

At a regular meeting of the Federal Reserve Board held in the office of the Board on Thursday, October 8, 1914 at 3:00 p. m.

PRESENT:

Mr. Hamlin	Mr. Warburg
Mr. Delano	Mr. Harding
Mr. Williams	Mr. Miller.

The Governor of the Board presided and Mr. H. P. Willis acted as secretary to the meeting.

The minutes of the preceding meeting were read and approved.

The Governor laid before the Board a statement regarding the fiscal and accounting status of the Board. After discussion it was decided that the Governor make further inquiries. No action meantime was taken.

The Governor laid before the Board a letter from the Counsel together with a letter from Mr. Allen Hollis of the Federal Reserve Bank of Boston relative to the transfer of stock of Federal Reserve directors to persons closely connected with them. The Governor was requested to state informally to Mr. Hollis that while his view of the requirements of the law on this subject might be regarded as technically in com-

pliance with the requirements, it hardly carried out the full spirit of the Federal Reserve Act.

The Governor laid before the Board a letter from Federal Reserve Agent Curtiss with reference to the selection of a governor and a member of the Advisory Council for District No. 1 and the leasing of banking rooms.

Mr. Warburg laid before the Board a similar letter regarding the situation in New York.

After an informal discussion, it was voted to ask for a transcript of the minutes of the Board of Directors of the Federal Reserve Bank of New York with reference to the salary of the Governor of the Federal Reserve Bank of New York.

The Governor laid before the Board a communication from the Century Savings Bank of Des Moines, Iowa, to the effect that certificates of participation in the Gold Fund had been held by the State banking authorities as not a valid element in the assets of State banks in Iowa. On motion it was voted to obtain from the Counsel with reference to the action of the Iowa State Banks.

On motion it was voted to adopt the report with reference to the qualifications of members of the Advisory

Council submitted by Mr. Delano and Mr. Warburg. The report as thus adopted is as follows:

The Committee appointed to report upon the qualifications of members of the Advisory Council and their relationship to the Federal Reserve Board submits its recommendations as follows:

The law does not specify whether or not the member of the Advisory Council shall be a member of the Federal Reserve Bank Board, hence it is plainly left to the discretion of the A, B and C Directors to elect whom they think best qualified. The feature of an advisory council is a new one in regulatory laws of our country and was added at the urgent request of bankers and business men in order to give the business community an opportunity of expressing its opinion and of giving its advice to the Federal Reserve Board. Indeed, the Act as passed gives the Advisory Council the privilege of interrogating the Federal Reserve Board with respect to certain defined subjects.

It would appear, therefore, that the Act contemplated that this Council should have a twofold object; first, to give the Federal Reserve Board the advantage of the best expert opinion from representatives of the banking and business communities; second, of enabling the bankers to express their views to the Federal Reserve Board. Furthermore, inasmuch as the Federal Reserve Board has ample opportunity of securing inside information from the Federal Reserve Agents and from the Governors, it has been argued that the idea that members of the Advisory Council shall not be members of the Board of the Reserve Bank, but that, on the contrary, they shall represent the independent and critical judgment of member banks or of the business community in general has a basis.

The opposite point of view is that such outside members of the Advisory Council would not be sufficiently familiar with the machinery and operations of

the Federal Reserve Banks to give the Reserve Board valuable or constructive suggestions. From this angle it is claimed that the best representatives on the Advisory Council would be either the Governors or one of the A Class.

Some students of the question have suggested that the Advisory Council should comprise a committee of all the Governors and it is quite conceivable that that may eventually prove the best plan but, in the meantime, it must not be forgotten that the much needed cooperation between the Federal Reserve Banks would result from having the Governors act as a committee of the whole, or in groups, meeting from time to time at Washington or elsewhere, while the Advisory Council, independent of it, might continue its separate and valuable functions.

To sum up, your Committee would suggest that, the Advisory Council, having been created to provide the best possible means of securing a consultative body of experts to give to the Federal Reserve Board the benefit of effective and constructive criticism, the Directors of the various Reserve Bank Boards should be given a rather free hand in the selection of the men most fit for membership in the Council whether they happen to be members of the Board of Directors or Governor or not.

