

Office Correspondence

FEDERAL RESERVE
BOARD

Date October 2, 1934

111.1-34

To Federal Reserve Board

From Mr. James

Subject: Minutes of meeting of
Committee on Recovery program held
in Washington on September 22, 1934.

2-8495

Subject Index

FOR CIRCULATION

I desire to enter a protest relative to the memorandum entitled "A program for banking reform". It is full of inaccuracies and is certainly a very dangerous document and shows very conclusively that the author of it has given very limited study to the problem in hand. If this memorandum presents a program then I for one don't know what a program is. It seems to me to be a thesis giving a one man's off-hand opinion of the causes of bank failures, etc., and is as a matter of fact an opinion with which I do not agree.

Gov. Black ✓
Mr. Hamlin ✓
Mr. Miller ✓
Mr. James ✓
Mr. Thomas ✓
Mr. Szymczak ✓
Mr. O'Connor ✓
Mr. Martin ✓

Please note --- check
and return to
Mr. Carpenter

Mr. Caw
Bund
Caw

The statement appearing on page two of the memorandum, "The weakness of our banking structure resulted in a loss of \$17,000,000,000 of deposits" is so obviously out of line that I think the whole subject should be gone into pretty thoroughly by the Federal Reserve Board before permission is given to even promulgate the document. In accounting for the failure of banks in America during the past years the author of the document apparently overlooked entirely the departure from the functions of commercial banking into the realm of investment speculation on the part of member banks. In my humble opinion this very factor was one of the major causes of the recent banking difficulties.

Consideration might also be given to the undeniable fact that lending officers in very important banking institutions used stock exchange prices rather than an analysis of assets and liabilities in establishing the loan value against many stocks and other securities.

It seems to me that in preparing a document of this character it might have been worth while to give some consideration to the effect upon the American money market and particularly upon the monetary gold stock in this country of the enormous volume of foreign funds loaned on ~~stock~~ ^{securities} during the boom years and the panicky withdrawal of which was a very large factor in necessitating this country departing from the gold standard.

I merely call attention to these matters because it seems to me when men drawing a salary of \$22,000 a year are writing about the Federal Reserve System they certainly should possess at least the qualification of accuracy.

See
MINUTES ON

NOV 2 1934

Geo. R. James

see meeting 9/22/34