

MINUTES OF MEETING

of the

FEDERAL ADVISORY COUNCIL

February 19-20, 1934

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL

For the Year 1934

OFFICERS:

President, Walter W. Smith
Vice President, Howard A. Loeb
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

Walter W. Smith
Howard A. Loeb
Thomas M. Steele
Walter E. Frew
H. C. McEldowney
W. T. Kemper

MEMBERS:

Thomas M. Steele
Walter E. Frew
Howard A. Loeb
H. C. McEldowney
Howard Bruce
H. Lane Young

Walter W. Smith
Theodore Wold
W. T. Kemper
J. H. Frost
M. A. Arnold

Federal Reserve District No. 1
Federal Reserve District No. 2
Federal Reserve District No. 3
Federal Reserve District No. 4
Federal Reserve District No. 5
Federal Reserve District No. 6
Federal Reserve District No. 7
Federal Reserve District No. 8
Federal Reserve District No. 9
Federal Reserve District No. 10
Federal Reserve District No. 11
Federal Reserve District No. 12

BY-LAWS OF THE FEDERAL ADVISORY COUNCIL

ARTICLE I. OFFICERS

Officers of this Council shall be a President, Vice-President, and Secretary.

ARTICLE II. PRESIDENT AND VICE-PRESIDENT

The duties of the President shall be such as usually pertain to the office; in his absence the Vice-President shall serve.

ARTICLE III. SECRETARY

The Secretary shall be a salaried officer of the Council and his duties and compensation shall be fixed by the Executive Committee.

ARTICLE IV. EXECUTIVE COMMITTEE

There shall be an Executive Committee of six (6) members of the Council, of which the President and Vice-President of the Council shall be *ex officio* members. To fill a vacancy, the President, or in his absence, the Vice-President shall be authorized to designate as a member of the Executive Committee for a given meeting another member of the Council other than one elected to the Executive Committee.

ARTICLE V. DUTIES OF THE EXECUTIVE COMMITTEE

It shall be the duty of the Executive Committee to keep in close touch with the Federal Reserve Board and with their regulations and promulgations, and communicate the same to the members of the Council, and to suggest to the Council from time to time, special matters for consideration.

The Executive Committee shall have power to fix the time and place of holding its regular and special meetings and methods of giving notice thereof.

Minutes of all meetings of the Executive Committee shall be kept and such minutes or digest thereof shall be immediately forwarded to each member of the Council.

A majority of the Executive Committee shall constitute a quorum and action of the Committee shall be by majority of those present at any meeting.

ARTICLE VI. MEETINGS

Regular meetings of the Federal Advisory Council shall be held in the City of Washington on the third Tuesday of the months of February, May, September, and November of each year, unless otherwise directed by the Executive Committee.

A preliminary meeting of the Federal Advisory Council shall be called by the Secretary in accordance with instructions to be given by the President of the Council.

Special meetings may be called at any time and place by the President or the Executive Committee, and shall be called by the President upon written request of any three members of the Council.

ARTICLE VII. ALTERNATES

In the absence of the regular representative of any Federal Reserve District, the Board of Directors of the Federal Reserve Bank of that District may appoint an alternate. The alternate so appointed shall have the right to be present at all the meetings of the Council for which he has been appointed. He shall have the right to take part in all discussions of the Council but shall not be entitled to vote.

ARTICLE VIII. AMENDMENTS

These by-laws may be changed or amended at any regular or special meeting by a vote of a majority of the members of the Federal Advisory Council.

February 19, 1934.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 19, 1934.

The first and organization meeting of the Federal Advisory Council for 1934 was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, February 19, 1934, at 10:15 A. M.

Present:

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|---|-----------------|
| Mr. Thomas M. Steele | District No. 1 |
| Mr. Walter E. Frew | District No. 2 |
| Mr. Howard A. Loeb | District No. 3 |
| Mr. Arthur E. Braun (Alternate for Mr. McEldowney) | District No. 4 |
| Mr. Howard Bruce | District No. 5 |
| Mr. H. Lane Young | District No. 6 |
| Mr. Solomon A. Smith (Alternate) | District No. 7 |
| Mr. Walter W. Smith | District No. 8 |
| Mr. Theodore Wold | District No. 9 |
| Mr. W. T. Kemper | District No. 10 |
| Mr. Joseph H. Frost | District No. 11 |
| Mr. M. A. Arnold | District No. 12 |
| Mr. Walter Lichtenstein | Secretary |

Mr. Howard Bruce was elected Chairman *pro tem* and Mr. Walter Lichtenstein Secretary *pro tem*.

