

A meeting of the Federal Reserve Board was held in Washington on Saturday, May 25, 1935, at 10:45 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Governor
Mr. Goldenweiser, Director, Division of
Research and Statistics
Mr. Thomas, Assistant Director, Division
of Research and Statistics
Mr. Garfield, Research Assistant, Division
of Research and Statistics

Mr. Goldenweiser began an oral statement with regard to the present business and credit situation. Reference in his remarks to the production and distribution of automobiles occasioned a general discussion on that subject led by Mr. James. In that connection, there was also a discussion of the meaning of section 204(b) of the proposed Banking Act of 1935 as contained in the bill passed by the House of Representatives on May 9, 1935, which provides that: "It shall be the duty of the Federal Reserve Board to exercise such powers as it possesses in such manner as to promote conditions conducive to business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action and credit administration", and of the problems which would confront the Federal Reserve Board in performing the duties imposed by that section.

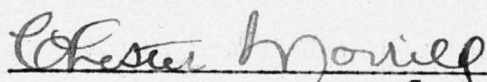
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During the discussion Messrs. Hamlin and Thomas left the room.

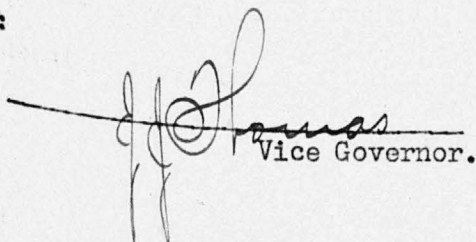
Governor Eccles joined the meeting and requested suggestions from the members present as to the procedure that should be followed in connection with the meeting of the Federal Open Market Committee to be held on Monday, May 27, 1935, and the meeting of the Governors' Conference which will follow. The matter was discussed and it was agreed that it would be desirable for the Federal Open Market Committee to finish its work before the program of the Governors' Conference was taken up. The suggestion was also made that Mr. Goldenweiser should discuss the subject of excess reserves of member banks, their relation to changes in reserve requirements and discount rates, and their bearing upon the earnings of the Federal reserve banks, with the Board and the Federal Open Market Committee before the Committee considers what, if any, recommendation should be made by it. No definite conclusion as to procedure was decided upon and the matter was left for determination after the arrival of the governors.

Governor Eccles then left the room and the discussion of section 204(b) of the proposed Banking Act of 1935 was resumed, during the course of which Mr. Thomas rejoined the meeting. At the conclusion of the discussion the meeting adjourned.



Secretary.

Approved:


Vice Governor.