

## The Papers of Eugene Meyer (mss52019)

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Subject File, Federal Reserve Board, Glass Bill, Senate Hearings, 1-2/1931

EUGENE MEYER

SUBJECT FILE

FEDERAL RESERVE BOARD  
GLASS BILL  
SENATE HEARINGS

1-2/1931



GLASS COMMITTEE HEARINGS.

January 19, 1931.

Abolish office of Comptroller and transfer to Federal Reserve Board.

Modification of Federal Reserve Act and National Bank Act on question of examination.

Remedies: Forfeiture of Charter,  
Special list for examination.

Removal of officials as a power of remedial character.

Causes of Bank (failures). Saw Pole. - Trend to larger banks.

Shrinkage in securities owned.

Security loans a factor in bank failures?

Glass question? - Are present reserves adequate?

Demand and time deposits - Manipulation for.

Purpose of reducing reserve requirements.

Glass question - Should national banks be allowed to take time deposits?

Glass - Have we not amended our national banking laws to meet State weak banking laws in a spirit of competition.

Jan. 19/31  
Abolish office of Comptroller  
& transfer to FRB

Modification of FR Act  
N B n

On question of examinations  
Remedies Consequence of Charter  
Special List for  
examination

Removal of officials  
as a barrier of Remedial  
Character

Causes of Bank - Said  
by Lee - Spend to Large  
Banks -



Shrinkage in  
Securities owned  
Securities loans  
a factor in bank  
failures?

Yess question?

Are present reserves  
adequate?

Demand & Time Deposit  
Manipulation for  
Purpose of Reducing Reserve Requirements

Glass L. Shouldn't Bks  
be allowed to take  
time deposits?

Glass — Have we not  
amended our natl Bk  
laws — to meet State  
weak Bk law  
in a spirit of  
competition



January 20, 1931.

G. L. Harrison.

Differentiation:

1. - Violation of Law
2. - Sound principles within the law.

What is growth of time vs. demand since Federal Reserve System? (Look this up)

Savings - Stimulated by law reserves, but also by high rates.

## II.

January 20, 1931.

Would not segregation of security for savings imply division and segregation of capital?

Question of law - Can Federal Reserve Board impose restrictions on percentage of real estate for State banks.

Glass says - Par. 3, Section 9, authorizes Federal Reserve Board to restrict and regulate.

## III.

January 20, 1931.

G. L. Harrison and others too disposed to accept status quo because it is troublesome to change.

Glass thinks examinations should not be made of affiliates unless to the extent that law requires.

Cause of bank failures.

IV.

What is percentage of member to non-member bank failure.

Canadian banking system - Glass asks G. L. Harrison - Is it Sound?



Tuesday Jan. 20/31 Y

H. H. Hansen.

Differentiation

1. Violation of Law
2. Some Principles  
touching the law

What is growth of  
time & demand  
since Fed Res System?  
Look this up

Savings - Stimulated by  
low reserves - but also  
by high rates -

Jan 20<sup>th</sup> / 31 II

Wanted not Segregation  
of Security. For  
Savings - imply  
division & Segregation  
of Capital

Question of Law -  
Can FRB - impose  
restrictions <sup>on</sup> percentage  
of Real Estate - for  
State Banks

Glass says - Pr. 3 Sec 9  
author. FRB to  
restrict & regulate



Jan 20/31

III

G.L.H. & others too disposed  
to accept status quo  
because it is - ~~troublesome~~  
to change

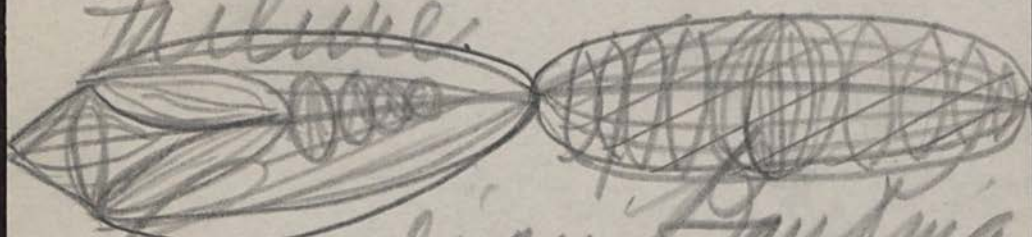
Glass thinks reorganization  
should not be made  
of affiliates - unless  
to the extent that  
law requires.

