

MINUTES OF MEETING  
of the  
FEDERAL ADVISORY COUNCIL  
September 17-18, 1934

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

September 17, 1934.

At 10:15 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board Room, Washington Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

Acting Governor J. J. Thomas; Mr. J. F. T. O'Connor, Comptroller of the Currency; Messrs. C. S. Hamlin, G. R. James, and M. S. Szymczak; also Messrs. Chester Morrill, Secretary of the Board; L. P. Bethea and S. R. Carpenter, Assistant Secretaries of the Board; Dr. E. A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve Board; E. L. Smead, Chief of Division of Bank Operations, and Leo H. Paulger, Chief of Division of Examinations, Federal Reserve Board.

Present: Members of the Federal Advisory Council:

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, S. A. Smith, Theodore Wold, James M. Kemper, J. H. Frost, and Walter Lichtenstein, Secretary.

Acting Governor Thomas discussed the following subjects:

1. The need of educating the people more widely in respect to the functions of the Federal Reserve System.
2. Memoranda on stock exchange regulations.
3. Meetings being held in various districts.
  - (a) with bankers
  - (b) with industrialists alone

to discuss with these various groups the matter of the loans to industry now being made by the Federal Reserve banks.

Messrs. Szymczak and James discussed at some length the matter of industrial loans.

The Comptroller of the Currency discussed the question of correlating the various examinations now being made of banks by different governmental authorities. He referred especially to the definition of "slow loans."

The meeting adjourned at 12:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

# MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 17, 1934.

After luncheon the Federal Advisory Council convened in Room 836 of the Mayflower Hotel, Washington, D. C. on Monday, September 17, 1934, the President, Mr. W. W. Smith in the Chair.

## Present:

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	District No. 7
Mr. Walter W. Smith	District No. 8
Mr. Theodore Wold	District No. 9
Mr. James M. Kemper (Alternate for Mr. W. T. Kemper)	District No. 10
Mr. J. H. Frost	District No. 11
Mr. Walter Lichtenstein	Secretary

## Absent:

Mr. M. A. Arnold	District No. 12
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On motion, duly made and seconded, the minutes of the Council meeting of May 14-15, 1934, copies of which had been previously sent to the members, were approved.

From 2:30 P. M. until 4:00 P. M. Dr. Goldenweiser appeared before the Federal Advisory Council and discussed the general business situation.

The Secretary on request read the letter of August 27 addressed to the Federal Advisory Council by the Secretary of the Federal Reserve Board. In view of the suggestion made in this letter, Mr. Frew presented a resolution offering the cooperation of the Council to the Board in connection with a study of the Federal Reserve System. The resolution was unanimously adopted in the form in which it is attached to these minutes as Recommendation No. 1.

Mr. Solomon A. Smith presented the question raised by the Chicago Clearing House in respect to the safe keeping of Government securities for member banks by the Federal

Reserve banks. It appears that in some districts the Federal Reserve bank of the district has declined in future to hold in safe keeping Government securities for member banks located in the immediate vicinity of the Federal Reserve bank in question. It was decided to discuss this matter orally with the Board and not to take any formal action.

The following recommendation was unanimously adopted:

"The Federal Advisory Council recommends to the Federal Reserve Board that it seek legislation to give a veto power to the Federal Deposit Insurance Corporation over admission to the fund of any banking institution that may be organized hereafter. Under such a provision States would still be in a position to charter banks but the Federal Deposit Insurance Corporation would have the right to say whether the bank should be insured, if, in its judgment, it was thought unsound to include the bank under the insurance plan. The idea is that when more normal conditions are restored there will be a resumption of the chartering of banks, and it will not be fair to the other member banks to have an unlimited number of banks chartered that cannot survive and will act as a drag on the other members of the fund."

After consulting the Federal Reserve Board at a subsequent meeting the recommendation was amended and adopted in the form in which it is appended to these minutes as Recommendation No. 2.

A recommendation was unanimously adopted by the Council which is appended to these minutes as Recommendation No. 3.

