

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal reserve banks was held in Washington on Thursday, November 19, 1936, at 2:00 p. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. Szymczak  
Mr. McKee  
Mr. Davis

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Wyatt, General Counsel  
Mr. Goldenweiser, Director of the Division of Research and Statistics  
Mr. Dreibelbis, Assistant General Counsel

Messrs. Harrison, Sinclair, Fleming, Leach, Newton, Schaller, Martin, Peyton, Hamilton, and McKinney, Presidents of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City and Dallas, respectively

Mr. Burgess, Vice President of the Federal Reserve Bank of New York

Mr. Williams, Vice President of the Federal Reserve Bank of New York

At the request of the Chairman, Mr. Goldenweiser discussed various phases of the present recovery movement as well as credit conditions and the problems presented in the field of credit control by the inflow of foreign funds resulting in importations of gold. He also referred to the present excess reserves of member

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banks and stated that the question was presented whether the time has come when the Board should reverse its easy money policy and, if not, whether it should take further action to reduce the excess reserves which had accumulated since August 15, 1936, when the present increased reserve requirements went into effect. In connection with the latter question he suggested that, if and when action is necessary, it would be more desirable to increase reserve requirements than to reduce the System portfolio.

The Chairman also called on Mr. Williams for his comments with respect to the present situation. Mr. Williams referred to the steps which had been taken to stimulate recovery and expressed the opinion that further stimulation is now unnecessary and that, while the time had not come to reverse the easy money policy, care should be taken to prevent any maladjustment of the economic structure from possible over-stimulation. He also felt that any action taken by the System should be in the form of a further increase in reserve requirements to offset gold imports, reserving open market operations for internal control of credit when the necessity for such control arises.

There followed a discussion of problems presented by the large amount of deposits which had been created by deficit financing, gold inflow, and the silver purchases of the Government, as well as the question whether a further increase in reserve requirements would tend to stem the inflow of gold.

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There was also a discussion of the question what the present situation would have been if reserve requirements had not been raised in August of this year and Mr. Goldenweiser stated that the action had placed the System in a better position to influence the domestic credit situation in case of necessity and President Harrison said it had lessened to some extent the pressure upon banks to invest their surplus funds. The question was raised whether it would be practicable to sterilize gold imports and the difficulties of such action were pointed out. There was no objection raised by anyone to the statements made by Mr. Goldenweiser and President Harrison.

Mr. Szymczak suggested that the presidents who were not members of the Federal Open Market Committee be requested to express an opinion as to whether, when further action by the System is desirable, it should take the form of an increase in reserve requirements or of open market operations. In accordance with this suggestion statements were made by Presidents Sinclair, Leach, Newton, Peyton and Martin, and those expressing an opinion on the matter felt that any action taken should be through an increase in reserve requirements first. President Newton suggested that it might be desirable to accompany such action by some small decrease in the System account for the purpose of offsetting an impression which he said existed in the minds of some bankers that the System portfolio represents in effect a "frozen" asset, by making it plain that changes in the account will be made whenever such changes are felt to be desirable. The five presidents felt that practically all of the banks in their respective districts had sufficient excess reserves to meet

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a further substantial increase in reserve requirements. In this connection it was stated that a survey of the present reserve position of member banks was being made by the Board which would place the Board in possession of definite information as to the effect upon member banks of a further increase in reserve requirements.

Mr. Szymczak suggested that whenever possible in the future, in connection with a meeting of the Presidents' Conference and the Federal Open Market Committee, a meeting similar to this meeting be held by the Board with the presidents of all Federal reserve banks. This suggestion was generally approved.

Thereupon the meeting adjourned.

Chester Morrill  
Secretary.

Approved:

W. S. Steeles  
Chairman.