

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 11, 1944

To Chairman Eccles

Subject: _____

From Mr. Goldenweiser

There is attached for your information a copy
of the minutes of the September 23, 1944 meeting of the
System Research Advisory Committee.

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SYSTEM RESEARCH ADVISORY COMMITTEE

Minutes of Fourth 1944 Meeting
September 23, 1944 at Washington

Members present: Messrs. Goldenweiser, Chairman; Roelse, Sienkiewicz,
Raisty, Langum, and Wheeler.

Others present: Messrs. Woodlief Thomas, C. O. Hardy, Paul McCracken, and
John O. Bergelin, Secretary. Mr. Hopkins presented a special report to
the Committee and Miss Burr and Mr. Domar were in attendance during that
report.

System project on postwar economic problems and policies

Mr. Goldenweiser made a brief progress report on this project. Up
to the time of the meeting completed papers had been received from several
of the authors and several others had finished preliminary drafts which were
being circulated among specialists in their respective fields prior to sub-
mission to Mr. Goldenweiser. It is expected that before or during the latter
half of October a majority of the papers will be completed and distributed to
the heads of research throughout the System. A few papers will not, however,
be completed until some time in November. The Open Market Committee has in-
dicated that it wishes to have the work of the Committee on Banking and
Credit Policy completed in time for consideration at the December meeting
of the Open Market Committee. Consequently, this work will henceforth re-
ceive first consideration until it is completed. It is hoped that all other
papers in the general project will be completed and presented to System
authorities by next spring.

There was some discussion of the project in its general phases and
during this discussion it was re-emphasized by Mr. Goldenweiser and by members
of the Committee that the authorities of the System were the audience for the
papers and that the papers should be written with this fact in mind. The
authors should feel free to take definite positions without reference to pos-
sible future publication, but they should write in such a manner, from the
point of view of form, as to make the papers appropriate for publication.

It was suggested that, in transmitting papers to the heads of
research and to other authors for comment and criticism, a deadline date of
ten to fifteen days after receipt of the article be established so that those
wishing to make comments would be placed on notice that they should do so
promptly. This suggestion was accepted by the Committee and henceforth when
papers are sent to Mr. Goldenweiser and distributed to other authors for
comment there should be included a statement that comments should be returned
to the author and to Mr. Goldenweiser within ten to fifteen days after receipt
of the article.

Industrial technological research and the Federal Reserve System

The Committee had been requested by Chairman Eccles to consider the need for the provision of industrial technological research facilities to business in one form or another and the part, if any, that the System should take in this field of endeavor. This request was prompted by a request by the Federal Reserve Bank of Atlanta that it be authorized to make a contribution to the Southern Research Institute, which is being organized to provide industrial research facilities in the South.

Prior to the meeting, Mr. Hopkins of the Federal Reserve Bank of Atlanta was requested to conduct a brief survey of the manner in which industrial research facilities were now being provided by Federal agencies. Mr. Hopkins reported his findings to the Committee and also gave a brief outline of the organization and proposed activities of the Southern Research Institute and the need for industrial research facilities in the South. A copy of Mr. Hopkins' report is attached.

The Committee discussed this matter at length and there was general agreement that it was not only desirable but also important that in the post-war period industrial research facilities be readily available to business and particularly to small business. There was also agreement that as a general rule it would not be desirable for the Federal Reserve System to provide funds to private or public agencies for this purpose. The following recommendations were unanimously adopted by the Committee.

(1) It is the opinion of the System Research Advisory Committee that the Federal Reserve System should not make contributions to private or public agencies organized to provide industrial technological research facilities to business. The Committee recognizes, however, that this is a matter of policy and of law on which the Committee is not competent to pass and which in the end must be decided by the System authorities.

(2) The Committee recommends that the Board of Governors and the Federal Reserve Banks give such industrial technological research institutions all of the assistance in the economic research phases of their work that the System's facilities permit and such public relations assistance as the officials of the Board of Governors and of each Bank may approve for their own organizations.