President Smith announced that he would appoint the following committee to carry out the provisions of Recommendation No. 1: Messrs. Frew, Steele, Loeb, and the Secretary of the Council *ex officio*.

The meeting adjourned at 5:10 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 18, 1934.

At 10:30 A. M. the Federal Advisory Council reconvened in the Federal Reserve Board Room, Washington Building, Washington, D. C., the President, Mr. W. W. 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, S. A. Smith, Theodore Wold, James M. Kemper, J. H. Frost, and Walter Lichtenstein, Secretary.

Mr. Steele presented a resolution reiterating the views expressed by the Council in the statement adopted by the Council at its meeting of November 21, 1933, and subsequently sent to the member banks. No action was taken.

The meeting adjourned at 10:40 A. M.

WALTER LICHTENSTEIN,

Secretary.

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

September 18, 1934.

At 10:45 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board Room, Washington Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

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

Present: Members of the Federal Advisory Council:

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, S. A. Smith, Theodore Wold, James M. Kemper, J. H. Frost, and Walter Lichtenstein, Secretary.

The Secretary of the Council read Recommendation No. 1.

The Secretary of the Council read Recommendation No. 2 in the form in which it had been adopted at the meeting held on the previous day. After some discussion it was redrafted and adopted in the form in which it is attached to these minutes.

The Secretary of the Council read Recommendation No. 3.

The members of the Council presented reports from their respective districts regarding loans being made to industry by the Federal Reserve banks. There was considerable discussion regarding these loans.

The President of the Council presented the question raised by the Chicago Clearing House in respect to the safe keeping by Federal Reserve banks of Government securities for member banks. It was agreed informally that the matter should be left to the directors of each Federal Reserve bank.

The meeting adjourned at 12:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 18, 1934.

At 12:35 P. M. the Federal Advisory Council reconvened in the Federal Reserve Board Room, Washington Building, Washington, D. C., the President, Mr. W. W. 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, S. A. Smith, Theodore Wold, James M. Kemper, J. H. Frost, and Walter Lichtenstein, Secretary.

The resolution presented by Mr. Steele, reaffirming the statement of November, 1933, was discussed. The Council unanimously voted to reaffirm the views expressed in the statement of November, 1933, but deemed it desirable to bring the statement up to date. The Chair thereupon appointed a committee consisting of Messrs. Steele, Loeb, Bruce, and the Secretary of the Council *ex officio* to redraft the statement of November, 1933, with instructions to the Secretary to send copies of the new statement to the Federal Reserve Board, the Federal Reserve banks, and to each bank of the Federal Reserve System. It was also decided to give publicity to the statement.

The meeting adjourned at 12:45 P. M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE  
FEDERAL RESERVE BOARD

September 18, 1934.

RECOMMENDATION No. 1.

The Federal Reserve Board has asked for suggestions from the Federal Advisory Council as to any matters which it would like to have considered by the Committee which has been appointed by the Board to study banking laws and to make recommendations.

The Council feels that a careful distinction should be made between fundamental changes in the Federal Reserve System itself and those remedial changes which are necessary or desirable as a result of inconsistencies and lack of clarity inevitably resulting from the haste with which important emergency legislation was enacted in recent sessions of Congress.

In view of the careful study, the prolonged debate and the thorough consideration which were given to the subject before the Federal Reserve Act was adopted in 1914, the Federal Advisory Council is convinced of the importance of having the Act carefully reviewed prior to further fundamental alterations.

The Federal Advisory Council, therefore, welcomes the step the Federal Reserve Board has taken in appointing a committee for the purpose of studying the Federal Reserve System and considering proposed legislative changes. The Council will appoint a committee of its members which will confer with the committee appointed by the Board if the Federal Reserve Board so desires. The Committee of the Council will hold itself in readiness to consult with the committee of the Board whenever it may suit the convenience of the latter.

RECOMMENDATION No. 2.

The Federal Advisory Council is disturbed by the present provision in the Banking Act of 1933 which provides that the Federal Deposit Insurance Corporation shall continue to insure banks now in existence which have no capital structure and likewise banks to be chartered hereafter.

