

March 5, 1934

G O V E R N O R S ' C O N F E R E N C E

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Washington, D. C.

Morning Session

The Conference was called by the Federal Reserve Board to consider the proposed Bill for the creation of Credit Banks for Industry.

The Conference was called to order at 10:35 o'clock a. m. with Governor Black presiding.

Present: Governor Black and Messrs. Hamlin, Szymczak, Miller, O'Connor, and Thomas of the Federal Reserve Board, Governor Calkins, Chairman of the Governors' Conference, and Governors Young, Norris, Seay, Schaller, Geery, Hamilton, Martin, and McKinney. Also Acting Governor Johns and Deputy Governors Burgess and Fleming; Mr. Strater, Secretary of the Governors' Conference; and Messrs. Morrill, Carpenter, Bethea, Martin, Wyatt, Goldenweiser, and Smead of the Federal Reserve Board staff.

Governor Black stated that the Federal Reserve Board desired to discuss the following matters with the Governors:

- (a) Proposed Bill to provide for the creation of Credit Banks for Industry and for other purposes;
- (b) Retirement of Federal Reserve Bank notes;
- (c) Issuance of gold certificates by the Treasury Department to the Federal Reserve banks -

and that the Secretary of the Treasury desired to obtain the views of the Governors in connection with the Government's financing program.

The Conference proceeded to discuss in detail the provisions of the proposed Bill, and several minor changes were

suggested during the discussion.

During the consideration of the Bill, Mr. O'Connor left the meeting.

At 12:10 o'clock p. m. Secretary of the Treasury Morgenthau and members of his staff entered the Conference and the Secretary briefly outlined the Treasury's requirements, and discussed with the Governors the various phases of the Treasury's proposed program. The Secretary of the Treasury left the meeting at 12:30 o'clock p. m. and the Conference continued the discussion with the members of his staff.

At 1:30 o'clock p. m. the Conference adjourned to reconvene at 2:30 o'clock p. m.

#### Afternoon Session

The Conference reconvened at 2:40 o'clock p. m. with the same attendance as at the morning session, with the exception of Mr. O'Connor and the representatives of the Treasury Department.

The Conference further discussed the proposed Bill for the creation of Credit Banks for Industry, and it was unanimously

VOTED that the Conference approve the Bill as submitted with the understanding that consideration would be given by the Board to the suggestions made during the discussion.

Governor Black advised the Governors that the Treasury Department is now having prepared gold certificates in denominations of \$100,000, \$10,000, \$1,000, and \$100 to be issued to the Federal Reserve banks upon request in payment of credits established on the books of the Treasury Department in conformity to the

provisions of the Gold Reserve Act of 1934, and that the Treasury Department was willing to deliver to the Federal Reserve banks such gold certificates as were requested. It was understood that the matter would be considered by each Federal Reserve bank and the Board advised of its wishes in the matter.

The Secretary of the Treasury and members of his staff returned to the Conference, and the Secretary gave the Governors a brief outline of replies he had received to a telegram sent to a selected list of banks in the country, and asked that each Federal Reserve bank arrange immediately to send the following telegram to each member bank in its district and to each Chamber of Commerce:

"I shall appreciate a collect telegram from you stating how much, if any, credit is needed in your trade territory, for purpose of providing working capital for established industrial or commercial businesses with sufficient unincumbered assets and prospects to justify loans having maturities not exceeding five years, such credit not to apply on liquidation of existing debt. Shall also appreciate your indicating to what extent in numbers the extension of this credit would continue the present employment, as well as the numbers by which the payrolls would be increased."

After discussion, it was

VOTED that immediate arrangements be made to comply with the Secretary's request, and that replies received by each of the reserve banks be tabulated and forwarded to the Federal Reserve Board, together with the original reply telegrams received.

The Secretary of the Treasury, the members of his staff, and Dr. Burgess withdrew from the meeting.

Consideration was given to the policy to be followed by the Federal Reserve banks with respect to the retirement of Federal

Reserve Bank notes, the suggestion having been made by the Federal Reserve Board that it would be desirable for the reserve banks to adopt a program of gradual retirement in order to eliminate the tax on the notes. The Conference expressed the general opinion that the notes should not be retired too rapidly, as the elimination of bank note circulation as shown in the weekly Federal Reserve bank statement may be misconstrued. It was then

VOTED that each Federal Reserve bank give consideration to the adoption of a program for gradual retirement of all Federal Reserve Bank note circulation.

Governor Black then referred to the suggestion which was made recently that the Federal Reserve banks take up with the member banks in their respective districts the possibility of increasing the number of banks in each district participating in Government security purchases through war loan account and the amount of the authorization of the banks now participating. Certain of the Governors referred to the steps which had been taken by them in this connection, and it was understood that the matter of the further action to be taken should be left to the discretion of each Federal Reserve bank.

Governor Calkins read to the Conference the memorandum submitted by Mr. Smead to Governor Black under date of February 28, 1934, with regard to the desire of the Farm Credit Administration to avail itself of the services of the Federal Reserve banks in facilitating the operations of the Federal Land banks in exchanging bonds of the Federal Farm Mortgage Corporation for farm

mortgages, and after a brief discussion it was understood that the Governors would recommend to the directors of their respective banks that the banks comply with a request from the Secretary of the Treasury that they perform the services contemplated for the Farm Credit Administration.

Adjourned at 3:30 o'clock p. m.

*H. F. Strater*  
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