Cause of Bank  
Failures -  
O. O. O.

Jan 20

IV

What is % of member  
to Non Member BK  
Failure.



Caribbean Banking  
System - Glass  
with GLH - Is it  
Sound?



January 22, 1931.

Glass - 15 day loan for purpose of tiding bank over  
emergency. Has it been used extensively for stock marker purposes?

G. L. Harrison disagrees.

Jan 22/31 I

Y.- 15 day loan - for purpose  
of hiding bank over  
emergency -

Was it been used  
extensively for stock  
mkt purposes?

Y.H. - Disagree.

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January 26, 1931.

A. H. Wiggin. -

Does not favor prohibition in Glass Bill. Against borrowing from Federal reserve bank by large country bank which has collateral security loans - on ground that legitimate business would be injured.

Chase Bank cannot tell why a correspondent bank wants money.

A. H. Wiggin favors a higher rate on loans by Federal reserve banks on bonds.

A. H. Wiggin - Clearing House certificates should be made eligible. Cities of not less than 500,000 people with not less than ten member banks in Clearing House.

A. H. W. says - Control of loans for others is not practicable.

Security loans a cause of bank failures? No freeze of loans of Stock Exchange securities.

A. H. W. - Makes distinction between unmarketable securities.

Invest. - Trend of Security Loans. W. says normal security loans should be upward.

W. - Against short sales.  
Restrictions on market.

Jan. 26, 1931.

-2-

Security affiliates - Wiggin favors them.

On Security affiliates - States State institutions can compete directly under law.

Comptroller examines Chase Security Corporation.

Balance sheet and statement of income of Sec. Co.

A. H. W. favors should have supervisory power over bank affiliates.

Willis asks - Should portfolio be published with statements of Security Co. - Limit on loans to Security Co.?

Amer. Ex. - 18 M M Capital

Hanover Tr. 9 M M "

Chase Sec. - 108 M M Capital, Surplus and Res.

Wiggin thinks reserve on time deposits should be the same as demand deposits.

Willis speaks of rates in Federal Reserve Districts at present uniform. Actually 2,  $2\frac{1}{2}$ , 3 and  $3\frac{1}{2}$ %.

Mr. Platt of Marine Midland Trust.

Norbeck - Asks cause of numerous bank failures in last ten years.



Jan. 26/31

United States Senate

MEMORANDUM

A.H. Wiggin. —

Does not favor  
prohibition in Glass  
Bill - ag't <sup>from FRB</sup> borrowing  
by large city bank -  
which has collect Sixty  
loans - on ground that  
legit business - would  
be injured - Chase BK  
cannot tell why a  
correspondent bank  
wants money.

A.H.W. favors a higher  
rate on loans by FRB  
on Bonds —

Jan. 26/31 - 2 A.H.W.

United States Senate

MEMORANDUM

A.H.W. - Clearing House  
Cts - should be made  
eligible - cities of not  
less than 500<sup>th</sup> people  
with not less than  
10 member banks in  
Clearing House

A.H.W. says - Control of  
loans for others - is  
not practicable.

Secy loans a cause of bank  
failures? No freeze of  
loans of Stock Exchange  
securities



Jan 16 - 3 - AHW

United States Senate

MEMORANDUM

W. - makes distinction  
between market - Security  
Invest - Fund of Security  
Loans W. - says normal  
of sec. inv. - should be  
upward

W. - a lot about sales  
in restrictions  
on market

~~Willis~~  
Security Affiliates  
Missouri from them

Jan 28/21

4  
United States Senate

MEMORANDUM

anw  
On Sec Affil - States  
State Institution  
can compete directly  
under law

Comptroller Examiner  
Chase Sec Corp

Bal Sheet & Statement of  
Income of Sec Co

anw - form should have  
supervision power  
over bank & affiliates



5 Jan. 26 - att'd

United States Senate

MEMORANDUM

Willis asks - should portfolio  
be pub. with statements  
of Sec Co -  
limit on loss to Sec Co?

Am Ex. 18<sup>th</sup> 26. Cap  
Harm Forbe 9<sup>th</sup> 26  
Chas Sec 108<sup>th</sup> 26 Cap Supple.