The present Act provides that the Corporation must accept applications from and insure banks the assets of which banks are sufficient to pay their liabilities.

It is the judgment of the Council that banks hereafter to be admitted should have in addition to assets sufficient to pay their liabilities an adequate capital structure and in addition thereto it is the belief of the Council that the applicants should make a reasonable showing of public necessity to the Corporation.

### RECOMMENDATION No. 3.

The members of the Federal Advisory Council have reviewed the activity of the member banks in their respective districts as to the cooperation of these banks in respect to the direct loans to industry which Federal reserve banks are authorized to make. The Council finds that the member banks have cooperated and the Council believes that the banks will continue to assist the Federal reserve banks in placing the loans in question.

## FEDERAL ADVISORY COUNCIL

Chicago, Ill., September 26, 1934.

TO THE MEMBER BANK ADDRESSED:

The Federal Advisory Council at a meeting held in Washington, D. C. on September 18, 1934, agreed unanimously on a statement which the Secretary was instructed to send to the Federal Reserve Board, the Federal Reserve Banks and to each member bank of the Federal Reserve System.

A copy of the statement is given below.

(Signed) WALTER LICHTENSTEIN,  
Secretary.

### STATEMENT

The Federal Advisory Council is a statutory body upon which there is specifically imposed by the Federal Reserve Act the duty "(1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said Board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by the reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system."

The Federal Advisory Council, acting under a deep sense of responsibility toward the Federal Reserve System, and conscious of its obligations to the member banks and the Federal Reserve Banks, desires to re-state to the Federal Reserve Board and to those whom the Council represents those views on the present crisis which it expressed to the Board at its meeting on November 21, 1933. The Council expresses the view that in the added light of events during the ten months which have elapsed since the date of that meeting, certain economic principles have been demonstrated as fundamental and unchangeable and that our true course lies in frank recognition of these principles and conformity with them. Further monetary experimentation holds out no promise of success, and the repetition of expedients which have repeatedly failed in this and other countries can lead only to disaster.

The Council therefore desires to record its convictions

1. That no real or permanent recovery can be had, or can be reasonably hoped for, until the country has been placed upon a sound financial basis, and that such sound basis necessarily implies a standard gold dollar of definitely and permanently fixed gold content, with other forms of currency redeemable at all times in gold bullion in the amount so fixed. The Council believes that joint or similar action by other important commercial nations is highly important and that such international action is extremely improbable on any other than a gold basis.
2. That a currency of fluctuating value will not materially affect the general price level nor will it adjust the discrepancies between the prices of different com-

modities; that prices fluctuate as a result of business activity alone and are not its cause; that a higher price level is beneficial only if brought about by increased business activity and accompanied by higher national income; that higher national income cannot be brought about by money manipulation but only through that increased volume of business and employment which will come in the future as always in the past when private capital is again assured that it can safely and profitably be put to work. The past five years has seen an immense liquidation of speculative excesses which have occurred in finance and industry. The business organism is again in a position to function normally if it is given assurance of stability. #

