

A meeting of the Executive Committee of the Federal Reserve Board with the Governors of the Federal reserve banks was held in Washington on Saturday, September 22, 1934, at 10:20 a. m.

PRESENT: Mr. Thomas, Vice Governor  
Mr. Hamlin  
Mr. James  
Mr. Szymczak

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Goldenweiser, Director, Division of  
Research and Statistics  
Mr. Smead, Chief, Division of Bank  
Operations  
Mr. Vest, Assistant Counsel  
Mr. Boatwright, Assistant Counsel

ALSO PRESENT: Messrs. Young, Harrison, Norris, Fancher,  
Black, Schaller, Martin, Geery, Hamilton,  
McKinney and Calkins, Governors of the  
Federal Reserve Banks of Boston, New  
York, Philadelphia, Cleveland, Atlanta,  
Chicago, St. Louis, Minneapolis, Kansas  
City, Dallas and San Francisco, respec-  
tively.  
Mr. Peple, Deputy Governor of the Federal  
Reserve Bank of Richmond.  
Mr. Williams, Economist for the Federal  
Reserve Bank of New York.

Governor Calkins, as Chairman of the Governors' Conference, stated that the Governors would be pleased to hear any comments which the Board would like to make with regard to industrial loans by the Federal reserve banks.

Vice Governor Thomas stated that the Board felt that the Governors and other officers of the Federal reserve banks should do all they can, through speeches or otherwise, to acquaint the public with the industrial loan program. Governor Calkins referred to the Board's letter of April 18,

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1932 (X-7135), with regard to speeches by officers of Federal reserve banks, and some of the Governors stated that because of the necessity of submitting copies of speeches to the Board in accordance with the policy laid down in the letter they had declined to make speeches.

Others stated that they had received the impression that the Board thought it would be better if the officers of the Federal reserve banks did not make speeches. In this connection, Mr. Morrill read the letter addressed by the Board under date of September 15, 1934, to Governor Hamilton of the Federal Reserve Bank of Kansas City, with regard to an address by him before the Nebraska Bankers' Association, and stated that, at the request of one of the members of the Board, a letter is being prepared to all Federal reserve banks along the lines of the letter to Governor Hamilton.

Mr. James stated that, in his opinion, the Board's letter of April 18, 1932, was not intended to restrict the officers of Federal reserve banks in making addresses which they feel are desirable, but was primarily for the purpose of placing the Board in possession of information with regard to the substance of addresses by officers of the Federal reserve banks in order that the Board may be in a position to answer comments or criticisms which might come to it following such addresses.

Governor Black stressed the importance of the Federal Reserve Board being advised of the substance of addresses made by officers of the Federal reserve banks, and stated that he felt the Governors and officers of the Federal reserve banks could do a great deal toward popularizing the

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Federal Reserve System and acquainting the public with its operations, and that there should be no objection to furnishing the Board with abstracts giving the substance of addresses made in this connection.

At the conclusion of a discussion, it was understood that a letter would be addressed by the Board to all Federal reserve banks regarding the matter.

In response to an inquiry from Governor Calkins as to whether the Board felt the banks had done everything they should in connection with advancing the industrial loan program or whether additional steps should be taken, Vice Governor Thomas suggested that the banks give further consideration to the advisability of holding group meetings of representative bankers in their districts and also to the advisability of calling meetings of representatives of industry for the purpose of acquainting them with the facilities at Federal reserve banks for industrial loans.

In response to a request from Governor Calkins for an expression from the Board as to whether the banks should adopt a liberal policy in considering applications for industrial loans, Mr. Thomas stated that the Board did not want the banks to make unsound loans but that they should give a liberal interpretation to the requirements of the law and the Board's regulation in considering a loan which it is felt can be made on a reasonably sound basis. In this connection, Mr. James called attention to the survey of credit needs made by the Federal reserve banks at the request of the Secretary of the Treasury and stated that, in his opinion, if a large volume of industrial loans is not made by the

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Federal reserve banks, their activities in connection with industrial loans must show as the reason why more loans were not made, that the estimate of credit needs of worthy borrowers who are unable to get adequate credit from banks was entirely too high.

Mr. James stated that he had just been advised by Mr. Smead that the Treasury Department had agreed that under the Emergency Appropriations Act for the Fiscal Year 1935, approved June 19, 1934, the Treasury Department is authorized to make expenditures for any purpose in connection with the carrying out of the provisions of any of the executive orders and proclamations regarding the bank holiday, any regulations issued thereunder, including costs of transportation, insurance, and protection of gold coin, gold bullion, and gold certificates transferred to the Federal reserve banks and branches, United States mints and assay offices, and the Treasury, after March 9, 1933, and for the purpose of reimbursing the Federal reserve banks for losses sustained by them due to abrasion of gold coin, and expenses incurred in carrying out the instructions issued by the Secretary of the Treasury after March 4, 1933. It was stated that a letter would be addressed to the Federal reserve banks regarding the matter.

Mr. Thomas stated that the Board has been giving consideration to the suggestion that there be employed as a member of the Board's staff a person experienced in public relations work, in connection with making public currently information with regard to important matters concerning the Federal Reserve System and other public relations activities, and

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that he would like an expression from the Governors as to the advisability of such a step.

It was moved that it be the sense of the Governors' Conference that the suggestion that a public relations man be placed on the Board's staff, be adopted by the Board when it finds a suitably trained man for the position.

The motion was approved unanimously by all the Governors present.

Governor McKinney stated that he had just received a telegram from Deputy Governor Gilbert of the Federal Reserve Bank of Dallas stating that at the meeting of the bank's executive committee yesterday interest rates on industrial loans were discussed and two of the directors expressed the opinion that rates on such loans might be reduced. He stated that the meeting may wish to give some consideration to this point.

The matter was discussed briefly and it was indicated, as the general opinion of those present, that the rate on industrial loans should be determined by the circumstances involved in each case.

Governor Harrison, as Chairman of the Legislative Program Committee, called on Mr. Goldenweiser to make a report of the preliminary work being done by the committee. Mr. Goldenweiser stated that some of the work is being conducted by Mr. Williams, Economist for the Federal Reserve Bank of New York, and Mr. Stark, technical assistant to the committee, and that work has been started on (1) the preparation of material along the lines of the history of the System and how it has functioned, (2) the gathering

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of descriptive work about the System, and (3) a preliminary list of topics on which it is anticipated the committee may need to take a position. He also stated that at a recent meeting of the committee the list of topics was reviewed and work begun on some of the topics. Mr. Goldenweiser said also that the committee proposes to send a letter to each Federal reserve bank requesting that a member of the bank's staff be designated to prepare a descriptive account of the relations between the bank and its member banks and the services performed for the member banks.

There was handed to each of the Governors present a memorandum prepared in the Division of Research and Statistics under date of September 20, 1934, on business and credit conditions.

Governor Harrison stated that a meeting of the Federal Open Market Committee was held yesterday but took no action requiring the consideration of the Federal Reserve Board. He also referred briefly to certain of the matters which were considered by the Federal Open Market Committee.

Thereupon the meeting adjourned.

Walter H. Moore  
Secretary.

Approved:

J. J. Thomas  
Vice Governor.