

Survey of events in connection with
Federal Advisory Council Statement of
September 25, 1934.

1. Meetings of Federal Advisory Council held in Washington, September 17th and 18th, 1934.

This file contains no minutes of this meeting so there is no direct information about what was discussed, or which members of the Council were present.

At this time the Advisory Council made three recommendations in a statement dated September 18th, 1934.

(a) On request of the Federal Reserve Board for suggestions by the Council about possible features of the System to be studied by the Committee which was appointed by the Board to study banking laws, the Council recommended that a ^{distinction} discussion be made between fundamental changes in the Federal Reserve System itself and those remedial changes necessary as a result of inconsistency and lack of clarity resulting from the haste with which recent emergency legislation was enacted by Congress. The inference ^{clearly} being held that fundamental changes in the System should be avoided. The Council expressed willingness to confer with the Committee and to make recommendations upon any feature of the study.

(b) The Council is disturbed about the present provisions of the Federal Deposit Insurance Law which permits the Corporation to insure banks which have no capital structure. The Council expresses the opinion that all banks hereafter admitted should be required to have adequate capital.

(c) The Council reports that member banks are cooperating and will

continue to assist the Federal Reserve banks in making direct loans to industries.

2. Statement of the Council presented to the Board September 25th.

The Council in a letter addressed to the Board and signed by Walter Lichtenstein announces that the Board will receive the Council's statement which was presented by a special messenger from Mr. Howard Bruce, a member of the Council from Baltimore. Furthermore, the letter informs the Board that the Council has planned to give publicity to this statement.

The statement itself makes the following suggestions with regard to national policy.

- (a) Adoption of a gold bullion standard with a fixed and definite gold content for the dollar.
- (b) Stated program for balancing the budget within a reasonable period.
- (c) Assurance to business of no government competition.
- (d) Avoidance of any credit or currency inflation.

This is the usual type of statement which appears in the conservative journals on such subjects, neither better nor worse.

A copy of the Council's letter addressed to all member banks incorporating the above statement was also presented to the Board at this time.

3. Board meeting September 26th, 1934 to consider the Council's statement.

The discussion which followed the reading of the statement is not reported in detail.

Mr. O'Connor offered a resolution which was adopted unanimously

by the Board incorporatedⁱⁿ the following proposals.

(a) To return the statement to the Council with the comment that the Board considers the material contained not under the jurisdiction of the Federal Reserve Board and incidently outside of the powers of the Council under the Act.

(b) To call to the attention of the Council that the matters covered in the statement were not discussed at all at the ^{Council's} meetings ⁱⁿ of ~~the Board.~~ ^{Washington.}

4. Letter addressed to Lichtenstein, September 27th, over J. J. Thomas's signature.

This letter incorporates the above comments which were adopted by the Board on September 26th.

5. Letter to the Board of W. W. Smith, President, Federal Advisory Council dated October 4th, 1934.

This letter takes exception to the letter of J. J. Thomas. It maintains that the Council acted within its power under the Act, calling attention to the fact that similar suggestions had been incorporated in the previous recommendations of the Council without challenge on the part of the Board. He expresses the desire of the Council to cooperate with the Board and states that the Council deplores any controversy between the Council and the Board in this time of crisis.

10/16/34
H.K.