3. That a well-formulated and definitely stated program for balancing the national budget within a reasonable period is essential to the restoration of that confidence among business men and taxpayers which is a prerequisite to the resumption of private enterprise upon any considerable scale. #
4. That a serious factor of rapidly increasing importance is the tendency of business enterprises directly conducted by government agencies to reach out further and further into fields heretofore occupied by private capital, thereby destroying taxable values. The use of government money in competition with private business is not only paralyzing to private initiative, but experience has amply demonstrated that it is costly, generally inefficient, and that its disastrous effects reach far beyond the limits of the particular industry immediately affected. #
5. That steadily mounting government debt, particularly when not accompanied by increasing national income, constitutes a dangerous threat to public credit, the maintenance of which is vital to the country's welfare. Further debt expansion should be confined to the relief of the unemployed and those in distress, and to a justifiable program of public works. Rigid economies should be enforced and candid acknowledgment should be made of the fact that government spending cannot of itself bring about prosperity. #
6. That the currency and credit supply now existing and available are ample for an expansion of business far exceeding any which the country has yet experienced; that demands for currency inflation and further credit inflation are without sound basis in fact or in theory and rest upon reasoning again and again proved, both by logic and by past experience, to be a tragic illusion. #
7. That the threat of inflation is a threat to every prudent man and woman who, by honest work and intelligent thrift, has accumulated a savings account as a provision against old age and want; to every husband and father who, through foresight and self-sacrifice, has paid for a life insurance policy for the protection of his family; to every widow and dependent child relying for support upon the savings accumulated through the labor of husband and father; and to every working man and woman in the land who, if inflation comes, will see the money he receives for his toil shrink and shrivel in his hands. The history of every country in every age where inflation has been tried has been the same. It ends in utter disaster for every class but one—and that class the speculators. Except for disastrous war and destroying pestilence, no greater calamity could come upon us than one which would sweep away, as it once did in France, as it recently did in Germany, and as in the past it has done in our own country, the accumulated savings of the people. #

1934

WALTER W. SMITH, PRESIDENT  
 HOWARD A. LOEB, VICE-PRESIDENT  
 WALTER LICHTENSTEIN, SECRETARY

## FEDERAL ADVISORY COUNCIL

OFFICE OF THE SECRETARY

38 SOUTH DEARBORN STREET

T. M. STEELE, DISTRICT NO. 1  
 W. E. FREW, DISTRICT NO. 2  
 H. A. LOEB, DISTRICT NO. 3  
 H. C. MCELLOWNEY, DISTRICT NO. 4  
 HOWARD BRUCE, DISTRICT NO. 5  
 H. LANE YOUNG, DISTRICT NO. 6  
 SOLOMON A. SMITH, DISTRICT NO. 7  
 WALTER W. SMITH, DISTRICT NO. 8  
 THEODORE WOLD, DISTRICT NO. 9  
 W. T. KEMPER, DISTRICT NO. 10  
 J. H. FROST, DISTRICT NO. 11  
 M. A. ARNOLD, DISTRICT NO. 12

EXECUTIVE COMMITTEE  
 WALTER W. SMITH  
 HOWARD A. LOEB  
 THOMAS M. STEELE  
 WALTER E. FREW  
 H. C. MCELLOWNEY  
 W. T. KEMPER

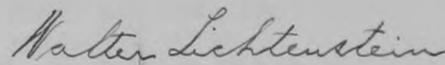
CHICAGO, September 25, 1934

Dear Governor Thomas:

In accordance with instructions given to me by the Federal Advisory Council, I beg to hand you herewith, through the kindness of Mr. Howard Bruce, a copy of a statement prepared by the Federal Advisory Council for delivery to the Federal Reserve Board. I am furthermore instructed to inform you that the Council is planning to give publicity to this statement.

With kindest personal regards, I am,

Very truly yours,



Secretary.

Hon. J. J. Thomas, Acting Governor,  
 Federal Reserve Board,  
 Washington, D.C.

# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

September 27, 1934.

Mr. Walter Lichtenstein, Secretary,  
Federal Advisory Council,  
Chicago, Illinois.

Dear Mr. Lichtenstein:

I return herewith your letter of September 25, 1934, and the copy attached thereto of a statement prepared by the Federal Advisory Council. Your letter and the statement referred to were received yesterday afternoon and brought immediately to the attention of the Board. Thereupon the Board adopted unanimously the following resolution:

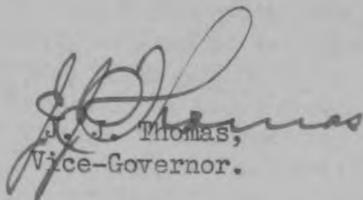
"RESOLVED, That the letter of September 25, 1934, received this afternoon by Vice Governor Thomas from Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, and the copy of a statement of the Federal Advisory Council referred to therein, be returned to the Secretary of the Federal Advisory Council, with the comment that the Board considers that the matter contained in the statement referred to does not come within the jurisdiction of the Federal Reserve Board and with the request that in this connection the attention of the Federal Advisory Council be called to the fact that the second paragraph of Section 12 of the Federal Reserve Act reads as follows:

'The Federal Advisory Council shall have power, by itself or through its officers, (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.'"

