expressed by some that the Council should be abolished.

(6) Whether the open market committee, acting with the Federal Reserve Board, did not in effect constitute the nearest approach in this country to a central bank so far as credit policies are concerned.

(7) Whether the capital stock of the reserve banks should continue to be owned wholly by the member banks, or be otherwise distributed. The general feeling was that stock ownership by the banks had proved desirable.

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(8) In connection with the question of personnel it was pointed out that uncertainties as to the future of the System increased the difficulty of getting the best personnel.

(9) The relationship between getting the best men for directors of the Reserve banks and the relative balance of responsibility between Washington and the banks was discussed.

(10) The general question of the relation of the central banking function to the government was discussed. In this connection two separate movements were noted, a movement to make the bank of issue a Treasury bank, and another movement to make it an independent government body.

(11) Whether there should not be some regular arrangement for a form of franchise tax by which some payment should be made to the Treasury at times when the Reserve System has surplus earnings.

(12) Whether the new reserve requirements plan should be further recommended by this committee.

(13) Whether the old eligibility requirements have not been outgrown, and whether the provision for 10b loans should not be made permanent.

(14) The general question whether the function of a bank of issue is of such character that general rules may be laid down for its operation.

The meeting adjourned at 5:30 p. m. to reconvene at 9:30 a. m. the following morning.

The meeting reconvened on Friday morning, September 7, at 9:30 a. m., there being present:

Governor Harrison, chairman, and Governors Thomas, Schaller, Deputy Governor Hutt, and Messrs. Goldenweiser and Williams.

Governor Harrison reported that he had discussed with Secretary Morgenthau the activities of the System committee with respect to the proposed stock taking report, and Secretary Morgenthau expressed a desire to cooperate and was entirely agreeable to the committee's employing Mr. Stark, whose resignation from the Treasury is to take effect September 15.

It was suggested and agreed that for the present the activities of the committee be given no publicity.

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The meeting was interrupted at this point for the holding of a brief meeting of the Executive Committee of the Federal Open Market Committee but reconvened shortly as the Committee on Recovery Program.

It was agreed that the unification of the banking system was the central problem of the committee and might require the appointment of a sub-committee.

With respect to the insurance of deposits it was suggested that if the bank examinations are decentralized by reserve districts deposit insurance should be organized on the same regional basis.

At this point Governor Black entered the meeting.

Dr. Goldenweiser suggested that deposit insurance funds should be used to prevent bank closings rather than to pay off deposits after closings.

It was agreed that insurance of deposits, branch banking, and unified banking were all parts of a single problem.

There ensued a general discussion of branch and chain banking, at the conclusion of which it was agreed that each member of the committee should write out his ideas on the subject and submit them to the chairman, and that this procedure would probably be better than the appointment of a sub-committee at this time.

It was agreed that for the present it would be well for the committee to avoid discussion of monetary policy in the proposed report.

There ensued a discussion of publicity and public relations, in which the importance of such work was emphasized. Governor Black and Governor Thomas both spoke strongly in favor of more adequate publicity. Question was raised whether the Reserve System should have some form of publicity bureau.

It was agreed that a meeting of the Governors Conference and the Open Market Committee should be called in the near future, which would discuss the problem of publicity, industrial loans, etc.

The meeting adjourned at 11:15 a. m.

W. RANDOLPH BURGESS,  
Secretary.