

At a meeting of the Executive Committee of the Federal Reserve Board, held in the Board Room on Wednesday, October 30, 1918, at 3:30 P.M.,

PRESENT: Mr. Strauss, presiding  
Mr. Hamlin  
Mr. Miller  
Mr. Broderick, Secretary.

Business was presented and disposed of as follows:

Mr. Miller reported a list of topics and questions for discussion by the Federal Advisory Council at its meeting to be held in Washington on November 18th and 19th. After discussion the following topics and questions were agreed upon for discussion at said meeting:

I

1. Federal Reserve Notes.

Is it desirable that steps should be taken to check further growth in the volume of Federal Reserve notes issued? If so, what action is recommended?

2. Development of open markets for bankers' acceptances.

What steps can be taken to promote and accelerate the development in each Federal Reserve District of an open market for bankers' acceptances?

3. Drafts drawn for the purpose of furnishing dollar exchange.

The Board has heretofore granted permission to member banks to accept drafts drawn upon them by banks and bankers in Central and South America for the purpose of furnishing dollar exchange.

The opinion of the Council is desired as to whether there are other countries in which the

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"usages of trade" are such as would warrant the extension of the Board's policy.

4. Extension of American banking facilities in foreign countries.

(A) Are there any special steps which the Council would recommend that the Board should take for the purpose of encouraging the establishment of additional American banking facilities in foreign countries?

(B) Should the Board, in the exercise of its powers over foreign branches of national banks and banking corporations engaged in foreign banking, in the stock of which national banks are permitted by the Board to invest, require that reserves of not less than a stated per cent be maintained against demand deposit liabilities of such branches and banks? If so, (a) should requirement be uniform in all countries in which such branches and banks are operated, and (b) of what should the reserve consist, and (c) what reserve percentage is recommended?

(C) What limit or restriction should be imposed upon the acceptance power of banks engaged in foreign banking, which are operated under supervision of the Federal Reserve Board?

5. What further services should be rendered by federal Reserve banks to the public through additional free facilities granted to member banks?

II

In view of the apparent near conclusion of hostilities, the attention of the Council is invited to the consideration of:

After-war policies, both domestic and foreign, of the Federal Reserve System.

1. With respect to the requirements of the domestic situation, should the policy of the Federal Reserve banks be restrictive or liberal? In other words, should contraction or credit and currency be a controlling consideration in the Board's policies?

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2. In connection with the consideration of the changed position of the United States with respect to international finance and banking, what should be the policy of the Federal Reserve System with respect to:

- (A) The management of its gold reserve;
- (B) Operations in the purchase and sale of foreign bills?

In connection with the discussion of (A), consideration of the following further questions is asked:

(a) Is it desirable that the gold embargo should be continued on shipments of gold to any country or group of countries after the termination of the war? If so, on what principle?

(b) Should the gold embargo be lifted on behalf of any country or group of countries before the termination of the war?

(c) Is it desirable that the Federal Reserve System should undertake, by informal conferences with other central banking systems, to formulate policies or promote arrangements to regulate the international distribution and flow of gold in an orderly manner, at the end of the war?

(d) Is it desirable that provision should be made in the treaty stipulations following the conclusion of war for the establishment, under suitable safe-guards and international guarantees, of international trust funds of gold so as to minimize the hazards and costs of gold shipments?

In connection with the discussion of (B), consideration of the following further questions is asked:

(a) Should it be the policy of the United States to establish and maintain a free gold market?

(b) If such a policy is adopted, should the main reliance of the Reserve System be the adoption of the English practice of regulating the flow of gold by a variable discount rate?

At 4:10 P. M., the meeting adjourned.

Approved:

Albert Strauss

Vice-Governor.

JAB Boden  
Secretary.