The Secretary stated that communications had been received from all of the Federal Reserve banks certifying to the election of their representatives in accordance with the above list. Mr. M. A. Traylor was elected to represent the Seventh Federal Reserve District, but died prior to the meeting, and no regular representative has been elected to fill the vacancy at this time.

Upon nominations for the office of President of the Council being called for, Mr. Walter W. Smith was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast a ballot for Mr. Smith, who was thereupon declared elected President of the Council for the year 1934.

Upon nominations for Vice-President being called for, Mr. Howard A. Loeb was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast a ballot for Mr. Loeb, who was thereupon declared elected Vice-President of the Council for the year 1934.

The President, Mr. Smith thereupon took the Chair and called for nominations for the four appointive members of the Executive Committee. Messrs. Thomas M. Steele, Walter E. Frew, H. C. McEldowney, and W. T. Kemper were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1934, the President and Vice-President being *ex officio* members.

On motion, duly made and seconded, Mr. Walter Lichtenstein was elected Secretary of the Federal Advisory Council for the year 1934 at a salary of \$2000 per annum.

On motion, duly made and seconded, the Council adopted for the year 1934 the by-laws which are attached hereto and made part of these minutes. The by-laws of 1933 were amended in one part as follows:

"Article VI. Meetings

(Second paragraph to read):

"A preliminary meeting of the Federal Advisory Council shall be called by the Secretary in accordance with instructions to be given by the President of the Council."

On motion, duly made and seconded, the minutes of the Council meeting of November 19-21, 1933, copies of which had been previously sent to the members, were approved.

The Secretary presented his financial report for the year 1933, which had been audited by Mr. J. J. Buechner, Assistant Auditor of the First National Bank of Chicago, which on motion, duly made and seconded, was approved and ordered to be printed. The report is attached hereto and made a part of these minutes.

On motion, duly made and seconded, the following resolution was unanimously adopted:

"Resolved, that the Secretary be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$350 toward the Secretarial and incidental expenses of the Federal Advisory Council for the year 1934 and to draw on it for that purpose."

It was voted that the Mayflower Hotel continue to be used as the headquarters of the Council.

A resolution expressing the keen regret of the members of the Council on the death of their fellow-member, Mr. Melvin A. Traylor, was adopted by a rising vote and is made a part of these minutes.

Mr. Kemper brought up the question of the possible establishment of Intermediate Industrial Credit Banks, concerning which a discussion took place.

The Secretary of the Council presented an amendment to the Securities Act of 1933 tentatively suggested by the Chamber of Commerce of the United States which is intended to create a Capital Requirements Board (or Capital Goods Board or Emergency Capital Board). This Board is intended to eliminate some of the red tape required by the present provisions of the Securities Act. It seemed to be the opinion of the members of the Council that an amendment of the type suggested might do something toward relieving the present stagnation in the securities market.

At 11:30 A. M. and until 12:45 P. M. Dr. Goldenweiser appeared before the Council and gave an interesting account of the dangers involved in undue credit expansion. He also discussed the improvement in the employment situation and the business situation generally, pointing out, however, that a great part of the improvement is due to Government activity and that the great question at issue is the problem as to whether private enterprises will pick up sufficiently.

The members of the Council lunched together in Room 928 and were joined at 2:30 P. M. by Governor Black who discussed chiefly his proposal for the establishment of Intermediate Industrial Credit Banks. Governor Black hopes that if such banks are to be established that they will be subsidiaries of the respective Federal Reserve banks, and that they will have a total capital and surplus of three hundred million dollars, of which one hundred and forty million dollars is to be furnished by a return of the one hundred and forty million dollars paid over by the Federal Reserve banks for stock in the Federal Deposit Insurance Corporation plus one hundred and sixty million dollars to be paid by the United States Treasury out of the profit realized by taking over the gold owned by the Federal Reserve banks.

