

A special meeting of the Board of Governors of the Federal Reserve System and the Presidents of the Federal Reserve Banks was held in the offices of the Board of Governors in Washington on Tuesday, December 12, 1944, at 10:00 a.m.

PRESENT: Mr. Eccles, Chairman  
 Mr. Szymczak  
 Mr. McKee  
 Mr. Draper  
 Mr. Evans

Mr. Morrill, Secretary  
 Mr. Carpenter, Assistant Secretary  
 Mr. Clayton, Assistant to the Chairman  
 Mr. Thurston, Special Assistant to the Chairman  
 Mr. Goldenweiser, Director of the Division of Research and Statistics  
 Mr. Smead, Director of the Division of Bank Operations  
 Mr. Parry, Director of the Division of Security Loans  
 Mr. Leonard, Director of the Division of Personnel Administration  
 Mr. Bethea, Director of the Division of Administrative Services  
 Mr. Thomas, Assistant Director of the Division of Research and Statistics  
 Mr. Vest, Assistant General Attorney  
 Mr. Cagle, Assistant Director of the Division of Examinations  
 Mr. Wyatt, General Counsel  
 Messrs. Piser, Kennedy, Robinson, and Bergelin, members of the Board's staff of the Division of Research and Statistics

Messrs. Flanders, Sproul, Williams, Gidney, Leach, McLarin, Young, Davis, Peyton, Gilbert, and Day, Presidents of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco, respectively

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Mr. Henry O. Koppang, First Vice President  
of the Federal Reserve Bank of Kansas  
City

Messrs. Rouse and John H. Williams, Vice  
Presidents of the Federal Reserve Bank  
of New York, and Messrs. Sienkiewicz,  
Langum, and Hardy, Vice Presidents of  
the Federal Reserve Banks of Philadelphia,  
Chicago, and Kansas City, respectively

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

Mr. Bopp, Director of Research at the Fed-  
eral Reserve Bank of Philadelphia

Mr. Kincaid, Consulting Economist at the  
Federal Reserve Bank of Richmond

Messrs. Norris Johnson, Frederick N. Worley,  
George Kleiner, and William W. Tongue,  
Economists for the Federal Reserve Banks  
of New York, Philadelphia, Richmond, and  
Chicago, respectively

The purpose of this meeting was to discuss papers which had been prepared by members of the staffs of the Board and the Federal Reserve Banks on the subject of banking and credit policy. These monographs were offered as a part of a larger study of postwar problems which was being made and which had been discussed previously by Mr. Goldenweiser with the Board of Governors and the Presidents of the Federal Reserve Banks. Copies were distributed of the attached agenda for the meeting which listed the important questions presented by the economists' papers, and Mr. Goldenweiser outlined the procedure which

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it was expected would be followed in the discussion. He also stated that the studies had been of great assistance in bringing the research staffs of the Board and the Banks into a closer working relationship and in coordinating their thinking, and that it would be desirable to have a continuing arrangement for joint efforts of this kind in the future.

After a statement by Mr. Sienkiewicz describing the approach that was taken in the preparation of the papers and the purposes which they were expected to serve, statements were made by Messrs. Johnson, Robinson, Thomas, Langum, Kleiner, Tongue, Hardy, Roelse, Piser, Bopp, Goldenweiser and Parry on the first four topics on the attached agenda under the heading "Federal Reserve Policy". These statements were followed by comments and questions from the members of the Board and the Presidents and by a discussion of the questions raised.

During this discussion the meeting recessed for luncheon and reconvened at 2:30 p.m. with the same attendance as during the morning session except that Mr. Paulger, Director of the Division of Examinations of the Board of Governors, was in attendance and Messrs. Vest and Tongue were not present.

Mr. Szymczak inquired as to the procedure to be followed in the consideration of other papers now being prepared by economists of the Board and the Banks and what further action was to be taken in connection with the papers being discussed at this meeting.

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Mr. Goldenweiser stated that the papers which were in course of preparation would deal with subjects not so immediately related to banking and credit matters, and that, if it were thought that the kind of meeting that was being held today was profitable, an additional group of papers could be ready for the next meeting of the Board and the Presidents.

Mr. Szymczak asked whether provision should be made for discussion of the next group of papers at the time of the next Presidents' Conference and the meeting of the Open Market Committee or whether a separate meeting should be held which would be for the sole purpose of considering the studies.

