

April 2, 1938

P A T M A N   B I L L

CONFIDENTIAL

1. Reasons for increasing reserve requirements. The March and May increases appear to be those most generally discussed.
2. The whole theory of price stabilization as against economic stabilization. In regard to the latter, what it really means. There appears to have been considerable diversity of opinion on this subject.
3. Installment buying. The Committee appears to be interested in what happened last July which increased installment buying, ran up inventories, and produced the accumulation of inventories at higher prices, which contributed to the resulting decline.
4. The question of where the Federal Reserve System acquired its gold in the first instance— where it came from. The mechanistic aspect of Federal Reserve operation in relation to issuing Federal Reserve notes.
5. The question of whether Governor Strong ever contended that any central banking authority could establish price stabilization. Whether this was actually done in the twenties. The question of what disequilibria might be developing behind this apparent price stabilization. Regarding Governor Strong's position, I think his evidence conclusively answers the first part of this question.
6. The functions of the Open Market Committee and the Federal Advisory Council, particularly as to the banking influence exerted on the System through banker representation on these two bodies.
7. The organic structure of the Federal Reserve System, the functions it performs, and the relation of member banks to the System.
8. If credit or currency should be issued under a mandate requiring price stabilization through the raising or lowering of the price index, what automatic method now exists by which the Board could contract such credit or currency once it was issued, and if it would be necessary to add additional powers for any such purpose?

9. Has the Board or the Open Market Committee sufficient power under existing law to bring about the objective sought by the latest Patman mandate?

10. Would all the agencies of Government combined be able to bring it about under existing law if all their efforts were directed towards this end?

11. Assuming that Congress changed the ownership of the stock of the Federal Reserve System from banks to the Treasury, would this alter in any way the existing power of Congress to influence action on the part of the System should Congress decide to enact additional statutes seeking other objectives than those now recognized as proper for the System?

12. Whether there is unanimity of Board thinking about present conditions, and what can or should be done?

13. The question of whether or not the English banking system did achieve price stabilization. If so, how, and what was the result?

14. Purposes and meaning of provisions of section 16 of the Federal Reserve Act relating to payment of interest by Federal Reserve banks on Federal Reserve notes issued to it. (See Mr. Dreibelbis' memorandum of March 29th- L-556, which has been distributed to all Board members).

The above questions are not intended to be in any sense exclusive of subjects which the Committee may wish to discuss with the Board. They are questions, judging by previous hearings and information reaching me from Congressmen, that it is reasonable to expect will be asked.