Mr. Walter Lichtenstein - 2.

The Board requests that the attention of the Federal Advisory Council be called to the fact that there was no discussion of the subject matter of the statement by the Council during its meetings with the Board on September 17 and 18, 1954, and that no intimation thereof was given to the Board by the Council at any time prior to the receipt of your letter.

Very truly yours,

  
J. L. Thomas,  
Vice-Governor.

## OFFICERS

WALTER W. SMITH, PRESIDENT  
 HOWARD A. LOEB, VICE-PRESIDENT  
 WALTER LICHTENSTEIN, SECRETARY

## EXECUTIVE COMMITTEE

WALTER W. SMITH  
 HOWARD A. LOEB  
 THOMAS M. STEELE  
 WALTER E. FREW  
 H. C. MCELLOWNEY  
 W. T. KEMPER

## FEDERAL ADVISORY COUNCIL

OFFICE OF THE PRESIDENT

C/O FIRST NATIONAL BANK IN ST. LOUIS

## MEMBERS

1934

T. M. STEELE, DISTRICT No. 1  
 W. E. FREW, DISTRICT No. 2  
 H. A. LOEB, DISTRICT No. 3  
 H. C. MCELLOWNEY, DISTRICT No. 4  
 HOWARD BRUCE, DISTRICT No. 5  
 H. LANE YOUNG, DISTRICT No. 6  
 SOLOMON A. SMITH, DISTRICT No. 7  
 WALTER W. SMITH, DISTRICT No. 8  
 THEODORE WOLD, DISTRICT No. 9  
 W. T. KEMPER, DISTRICT No. 10  
 J. H. FROST, DISTRICT No. 11  
 M. A. ARNOLD, DISTRICT No. 12

ST. LOUIS, MO.

October 4, 1934.

Hon. J. J. Thomas, Vice Governor,  
 Federal Reserve Board,  
 Washington - D. C.

*"Copy"*

My dear Judge Thomas:-

Your letter of September 27th to Mr. Walter Lichtenstein, Secretary of the Federal Advisory Council, with which you returned the statement of the Council dated September 25th, has been referred to me. I am sure that every member of the Council would join with me in deploring any controversy with the Board and particularly at a time of crisis like the present. As the members of the Board so clearly pointed out in our recent joint conference at Washington, the whole System is now under attack. In that situation the Council has only one thought in mind and that is to do what it can, in common with the Board, the Reserve Banks and the member banks, to call attention to dangers which threaten our whole business and financial structure and directly menace the fundamental theories upon which the entire Federal Reserve System was based.

In view of the interpretation which the press has placed upon the reply of the Board as an intentional rebuke to the Council, and in view of the fact that both your letter and the Resolution of the Board are based upon somewhat technical considerations, I feel that I should endeavor to clarify the Council's position.

Section 12 of the Federal Reserve Act by no means limits the activities of the Council to its meetings at Washington nor to its meetings with the Board. The Statute expressly provides that the Council may meet wherever and whenever it deems it necessary and that it may adopt its own rules of procedure. It authorizes the Council, moreover, not only to confer directly with the Federal Reserve Board but to make oral or written recommendations concerning matters within the jurisdiction of the Board and further "to make recommendations in regard to \*\*\* the general affairs of the Reserve Banking System." Considering the history of the inception and the original purposes of the Advisory Council, its members have always felt that the provisions of the Statute quoted were intended to receive broad interpretation.

At the meeting of September 18th, 1933, you will find that the then Governor of the Federal Reserve Board submitted for the Council's

consideration, among other topics, the following:

"INFLATION"

1. Open Market Operations,
2. Bonds,
3. Greenbacks,
4. Silver,
5. Devaluation.

You certainly must agree with us that if these matters were within the jurisdiction of the Council in September, 1933, they are of equal importance today.