The majority view was that because of difficulty of travel at the present time such a discussion should be had immediately following the meeting of the Federal Open Market Committee which would be held on March 1, 1945.

Chairman Eccles suggested that a committee of two or three of the staff members who had worked on the banking and credit studies be appointed to digest the questions raised by the papers and the discussion at this meeting and Mr. Goldenweiser stated that the suggestion was a good one and that such a committee would be appointed.

After a discussion of the effectiveness of the instruments available to the Federal Reserve System for affecting the flow and use of credit and the position in which the System should stand in

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relation to other agencies of the Government in the formulation of national policies, there was a discussion of the topics listed on the attached agenda under the heading "Commercial Banking Prospects". Statements made on these subjects by Messrs. Johnson, Kennedy, Kincaid, Worley, and Sienkiewicz were followed by further comments and questions by members of the Board and the Presidents.

At the conclusion of the discussion, Chairman Eccles, on behalf of the Board and the Presidents, expressed appreciation for the work that had been done by the members of the staffs of the Board and the Federal Reserve Banks in the preparation of the papers which had been presented and in contributing in the discussion at this meeting. He said the papers and the discussions had been very helpful in presenting questions in connection with many matters on which the System in the future would be required to take action.

Thereupon the meeting adjourned.

Chesler Marrie  
Secretary.

Approved:

W. A. Eccles  
Chairman.

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AgendaBANKING AND CREDIT POLICYJoint Meeting of Members of the Board  
of Governors and Presidents' Conference

## I. FEDERAL RESERVE POLICY

1. What policies should the System follow after the war if an inflationary or speculative credit expansion threatens?

- (a) Would use of customary instruments of general credit control be effective in curbing credit expansion?
- (b) Would the use of such instruments for that purpose be inexpedient because of their impact upon prices of Government securities and interest charges?
- (c) Could private credit be controlled without affecting Government securities market?
- (d) What problems would be created by failure to exercise powers of general credit control under such conditions?

2. What policies should the System follow during a period of low activity and unemployment?

- (a) Should there be further expansion in bank reserves and money supply?
- (b) Would it be desirable to lower interest rates?
- (c) Are the powers of the System adequate - reserve ratios?

3. To what extent and under what conditions should particular instruments of credit control be employed?

- (a) Open market operations?
- (b) Should the Treasury bill buying rate be continued?
- (c) Discount policy? Are preferential rates desirable as a permanent policy?
- (d) Member bank reserve requirements?
- (e) Should bank examination policy be harmonized with general credit policy?
- (f) Selective credit controls?

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4. Desirability of securing authority for more extensive selective credit controls:
  - (a) Under what conditions can selective controls be effective?
  - (b) What would be the political implications of a broad extension of selective credit controls?
  - (c) Administrative problems? Enforcement?
5. What should be the relation of Federal Reserve policy to national economic policy?
  - (a) Coordination with fiscal and credit policy of:
    - (1) the Treasury;
    - (2) other agencies in the field of credit.
  - (b) Coordination with other economic policies, such as wage, price, social security, etc.
6. Questions calling for policy formulation in the near future:
  - (a) The decline in the Federal Reserve ratio.
  - (b) The collateral requirements for Federal Reserve notes.
  - (c) Continuation of exemption of War Loan accounts from reserve requirements.
  - (d) Legislative action on selective credit controls.

## II. COMMERCIAL BANKING PROSPECTS

1. What are the prospects for bank deposits?
  - (a) Further expansion or contraction? Credit? Currency?
  - (b) Regional shifts of deposits.
2. What are the prospects for changes in bank holdings of Government securities:
  - (a) Through further increase or reduction in public debt?
  - (b) Through shifts in holdings between banks and other investors?
3. What opportunities will there be for bank loans after the war?
  - (a) What will be the sources of the demand for loans, particularly in view of the large volume of liquid assets held by both individuals and businesses?

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- (b) Competition of banks with other lenders.
- (c) Desirability of developing some form of insurance or guarantee for loans.

4. Should banks, in the light of prospective earnings and expenses, encourage a wider use of banking services and facilities:

- (a) By reducing service charges?
- (b) By raising interest allowed on time deposits?
- (c) By rendering additional services?
- (d) By adjusting salary schedules?

Would policies under the first three help to induce a return flow of currency to banks?

5. Is more bank capital needed:

- (a) To extend private risk credits?
- (b) To meet possible decline in Government security prices?

III. POST-WAR PROSPECTS - What is likely to happen?

Free-for-all.