Worthinks Reserve on  
Price Deponts should  
be the same - Demand Dep

6 Jan 78/21 - Att W

United States Senate

MEMORANDUM

Miller speaks of rates  
in Fed Res Districts  
at present uniform  
Actually - 2 - 2 1/2 3 3/4

Rate of <sup>at</sup> Kansas <sup>Union</sup>



Jan 16/31

United States Senate

MEMORANDUM

Herbert - Asks Cause  
of numerous bank  
failures - in last  
10 years -

January 29, 1931.

Edge Act. - Trafford of First National.

Willis - Difference between English and American acceptance business.

Willis - Is domestic acceptance business sound or unsound?

Willis - Is accept. against commodity security sound or unsound?

Willis - What can be done to put acceptance business on its feet?

Has there been a great increase in acceptance against commodity in warehouse abroad, especially in Germany?

Trafford of First National of Boston advises complete examination of Security affiliates.

Examinations of Edge Act Corporation by Federal Reserve Board.

Trafford says Security affil. necessary to maintain National System against State Bank System.

Fred W. - Is it safer to lend on security collateral direct to individuals or to brokers?

First National - Now lending three times as much direct as to brokers.

Instructions by Comptroller under McFadden Act as to buying of bonds.

Look up McFadden Law - Security Section.



January 29, 1931.

-2-

Trafford:- I wouldn't do anything to hurt the National Banks in their ability to compete with State Banks.

Trafford: - Serious thing is dropping out of National System.

Trafford: - Says hardly a National Bank left in Maine.

Trafford asks: - Is there any way to reach State bank reserves.

Question by F. W. - Have grozen investments been responsible for bank failures?

T: - Sees no need of branch banking in New England.

H. P. W. - Would country wide branch banking be good?

Trafford says: - Great distinction to be made between time and savings deposits.

July 29/31

United States Senate

MEMORANDUM

Trafford  
off table

Edge Act

Miller  
Difference between  
English & American  
acceptance business  
Miller

Is Domestic Acceptance  
business - sound or  
unsound?

Willis  
Is accept agot commodity  
secty - sound or  
unsound?



Jan 29/31

United States Senate

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Wells MEMORANDUM

What can be  
done to put  
accept business  
on its feet?

Has there been  
a great increase  
in accept agot  
commodity in  
warehouse abroad  
especially in  
Germany?

Jan 29/31

111

United States Senate

MEMORANDUM

Trafford of 1<sup>st</sup>  
Nat of Boston  
advices Complete  
examination  
of Security Affiliates

Wants of Edge  
Act Corpin by Fed  
Res Board



Jan. 29/31

IV

United States Senate

MEMORANDUM

Truff - (Days)  
Secy affil necessary  
to maintain Natl  
System - agst State  
Bank System

Fred W. Is it safer  
to lend on security  
collat - direct to  
individuals or to  
brokers?

1<sup>st</sup> Natl - no budget  
3x as much direct as to brokers

Jan 27/31 -

IV

United States Senate

MEMORANDUM

Instructions by  
Comptroller under  
McFadden Act  
as to buying of  
bonds

Look up McFadden  
law - Security  
Section?



K

United States Senate

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MEMORANDUM

Traff — I wouldn't  
do anything to  
hurt the Wall  
Banks — in their  
ability to compete  
with State BKs

---

Traff — Serious  
things is dropping  
out of Wall St

---

H

United States Senate

MEMORANDUM

Trapp - says hardly  
a call, BK left  
to Maine

Trapp asks - Is there  
any way to reach  
State BK reserves?  
Inert by F.W. Have frozen  
investments been  
responsible for bank  
failure?



TH

United States Senate

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MEMORANDUM

T- Also no need of  
branch banking  
in New Engld -

HPW - Would country  
wide branch bank  
be good?

VIII

United States Senate

MEMORANDUM

Trafford

Says - Great distinction to be made between time and savings deposits -



January 30, 1931.

Geo. Davison:

1. Can't make good banking by legislation.
2. Too liberal chartering of banks.
3. Rivalry between State and National System.
4. Two banks where can be prosperous.
5. Larger centers brought nearer by good roads.

G: - How by legislation to adjust competition between  
State and National?