Whichever of the two ways is chosen, it is obvious from what has been said that the office of member of the Advisory Council should not be given to anybody as a mere compliment, but only to such men as will be considered the best qualified to render efficient and distinguished service.

F. A. DELANO

Respectfully submitted.

PAUL M. WARBURG

-October 8, 1914.

The Secretary of the Board was instructed to send the substance of this report to Federal Reserve Agents in its finally amended form.

On motion a report submitted by Mr. Delano, Mr. Williams and Mr. Miller regarding the appointment of special examiners of Federal Reserve Banks was adopted. The report thus as adopted is as follows:

The Committee on Organization of the Federal Reserve Board desires to bring before the Board a suggestion which has been made to it in respect to having a corps of special examiners who may be used as staff officers and who, from time to time, shall investigate and report upon the methods in use and the conditions existing in the various Federal Reserve Banks and who can also be employed to audit the accounts and examine the collateral held by Federal Reserve Banks.

It is suggested that at least four men be secured for this purpose, each of them to be examiners for three Federal Reserve Banks. It is proposed that these special examiners shall have their offices at Washington, and that it shall be among their duties to receive and analyze the weekly reports received from the Federal Reserve Banks. They should report either to the Board as a whole or to those members of the Reserve Board to whom that particular district shall have been allotted, if such an allotment shall have been determined upon.

These special examiners who shall be in this respect assistants to and staff officers of the Federal Reserve Board or its members, will necessarily be compelled to do much traveling in order to maintain the required super-

vision of the Federal Reserve Banks. In doing so, they will familiarize themselves very intimately with the affairs of these banks and will be of very real service to the members of the Federal Reserve Board in analyzing reports made to it and enabling the members to reach safe conclusions.

If this plan be adopted, it is suggested that in securing the proper men for the districts, a tentative division of the country be borne in mind as follows:

District No. 1: Boston, New York and Philadelphia;
 " " 2: Cleveland, Chicago and Minneapolis;
 " " 3: Richmond, St. Louis and Atlanta;
 " " 4: Kansas City, Dallas and San Francisco.

It is suggested that this question be taken up immediately so that, in case this report is adopted, these special examiners may be secured as soon as possible. If we can get the right kind of men they will be of great assistance during the constructive period now to be inaugurated.

Respectfully submitted by the (F. A. DELANO
 (J. S. WILLIAMS
 Committee on Organization. (A. C. MILLER.

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On motion a resolution governing further business before the Board was adopted as follows:

RESOLVED, That the Secretary of the Federal Reserve Board be; and he hereby is, instructed to keep a docket or calendar of matters to come before the Board;

That copies of this docket be prepared for each member on the mornings of days when meetings of the Board are to be held;

That there shall be placed upon this docket:

1. Matters to be taken up by the Board which shall have come to the attention of the Secretary through their presentation at previous meetings;

2. Matters reported to the Secretary's office by members of the Board for the purpose of having them placed upon the docket;

3. Matters which have originated in or have been brought to the attention of the Secretary's office.

That after October 14, 1914 reports of committees, or other matters, or questions of interest to more than one member of the Federal Reserve Board, shall not be brought forward, except by majority vote of those present, unless they have been placed upon the docket prepared by the Secretary and notice in this way given to all the members one hour prior to the time of meeting;

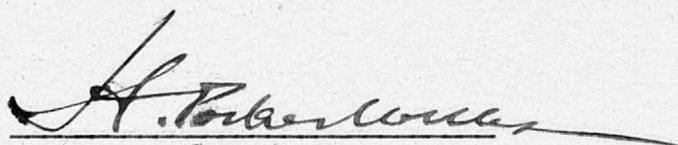
That reports of committees presented for action of the Board be made in writing and supplemented by oral explanation when necessary.

The Governor laid before the Board a letter from the Counsel regarding the present status of the Reserve Bank Organization Committee.

On motion it was voted that the Governor and Counsel report to the Board regarding the payment of the first installment of capital stock of Federal Reserve Banks.

The question of taking over the staff of the Organization Committee was referred to the committee on internal organization.

On motion at 5:00 p. m. the Board adjourned.


Secretary.

APPROVED:


Governor.