

FEDERAL RESERVE BOARD
WASHINGTON

X-3086

April 2, 1921.

SUBJECT: Topics for Discussion at Joint Conference of
Federal Reserve Board and Governors.

Sir:

There is enclosed herewith list of topics which will be discussed at the joint conference of the Board and Governors of the Federal Reserve Banks, which begins here on the 12th instant. A list of topics pertaining to routine operations, including fiscal agency functions, in the discussion of which the Board will not participate will be mailed to you direct today by the Governor of the Federal Reserve Bank of New York, who, the Board understands, has been in correspondence with you regarding these subjects.

Very truly yours,

G o v e r n o r .

To Governors of all Federal Reserve Banks.

TOPICS FOR CONSIDERATION AT JOINT CONFERENCE OF
FEDERAL RESERVE BOARD AND GOVERNORS OF FEDERAL RESERVE BANKS
WASHINGTON, April 12, 1921.

I. RATE POLICY

- (a) What considerations should be taken into account before a change is made in the present rate policy of the Federal Reserve System?
- (b) Do conditions warrant any modification of existing policy at present time and should any changes of rates be made in any of the Districts?
- (c) Should the present differential in favor of loans secured by Government collateral be continued? If not, should rates on such loans be uniform in all Districts?
- (d) Should there be progressive rates? Should they be discontinued in the two Districts in which they are now in effect, and if continued, should a maximum rate be established beyond which there shall be no progression?

II. GOLD POLICY.

- (a) What action, if any, should be taken regarding the South African gold?
- (b) What action should be taken regarding gold imports other than those of South African origin?
- (c) Should gold which would otherwise be imported into the United States be held abroad and earmarked with foreign agencies, such as the Bank of England, the Federal Reserve Board having ruled that gold so held can no longer be counted as reserve?
- (d) Should Federal Reserve Banks pay out gold certificates in order to prevent undue increase in reserves?

III. CURRENCY POLICY (to be considered in connection with II-d)

- (a) Should a policy be established for the entire System in regard to the kinds of money to be paid out by Federal Reserve Banks in response to demands of member banks for currency?
- (b) Should a policy be established for the entire System as to the denominations in which silver certificates, United States notes, Federal Reserve notes, and Federal Reserve Bank notes are printed?

- (c) Should steps be taken to discontinue entirely paying out Federal Reserve Bank notes?

IV. CREDIT POLICY.

- (a) Discussion of policy of Reserve Banks as to rediscounting paper, the eligibility of which may be doubtful on account of condition statements of makers and discussion of feasibility of adopting a uniform policy for all Federal Reserve Banks.
- (b) Discussion of so-called "direct action", that is, policy of applying pressure upon borrowing member banks to compel their customers to liquidate.

V. RESERVE POLICY.

- (a) Should reserves of Federal Reserve Banks be based, as far as possible, upon holdings of gold coin and gold certificates, eliminating silver certificates and legal tenders by paying them out in lieu of Federal Reserve notes?
- (b) Bearing in mind that prior to 1917 Federal Reserve notes were substantially gold certificates, because of the percentage of actual gold held by Federal Reserve Agents against them, would it be advisable to prevent any undue increase in banking reserve by depositing incoming gold with Federal Reserve Agents, thus strengthening specific reserve against Federal Reserve notes? To make such a policy effective it would seem that the Federal Reserve Board should require the Federal Reserve Banks to publish actual percentage of reserve held against deposits and actual percentage of gold held against notes. The combined reserve percentage could be published for purposes of comparison as heretofore. In order to equalize the reserve position of the various Federal Reserve Banks, and to make it to the interest of Banks to carry as large a gold reserve against notes as possible, consideration should be given to the advisability of adopting a policy that any Federal Reserve Bank whose reserve against notes falls below a certain specific minimum should be compelled to apply for permission to rediscount with other Federal Reserve Banks.
- (c) What changes in policy of rediscounting among Federal Reserve Banks appear advisable on the basis of experience during the last year?

VI. EARNINGS OF FEDERAL RESERVE BANKS.

The large earnings of the Federal Reserve Banks have caused much comment and some adverse criticism. The franchise tax to be paid by Federal Reserve Banks to the United States Government is fixed by law at 90% of net profits over and above dividends. Practi-

cally all Federal Reserve Banks have now accumulated their statutory surplus. It is customary with many member banks to set aside each month a reserve for taxes. Would it be feasible and desirable to have the Federal Reserve Banks set up on their books a "Reserve for Franchise Tax", and show this item in their weekly statements. It has been suggested that an approximate reservation for franchise tax shown weekly would give the public a better idea as to the disposition of the earnings of the Federal Reserve Banks and gradually dissipate the idea that these Banks are profiteering at the expense of commerce and industry.

VII. PAR COLLECTION SYSTEM.

- (a) Status of litigation.
- (b) Effect of laws enacted by various Southern states.
- (c) Risks and losses incurred by Federal Reserve Banks in making collections. How to minimize them.
- (d) Are non-par lists necessary?

VIII. SHIPMENTS OF COIN AND CURRENCY TO MEMBER AND NON-MEMBER BANKS UPON REQUEST OF A MEMBER BANK.

- (a) Why should there not be a uniform policy with respect to such transactions?

IX. FEDERAL RESERVE BANK BUILDINGS.

- (a) What methods of accounting are necessary in order that uniform plan of depreciation and amortization of investment may be adopted?

X. BANKERS ACCEPTANCES.

- (a) Should the Board's Regulations be modified so as to make eligible for purchase or discount acceptances of member banks having not longer than six months to run, in cases where bills are drawn against export and import transactions.