G. W. D. - Ans.: Only by more cooperation.

G: - No way to correct bad banking by legislation?

D: - Great difficulty to correct abuses, he finds.

G: - Comptroller of Currency suggests suspension or  
removal of bank official \_\_\_\_\_?

D: - Danger to O.K. would result from removal.

D: - No good bank has failed in 1930.

G: - Haven't good banks failed because of bad management?

G: - Did Federal Reserve System have anything to do with  
trouble in 1929.

D: - Possibly many reasons. Capital gains tax.

D: - Easy money in 1927 may have been carried on too long.  
Call loans are as good a secondary reserve as a bank can  
have.

G: - Why did we forbid securities as eligible?

D: - To make preferential rates for commercial business.



January 30, 1931.

-2-

G: - Abuse in loans for others.

G: - Do you think it wise to have open market operations submerge rediscount provisions?

D: - Both are necessary.

G: - Origin of open market never was intended to enable control of money rates. Discount rate was supposed to react to reserves and to help business.

D: - Says all money gets into one stream.

G: - Either Federal Reserve controls money market or money market controls bank.

G: - Only thing we have done, -seems to be to prevent currency famine.

G: -It seems we're back to a bank secured currency.

D: - Investment forms an important part of our banking system.

G: - Yes, O. K., but not intended to form an important part of Federal R. B. System.

G: - Many hundreds of millions issued under Vreeland Aldrich Act in 1914. Emergency Currency.

D: - Am not opposed to Branch Banking within narrow limits, but is opposed to group and chain banking in any form. Is opposed to state wide branch banking.

G: - Isn't unit system carried to an undesirable extreme?



January 30, 1931.

-3-

D: - Shouldn't have banks that can be supported?

D: - Would like to have uniform banking law.

D: - The beginning of security affiliates was inability to compete under national bank law with State institutions.

Willis: - Earmarking purposes of loans.

Invest. -  $\frac{1}{2}$  of Commercial agricultural paper.

W: - Were Trust Companies more engaged more deeply in Security loans.

D: - Our loans on security loans were lower in 1929.

G: - Reserve requirements on savings or thrift accounts.

D: - No interest to pay on less than 1,000 deposits would solve savings account problem.

G: - How about limiting deposits of banks with other banks.

Towns. asks how to define limits of branch banking. -

County lines - trade areas?

D says trade areas too wide.

G says never any objection to branch banking from borrowers - always from Banks.

Jan. 30/31 —

I

United States Senate

MEMORANDUM

Gen. Davidson

1. - Can't make good banking by legislation —
2. - Too liberal chartering of banks
3. - Rivalry bet. State and natl System
4. - 2 Bks where 1 can be prosperous
5. - Larger centres broke areas by good roads —
6. - How by legislation to adjust competition bet State & Natl ?



Jan 30/31

II

United States Senate

MEMORANDUM

W.D. - Ans. only by  
more Cooperation  
G. No way to correct  
bad banking by legis-  
lation?

D. Great diff. to correct  
abuses he finds -  
G. - Compt. of Curr. - suggests  
suspension or  
removal of bank  
official - ?

D. Danger to B.K.  
would result from  
removal

June 30/31

111

United States Senate

MEMORANDUM

D. - The good BK has failed  
in 1930 -

~~See Norbeck - asked~~

Y. Haven't good BK -  
failed because of  
bad management. L

Y. - Did TRSs have  
anything to do  
with trouble in  
1929. -

Ans. Possibly - Many  
reasons. Capital  
farms too.



Jan 20/31

TV

United States Senate

MEMORANDUM

D. Large money in 1927  
has have been carried  
on too long -

Gold loans are as  
good a secondary  
reserve as a bank  
can have

Q. Why did we forbid  
Securities as eligible?

A. - To make preferential  
rates for Commercial  
business?

Jan 30/31

V

United States Senate

MEMORANDUM

G. - Above in no, other?

G. - Do you think it wise  
to have open mkt opera-  
tions put under Fed. Ex-  
provisions — ?

D. - Both are necessary

G. - Origin of open mkt  
~~was to compel~~  
never was intended  
to enable control  
of money rates.  
~~But~~ rate was  
supposed to  
reflect resources  
& to help business



