

At a regular meeting of the Federal Reserve Board held in the office of the Board at 11:00 a. m., on Monday, November 22,

PRESENT:

Mr. McAdoo, presiding Mr. Williams

Mr. Hamlin Mr. Warburg

Mr. Delano Mr. Harding

Mr. Miller

Mr. Willis, Secretary.

X
The minutes of the meeting of November 19, were read and approved.

The minutes of the joint conference between the Board and the Executive Committee representing Governors of reserve banks were presented by the Secretary and on motion referred to Mr. Warburg and Mr. Miller for report.

On motion an application for Federal reserve notes for the Federal Reserve Bank of Atlanta (New Orleans Branch) amounting to \$300,000 duly recommended by the Committee on Issue and Redemption were approved as follows:

\$5 denomination	\$20,000
10 "	120,000
20 "	160,000

A shipment of notes to the subtreasury at New Orleans amounting to \$1,000,000, the same to be held in stock at that point, was authorized.

By unanimous consent other business was deferred, and Mr. Delano as chairman of the committee on redistricting submitted another report on the subject.

Mr. Hamlin moved that the report be received by the Board and on being put the question prevailed.

Mr. Hamlin moved that the opinion of special Counsel J. P. Cotton relating to the powers of the Board in redistricting be formally laid before the Board. The motion was seconded by Mr. Warburg and on being put to a vote prevailed.

Mr. McAdoo stated that he had received late on Saturday afternoon, the 20th instant, copy of an opinion by special Counsel J. P. Cotton, upholding the power of the Board to reduce the Federal Reserve Districts; that he had had no previous notice that

such an opinion had been requested and as the re-districting question had been put upon the calendar for today he had assumed that the Board intended to act upon it finally; that as the question was one of grave importance he had felt that the Board ought not to take action without having the opinion of the Attorney General of the United States as to its powers in the premises; that in the early part of the preceding week he had requested the Attorney General to examine into the question with a view to furnishing him, as a member and chairman of the Board, an opinion upon the Board's power; that upon receipt of Mr. Cotton's opinion he had concluded that it would be better if the Governor of the Board should request the President to ask the opinion of the Attorney General because he (Mr. McAdoo) was a member of the Organization Committee and for that reason he preferred not to make the request. He, therefore, had suggested to Governor Hamlin that he request the President to ask for such an opinion.

Mr. Hamlin thereupon read a letter he had written to the President of the United States asking for the submission of the question to the Attorney General and the reply of the President, enclosing the opinion referred to, the said opinion expressing the view that the Board was without power to reduce the number of Reserve Districts.

Mr. Hamlin moved that the opinion be formally laid before the Board and copied for distribution to all members. The motion prevailed.

Mr. Delano stated that he had not supposed that the Governor, as Governor, had the power to go to the President and ask for an opinion of the Attorney General without a vote of the Board authorizing him to do so.

Mr. McAdoo stated that he thought that any member of the Board was at liberty to ask the President to request an opinion of the Attorney General without a vote of the Board, and that it rested within the discretion of the President to comply or not with such a request. Mr. McAdoo stated that he

thought the power of any member of the Board to make such a request of the President should not be denied.

Mr. Miller inquired whether Mr. Hamlin had acted on his own motion or otherwise.

Mr. Hamlin said that he had acted on his own authority.

Mr. Williams stated that, although he knew nothing of the opinion requested of the Attorney General until this morning, he considered that the Governor had been thoroughly justified in making of the President the request he did for the Attorney General's opinion, in view of the emergency which had developed as a result of the Committee's report, and which, in his opinion, threatened the success and integrity of the Federal Reserve System. He stated that when the Committee made its report on the 15th instant, he had clearly understood from the discussion which promptly followed that the Committee insisted upon immediate consideration and definite and final action within the ensuing few

days. Mr. Williams then reminded the Committee that Mr. Delano had stated at the meeting of the 15th that unless the subject should be taken up; considered and acted upon within the few days next ensuing, that it would probably have to be deferred until December 11, in order to have a full meeting of the Board, and this delay Mr. Delano had strongly objected to. Mr. Williams asked Mr. Delano if it had not been his intention and expectation to have the subject definitely acted upon before the 11th proximo. Mr. Delano said that that had been his expectation.

Mr. Williams moved that a stenographic report of the discussion, and of all other discussions relating to redistricting be provided by the Board.

Mr. Delano opposed the motion, saying that he thought no one meeting or subject was more important than any other, and held that none should receive more attention than any other.

Mr. McAdoo favored the proposal.

Mr. Warburg expressed the view that such a report should be taken at all meetings of the Board or never.

Mr. Harding suggested that Mr. Williams modify his motion so that a stenographic report should be provided on the present occasion and upon any future occasion at the request of two members of the Board.