The Federal Reserve Board is entrusted with vast and vitally important powers on a wide variety of subjects and these powers were greatly broadened by the Banking Act of 1933 and other recent legislation. The Federal Reserve Board could not perform its functions, and particularly it could not perform its functions under Section 12 A, without full information and understanding of the varied and intricate factors which affect the progress of "commerce and business" and "the general credit situation of the country".

The varied and important publications of the Board themselves reflect the broad lines of its inquiries. The weekly bulletins of the Board, the weekly press release on general business conditions, the vast amount of information which the Board is constantly seeking from the Reserve Banks, and the comprehensive and voluminous annual reports issued by the Board indicate the deep interest which is felt by the Board, and must be felt, in the infinite complexity of the causes underlying the present business paralysis and the conditions which are essential for revival. Specifically, we call attention to Page 39 of the last Annual Report of the Board in which the Board itself states that the Thomas Amendment contains "certain provisions which by their terms directly affect the Federal Reserve System" and specifies the proposed enforced purchase of obligations of the United States by Federal Reserve Banks and the issue of legal tender notes. The Council believes that the voluminous matters touched upon in the Annual Report referred to are inseparably connected with the general subject matter covered by its statement of September 25th, and are necessarily matters of which the Board must and does take cognizance.

The Council holds the Federal Reserve Board in the highest respect. It disclaims any intent whatever of passing beyond its legitimate sphere. In performing its functions, however, it feels obliged to place its own interpretation upon the law and believes that its interpretation is abundantly justified by the considerations which have been mentioned.

Respectfully yours,

*E. W. Mitchell*

President.

Memorandum from Secretary of the Federal Advisory  
Council referring to meeting of special Committee  
to revise statement published by the Council in  
November, 1933.

The Committee appointed by President Smith on September 18, 1934, to revise the statement of November, 1933, met at the Corn Exchange Bank Trust Company in New York on Tuesday, September 25, 1934, at one o'clock. All the members of the Committee, namely, Messrs. Steele, Chairman, Loeb, Bruce, and the Secretary of the Council ex officio, were present. Mr. Frew also sat with the Committee.

Mr. Steele's draft which had been previously sent by Mr. Steele to the members of the Committee, as well as to Messrs. Walter W. Smith and Frew, was regarded by everyone present as an excellent document. After some relatively minor changes, it was drawn up in final form. As the members of the Committee decided that urgency was imperative, it was agreed that the following procedure be followed.

1. Copies to be sent at once to each member of the Council by Air Mail, or read over the telephone.
2. Each member being requested to wire Secretary at once his approval, his comments, if any, and his authority to issue the statement to the Board and give it publicity.
3. When a majority of the Council and a majority of the Executive Committee have given approval, the Secretary to notify Mr. Bruce who will at once present the statement to the Board.
4. Mr. Bruce to notify Secretary as soon as the Board has received the statement and Secretary at once to notify Mr. Frew who will secure immediate publicity through the Associated Press, United Press, and the International News Service.

This procedure was modified as follows:

Instead of undertaking to send out the document by Air Mail, Messrs. Frew, Loeb, and Lichtenstein, between them, read the statement over the telephone to every member of the Council excepting Mr. Frost who could not be reached.

Every member of the Council expressed cordial agreement with the statement as read over the telephone. A copy of the statement together with the following letter of transmittal was thereupon given to Mr. Bruce for purposes of presentation to the Federal Reserve Board:

"September 25, 1934

Dear Governor Thomas:

In accordance with instructions given to me by the Federal Advisory Council, I beg to hand you herewith, through the kindness of Mr. Howard Bruce, a copy of a statement prepared by the Federal Advisory Council for delivery to the Federal Reserve Board. I am furthermore instructed to inform you that the Council is planning to give publicity to this statement.

With kindest personal regards, I am

Very truly yours,

(Signed) Walter Lichtenstein,  
Secretary

Hon. J. J. Thomas, Acting Governor,  
Federal Reserve Board,  
Washington, D. C."

