

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks and the Federal Advisory Council was held in the offices of the Board of Governors in Washington on Tuesday, September 20, 1938, at 2:15 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Parry, Chief of the Division of Security Loans
Mr. Dreibelbis, Assistant General Counsel

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

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

Mr. Kimball, Secretary of the Presidents' Conference

Messrs. Steele, Aldrich, Loeb, Hanes, Brown, Smith, Crosby, Chandler, Harding and Dick, Members of the Federal Advisory Council representing the First, Second, Third, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh and Twelfth Federal Reserve Districts

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Mr. Lichtenstein, Secretary of the Federal
Advisory Council

At the request of Mr. Ransom, Mr. Williams stated briefly his views with respect to the outlook for business improvement.

There ensued a general discussion of the proposal to create regional banks to lend to small businesses, which subject had been discussed at the meeting of the Federal Advisory Council but in connection with which the Council had taken no action. The discussion turned on the points whether commercial banks were meeting all legitimate demands for loans, whether the unsatisfied demand was not for equity capital rather than loans which commercial banks ordinarily would make, and whether there was a gap in the financial machinery of the country for furnishing capital to business which could be filled by the proposed regional banks or perhaps some existing organization.

Mr. Ransom referred to his recent discussion with the members of a committee of the Reserve City Bankers Association with respect to the desirability of having member banks furnish the Board with a breakdown of their loan figures to show new loans made and loans renewed and inquired whether, if the Board should make such a request of the member banks, there would be opposition on the part of banks to furnishing the information and whether the information developed would be of value. The discussion disclosed a preponderance of opinion on the part of members of the Council that the banks would not object seriously to furnishing the information and that, while there might be some difficulty in getting the information in a way that would furnish

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comparable figures, it would be of value in determining the extent to which banks were meeting the demand for loans and perhaps the types of loans being applied for. Reference was made during the discussion to the studies and investigations which had been made in this field during recent years as well as to the industrial loan experience of the Reconstruction Finance Corporation and the Federal reserve banks.

At the conclusion of the discussion the meeting adjourned.

Robert Morris
Secretary.

Approved:

Donald Thomas
Vice Chairman.