The meeting adjourned at 3:45 P. M.

WALTER LICHTENSTEIN,
Secretary.

REPORT OF THE SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1933

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|---|------------|---|------------|
| Balance on hand December 31, 1932..... | \$2,733.25 | Salaries..... | \$2,000.00 |
| Assessment—Twelve Federal Reserve Banks..... | 3,600.00 | Miscellaneous..... | 67.61 |
| Interest on Balances at First National Bank of Chicago... .. | 10.39 | Conference Expenses..... | 1,290.01 |
| | | Printing and Stationery..... | 664.24 |
| | | Postage and Telegrams..... | 207.06 |
| | | Balance on hand December 31, 1933..... | 2,114.72 |
| | <hr/> | | <hr/> |
| | \$6,343.64 | | \$6,343.64 |

Chicago, January 10, 1934.

To the Federal Advisory Council:

I have audited the books, vouchers and accounts of the Secretary of the Federal Advisory Council for the year ending December 31, 1933, and certify that the above statement agrees therewith.

Respectfully,

FIRST NATIONAL BANK OF CHICAGO,

(Signed) J. J. BUECHNER,

Auditor.

MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY
COUNCIL AND THE FEDERAL RESERVE BOARD

February 20, 1934.

At 10:30 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board Room, Treasury Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

Governor Eugene R. Black; Mr. J. F. T. O'Connor, Comptroller of the Currency; Messrs. C. S. Hamlin, A. C. Miller, M. S. Szymczak, and J. J. Thomas; also Messrs. H. Warner Martin, Assistant to the Governor; Walter Wyatt, General Counsel for the Board; Chester Morrill, Secretary to the Board; L. P. Bethea and S. R. Carpenter, Assistant Secretaries of the Federal Reserve Board; Dr. E. A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve Board; and E. L. Smead, Chief of Division of Bank Operations.

Present: Members of the Federal Advisory Council:

Mr. W. W. Smith, President; Mr. Howard A. Loeb, Vice-President; Messrs. T. M. Steele, W. E. Frew, A. E. Braun, Howard Bruce, H. Lane Young, Solomon A. Smith, Theodore Wold, W. T. Kemper, J. H. Frost, M. A. Arnold, and Walter Lichtenstein, Secretary.

Governor Black made the statement that it was his conviction that the Administration was making every effort to stay within the budget adopted.

Governor Black expressed the hope that there would be a broadening of the bill market, so that banks outside of New York and Boston would buy more freely than had been their practice to date. Likewise, the Governor is urging banks to qualify as depositaries for War Loan Deposits, as such deposits must be secured by Government securities. He hopes thereby to broaden the market for Government securities, while at the same time being of aid to the banks.

A discussion took place regarding the desirability of banks entering the bill market and banks seeking to qualify for the receipt of War Loan Deposit funds.

Some discussion took place in regard to the question as to whether it was desirable at the present time to have the Treasury attempt the flotation of a long term (possibly ten years) bond issue.

The meeting was joined from 11:55 A. M. to 12:10 P. M. by the Secretary of the Treasury.

It was suggested that it would be acceptable to have the Federal Advisory Council express its opinion in respect to a long term bond issue and also in respect to the plan of Governor Black to establish Intermediate Industrial Credit banks.

The meeting adjourned at 12:45 P. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 20, 1934.

At 12:50 P. M. the Federal Advisory Council reconvened in the Federal Reserve Board Room, Treasury Building, Washington, D. C., the President, Mr. Smith, in the Chair.

Present: Mr. Walter W. Smith, President; Mr. Howard A. Loeb, Vice-President; Messrs. T. M. Steele, W. E. Frew, A. E. Braun, Howard Bruce, H. Lane Young, Solomon A. Smith, Theodore Wold, W. T. Kemper, J. H. Frost, M. A. Arnold, and Walter Lichtenstein, Secretary.

A discussion took place as to whether to make recommendations about a long term bond issue and possibly about the Intermediate Industrial Credit banks. It was decided that it was undesirable for the Council to make any record of its views on these topics.

The meeting adjourned at 1:05 P. M.

WALTER LICHTENSTEIN,
Secretary