Jan 30/31

VI

United States Senate

MEMORANDUM

Gov. - Says all money  
gets into one stream  
G. - Either FR Controls  
money mkt or money  
mkt Controls Bank

G. - Only thing we  
have done - seems  
to be to prevent  
currency famine?

G. - It seems more  
best to a bank  
secured currency

Jan 30<sup>th</sup> 1931

MI

United States Senate

MEMORANDUM

A. - Investment from an important part of our bkg system -

Q. - Yes sir. but not intended to form an important part of FRB System -

Q. many hundreds of millions issued under Veeland Aldrich Act -

In 1914. - Emergency Currency

A. - Am <sup>not</sup> opposed to such a system within narrow limits but is opposed to group



Jan. 30/31

VIII

United States Senate

MEMORANDUM

and chain bkg — in  
any form — D. to  
opposed to state mls  
branch bkg

G. — Don't mint system  
carried to an undesirable  
extreme?

D. — Shouldn't core bks  
that can be supported?

A. — would like to have  
uniform bkg law?

D. — The begin of secty  
affiliates — no ability  
to compete under national  
bank law — with state  
institutions?

Jan. 30<sup>th</sup> / 31

IX

United States Senate

MEMORANDUM

Willis - earmarking  
purposes of loan  
Invest - % of Commercial  
agricultural  
paper -

H. - same Trust Co  
more engaged more  
deeply in Secty bus-  
A. - Our bus on secty  
bus were lower in  
1929 -

G - Reserve requirements  
on Savings & Thrift  
Accts



Jan 30/35

X

United States Senate

MEMORANDUM

D. - No interest to pay  
on less than 1,000. deposits  
must solve savings  
problem

G. How act banking  
deposits of bks with  
other bks?

Town. asks how to  
define limits of  
branching  
County lines? Trade  
areas A. says  
trade area too wide

Jan 30<sup>th</sup> 1901

~~XI~~

United States Senate

MEMORANDUM

G. - Says never any  
objection to Rock Bk  
from borrowers -  
always from B. & O.



February 2, 1931.

Chas. E. Mitchell.

Glass: - Did F. R. Notes exchangeability for gold result in maladjustment of world's gold supply?

M: - Thinks it not a factor.

M: - Thinks it's useless.

M: - We had a great inflation; -  
1st. Commodities, which was corrected;  
2nd. Real Estate  
3rd. Securities.

G: - What comment on loans for others?

M: - Loans for others a great contrite factor. Loans for account of others - outside of F. R. System.

G: - What measures did you advocate and what do you think should have been done?

M: - Loans for others had to really be considered as a part of the total volume of credit.

G: - Did not the Act contemplate a differentiation between investments and speculation?

M: - No.

M: - Call loans, liquid and no loss of a dollar. We only feel safe if we have about 100 M M. Call loans.

G: - What relation has reserve of a F. R. B. to its willingness to discount for member banks. Relation of Res. to attitude of Banks?

M: - Ratio so large as to be unimportant.

February 2, 1931.

C. E. Mitchell.

Glass: - Do you think 15 day borrow - has been abused?

M: - No. City Bank never borrowed on Governments in excess of eligible paper on hand in bank.

G: - We emphasized importance of F. R. Agent in the Act and now the man is one who is not even mentioned in the Act.

G: - Do you think wise to put a limitation of 15 day loans of -

M: - Look at my chart.

G: - For agencies authorized to be established by bank with approval of F. R. B.

Loss taking.

Should trading in shares of bank be forbidden by affiliate.

M: - No way to force banks into F. R. System. Therefore no way to make provision for - say 25 m. liquidity.



Feb. 2/31-

I

United States Senate

MEMORANDUM

Chas E Hutchell

Yan. - Did FR make  
exchangeability for gold  
result in maladjustment  
of world's gold supply?  
H. - Thinks it not  
a factor —

H. L. Think it useless  
to we had a great  
inflation — 1<sup>st</sup> Commodities

which was corrected  
2<sup>nd</sup> Real Estate  
3<sup>rd</sup> Securities

FEB. 2/31

#

United States Senate

MEMORANDUM

- g. - what comment on  
plans for others?  
h. - has for others a  
great contrib. factor.  
has for others - outside  
of FR System -  
i. - what measures did  
you advocate - & what  
did you think should  
have been done?  
h. - has for others. had  
to really be considered  
as a part of the total  
volume of credit?