Mr. Delano said he desired to record once more the reason for his position against this proposal, saying that the records should be kept always or not at all.

Mr. Miller took the view that the members would not be able to express their thoughts so frankly and freely if stenographically reported so that the result of the keeping of such a record would be to bring about meetings of a parliamentary and stereotyped variety with the real deliberations taking place outside of the Board room, of which he believed there already was too much.

After further discussion the motion was

withdrawn.

Mr. Hamlin, by request, read the main conclusions of the Attorney General's opinion with reference to the powers of the Board in regard to redistricting. Mr. Delano called attention to the fact that in the past the Attorney General had declined to furnish opinions to the Board, and asked whether the opinion now offered was written by the Attorney General himself or by a subordinate. Mr. Hamlin replied that he had no knowledge on this subject but that it was signed by the Attorney General.

Mr. Harding called attention to the point which had been made during the hearings of the redistricting appeals, to the effect that members of the Organization Committee should properly have no vote in deciding such appeals. No action was taken with reference to the point thus made.

Mr. Warburg was formally recognized. He expressed regret at what had occurred during the meeting. The events of the day had damaged the Board, in his opinion, more than anything which had

yet occurred in its history. He thought the Governor had no right to address the President, as Governor, without authority from the Board. There had been unseemly haste in the whole matter. The attitude adopted by those who had thus hastened to secure the Attorney General's opinion, suggested the thought that the Board had intended to do something of an ill-considered nature. The whole procedure must have implied that there was to be a snap judgment. This had misrepresented the Board.

Mr. McAdoo said he could explain the whole matter. He had thought that after the meeting of November 15, definite action was to be had at this meeting (November 22). He had then supplied the Attorney General with all the data in his possession, saying that he wanted an opinion by this meeting. The Attorney General had then taken the matter under consideration. When the opinion of Mr. J. P. Cotton was received he thought it was better that the Governor of the Board should ask the President for an opinion be-

cause he (Mr. McAdoo) had been a member of the Organization Committee. This made it possible to get an opinion today, and explained the fact that the data had been in the hands of the Attorney General before Mr. Hamlin's letter was written.

Mr. Warburg replied all this did not alter the fact that the Board had not authorized the request for an opinion. He wished to add that there had never been any intention of cutting short discussion or acting hastily. On the question of legal authority he thought the inquiry had placed the Committee in an unfortunate position.

Mr. Williams called attention to the fact that Mr. Elliott, as long ago as last spring, had filed an opinion in which he took a position adverse to the possession of this power by the Board.

Continuing, Mr. Warburg said he was unwilling to be described to others as one who was ready to act without having the law on his side. The Committee had merely reported certain facts and conclusions it had arrived at. He, himself,

was definitely of the opinion that those who favored a reduction in number were not contemplating anything to the detriment but to the credit of the Federal Reserve System while those who refused to have such action considered were, in his opinion, hurting the system. He thought the Committee report ought not to have been sent to any outsiders. The Committee had never agreed on any specific plan of redistricting. Further, he thought the Board ought to discuss very seriously the question how far the acts or resolutions of the Board are binding upon all its members and how far the Governor of the Board is authorized to act without instructions from the Board on such questions as he may deem best.

Mr. Delano said the harm in the incident lay in the fact that the Governor had not made it clear to the President that his act was not that of the Governor of the Board but that of an individual.

Mr. Hamlin called attention to the fact

that that was exactly what he had done and re-read his letter to the President in which he asked for an opinion on behalf of himself as a member, as well as Governor of the Board.

Mr. McAdoo said he thought the discussion how the opinion was obtained was not material. The object was to get at the merits of the question. He, however, thought that every member of the Board had the right to appeal to the President if he desired.

Mr. Warburg said that in former cases a definite plan had been followed. He cited the State banks' membership case when the opinion of the Attorney General had not been asked because it was thought it might bind the Board's hands.

Mr. Harding inquired whether the Attorney General's opinion did not prevent action.

Mr. McAdoo said that it did not in express terms prohibit the contemplated action but tended to make it difficult by pointing out its illegality.

Mr. Warburg referred to the fact that

on a former occasion when the question of neutrality had been raised, he had desired to put the subject before the Attorney General but had felt that he had no right to do so. He wished to add that he had sincerely thought until very recently that the Secretary of the Treasury was favorable to the idea of redistricting, and possibly reducing the number of banks. He therefore felt surprised at the attitude which was now adopted.

Mr. McAdoo expressed surprise that Mr. Warburg should think that he was in favor of redistricting. He said that he was opposed to a reduction in the number of districts and thought it would be exceedingly unwise, although he had never objected to a consideration of a re-adjustment of the lines of the district as they had been laid out by the Organization Committee. *

On motion the Board granted authority to affect settlement in the Gold Fund on Friday of the current week instead of Thursday - Thursday being a legal holiday.