(3) The Committee recognizes the importance of industrial technological research to the economic development of the nation and of the various regions and is of the opinion that the Federal Government should stand ready to provide or to assist in providing industrial research facilities, particularly for small business, whenever such facilities are not being adequately supplied by private or by other public agencies.

The Committee believes, therefore, that Congress should give consideration to the establishment of adequate facilities to provide industrial technological research or make available the results of industrial research to business generally and particularly to small business. The method of accomplishing this end could be either through existing agencies, such as the Bureau of Standards in the Department of Commerce and the Bureau of Agricultural and Industrial Chemistry in the Department of Agriculture; or, if necessary, through establishing new ones; extending grants-in-aid to private or public organizations; or some combination of these different approaches. In particular, provision should be made in the appropriate department or agency of the Government for the continuance on a permanent basis of activities, such as the advisory referral service, which are now being provided by temporary wartime agencies.

Following the adoption of these recommendations, Mr. Raisty moved that, because of the extreme inadequacy of the industrial research facilities now available in the South and because of the extreme need for industrial development in the South, the System Research Advisory Committee recommend that the request of the Federal Reserve Bank of Atlanta for authorization to contribute funds to the Southern Research Institute be approved as an exception to the principles adopted above. This motion received no second.

There followed some discussion of the responsibilities of members of the System Research Advisory Committee during which it was brought out, and unanimously agreed, that when serving on the System Research Advisory Committee the various members represent neither the Board of Governors nor their respective Banks but represent the Federal Reserve System as a whole. This concept of the Committee's function was deemed to be essential if the Committee is to provide effective advisory service on matters of concern to the System as a whole.

Distribution of the minutes and of the reports of the Committee

Mr. Goldenweiser suggested and the Committee unanimously agreed that copies of the minutes and other reports of the Committee should be sent to the Chairman of the Presidents' Conference Committee on Research and Statistics.

Other matters

The Federal Reserve Bank of Cleveland raised two questions for consideration by the Committee. One was the suggestion that it might be useful for the System to expand the collection of data on loans made by member banks to include data on total loans made within a period rather than the present practice of obtaining information only on loans outstanding

at the end of a period. The other was a suggestion that the instalment credit report for industrial banking companies be changed so that business instalment loan data would be excluded from reported figures. In regard to the first suggestion, the Committee was of the opinion that in view of all the other work under way at present, it would not be advisable at this time to attempt the developmental work that might be necessary in deciding whether or not it would be possible to extend the collection of loan data. However, inasmuch as it seemed that the idea should be explored further, the suggestion was referred to the Committee on Banking and Credit Policy and the Committee on Financial Aspects of Reconversion for reports as to these two Committees' views with respect to it. The second suggestion was referred directly to the Subcommittee on Current Reporting Series.

In response to a question by one of the Committee members, Mr. Thomas outlined briefly the current status of the project previously approved by the Board, for a survey by Mr. Likert of savings and expenditures by individuals. He indicated that this project was held up pending the completion by Mr. Likert of a somewhat similar survey for the Treasury, but that plans were now being made for going ahead with the survey for the System. The first task was to select an area for exploration, presumably one with a large increase in currency. Mr. Thomas explained also the plans now being worked out by intergovernmental committees, at the request of the President, to obtain information needed in planning and conducting the reconversion from war to peace. Specifically, the program envisages a Census of Manufactures for 1944, the development of current information by areas as to changes in employment, unemployment, and wages, and periodic surveys of consumer incomes, expenditures, and savings. Because the last mentioned surveys, as planned, will probably not provide information desired by the System as to types of savings, particularly currency, it will be desirable for the Federal Reserve System to go ahead with its sampling experiment to see if satisfactory information can be developed in this manner.

Time of next meeting

No date was set for the next meeting of the Committee but it was left to the Chairman to call a meeting when the need arose.

John O. Bergelin
Secretary

October 10, 1944