Feb 2/31

~~III~~

United States Senate

MEMORANDUM

Q. - Did not the Act Contem-  
plate a differentiation  
between currency and  
speculation?  
A. - No. -

Mr. Call has liquid &  
no loss of a dollar -  
We only feel safe if we  
have about 100,000,000 Call  
loans -

Q. What relation has  
Reserve of a FRB to  
its members to discharge  
member FRBs - ?  
Relation of Res to attitude  
of FRBs - ?

Feb 2/31

IV

United States Senate

MEMORANDUM

1. Ratio ~~So~~ large as  
to be unimportant

9. - Do you think 15 day  
borrow - has been abused?

h. - No - City BK never  
bought in ~~eligible~~ Gov't  
in excess of eligible  
paper on hand in bank

9. - We emphasized import-  
ance of FR Agent  
in the Act - & now the  
man is one who is  
not even mentioned in  
the Act



Feb 2/31-

V

United States Senate

MEMORANDUM

Do you think wise  
to put a limitation  
of 15 day bus of  
the bank along chart -  
For. Agenc - author to be  
estab. by FRB with  
approval of FRB

Jan 17/31

11

United States Senate

MEMORANDUM

Loss taking  
Should trading  
in shares of Bank  
be forbidden by  
affiliate



United States Senate

VII

MEMORANDUM

Mitch

No way to force  
GK into FR System  
therefore my way  
to make proposal  
for say 75% liquidity

February 3, 1931.

H. M. Robinson.

Anything that will help to reduce competition between  
State and National systems.





Feb 3/31

United States Senate

MEMORANDUM

Hm Robinson

Anything that  
will help to reduce  
competition between  
state & national  
systems

February 16, 1931.

Melvin Traylor.

Would like to see uniform State banking laws.

Give State banks power for branches within a county with view to increase to State-wide.

Prohibit bank owned outside a state, or branch of bank owned or dominated outside of a State.

G. asks what is difference between correspondent banking and branch banking?

February 16, 1931.

Stephenson - Pres. A. B. A.

Hard roads take farmer into larger towns.

Member of Comm. of National Association of Mutual Savings Bank willing to buy F.R.B. stock based upon surplus. They want to borrow on bonds.



W. L. Taylor. Feb. 16/3

United States Senate

MEMORANDUM

Wants like to see uniform  
state bkg laws —  
give State Bks — power  
for branches within  
a county — with view  
to increase to state and  
prohibit bank owned  
~~outside~~ in state — or branch of  
bank owned or domiciled  
outside of a state.  
Is also what is diff. bet —  
Correspondent bkg and branch  
banking?

Feb. 16/31 -

United States Senate

MEMORANDUM

Stephenson - Pres. A.B.A.

Hard roads take farmer into large towns.

member of Comm. of  
Fell Association of  
Mutual Savings Bk

I willing to buy FRB stock  
based upon surplus  
they want to borrow on  
bonds



February 17, 1931.

Traylor.

Commercial Banking

Affiliates

Glass: What is your view of use of rediscount rate to control speculation?

Initiation of discount rate. Bank or Board has veto power on rate.

Feb 17/31  
United States Senate

MEMORANDUM

Mr. Fraser  
Council Reg  
Affiliates

What is your view of  
use of redisct rate in  
Central speculation?

Initiation of disct  
rate? - Board or Board  
Fed has veto power on  
rate?



February 19, 1931.

Bean. Discount Corporation

Bills and Acceptances.

End January. Banks carrying 130 MM of own acceptances.

433 M. M. Acceptances of other banks.

Export acceptances declining in a normal way.

Low point generally- June, July.

Get copy of Acceptance Council Bulletin for December 31, 1930.

American Warehousemen's Asso.

Feb 19/31

United States Senate

MEMORANDUM

~~Dean~~ Dist Corp  
Bills & Acceptances

End Jan - Bks Carrying 1/30<sup>th</sup> of own acceptances

4/30<sup>th</sup> Acceptances of other Bks

Export Acceptances - declining in a normal way -

Low pt generally - June July

Get copy of Acceptance Circular Bulletin - for Dec 31, 1930. —

Amer. Manufacturers Assn. 25