Mr. Frew's office undertook to have the statement printed and a sufficient number of copies sent to each member of the Federal Advisory Council.

The Secretary of the Council returned to Chicago on the "Wolverine" leaving New York at 5:45 P. M., E.S.T. He was back at his desk in Chicago on Wednesday, September 26, at 2:00 P. M. Chicago

D. S. T. After considerable telephone conversations with Messrs. Frew, W. W. Smith, and Morrill, Secretary of the Federal Reserve Board, it was decided to postpone the publication of the statement and to wire each member of the Council not to distribute the statement until further word from the Secretary of the Council. The reason for this step was that Mr. Morrill informed Mr. Lichtenstein in the first instance that the Federal Reserve Board had not had time to consider the document and that in view of the fact that the Council had not discussed this matter with the Board and the Board was not at all aware that such a statement had been adopted or had even been contemplated, it felt that the Council should not give publicity to it or distribute it until the Board had at least had time to consider the matter. On instructions from Mr. Walter W. Smith, the Secretary of the Council thereupon sent out the telegrams referred to above.

Somewhat later Mr. Morrill again called Mr. Lichtenstein on the telephone and informed him that the Board had considered the matter, that it felt that the subjects discussed in the statement were not within the purview of the Board and that in view of the fact that the Council had not seen fit to consult the Board or discuss the matter with the Board, the Board was returning the document and the letter of transmittal to Mr. Lichtenstein.

(This has been dictated at 10:05 A. M.  
Chicago D.S.T., September 27, 1934.)

Further memorandum from the Secretary of  
the Federal Advisory Council in reference  
to the statement of the Council dated  
September 26, 1934.

The former memorandum was dictated at 10:05 A. M.  
Chicago D.S.T. September 27, 1934. During that whole day the  
Secretary had several telephone conversations with President  
Smith and also one with Mr. Frew. There was also an exchange  
of telegrams between Mr. Steele and Mr. Lichtenstein. The con-  
versations with President Smith and Mr. Frew as well as the ex-  
change of telegrams with Mr. Steele bore on the question as to  
whether the statement was to be released and if so when. Mr.  
Lichtenstein was also in touch during the day with Mr. Solomon  
A. Smith, member of the Council from the Seventh Federal Reserve  
District.

President Smith informed Mr. Lichtenstein that he was  
trying to get Acting Governor J. J. Thomas on the telephone to  
learn whether the attitude of the Federal Reserve Board was such  
that the Council should not give out the statement. At 4:10 P. M.  
Chicago D.S.T. President Smith telephoned Mr. Lichtenstein to the  
effect that he had finally been able to speak to Acting Governor  
Thomas, that Governor Thomas had stated that the Board felt the  
matter was not within its jurisdiction, but that the Council would  
have to use its own judgment as to what it wished to do and that  
there would be no feeling of resentment on the part of the Board  
in respect to any action which the Council would decide to take,  
even though the members of the Board might have some doubt as to

the wisdom of the decision made by the Council.

President Smith instructed Mr. Lichtenstein to send telegrams to each member of the Federal Advisory Council requesting that each member immediately see that the printed statement sent out by Mr. Frew's office be distributed to the member banks of each district. President Smith also instructed Mr. Lichtenstein to give out the statement to the three national news services, namely, the Associated Press, the United Press, and the International News Service. Mr. Lichtenstein immediately sent a telegram to each member of the Council reading as follows:

"Instructed by President Smith to request you to distribute statement of September twenty-sixth to member banks of your district.

(Signed) Walter Lichtenstein,  
Secretary"

Furthermore, Mr. Lichtenstein immediately contacted the Chicago offices of the three national news services and handed to representatives of each of them a copy of the printed statement.

Up to date Mr. Lichtenstein has not received back from the Federal Reserve Board the typewritten copy of the statement and the letter of transmittal which he understands was handed to the Federal Reserve Board on September 26 by Mr. Howard Bruce, and which Mr. Morrill stated he was returning to Mr. Lichtenstein.

(This has been dictated at 9:00 A. M.  
Chicago D.S.T., September 28, 1934.)