

A meeting of the Federal Reserve Board with the Federal Advisory Council in Washington was held in the Board Room at 12:00 o'clock on Tuesday, May 16,

PRESENT:

- Mr. Hanlin, presiding, Mr. Warburg
- Mr. Delano Mr. Harding
- Mr. Williams Mr. Miller
- Mr. Allen, Secretary.

PRESENT ALSO: - Members of Advisory Council.

- Mr. J. B. Forgan Mr. C. A. Lyerly
- Mr. Daniel G. Wing Mr. F. C. Watts
- Mr. J. P. Morgan Mr. C. T. Jaffray
- Mr. Levi L. Rue Mr. T. J. Record
- Mr. W. S. Rowe Mr. J. W. Norwood
- Mr. Herbert Fleishhacker.

Mr. Forgan read a report giving the views of the Council upon the questions submitted to it by the Federal Reserve Board. This report was supplemented by

his answer to the oral inquiry as to whether, if it was possible to obtain legislation for branch banks only in States where the State law permitted branches of State institutions, it would be best to modify the proposed amendment. The answer was that it seemed a pity to have State laws control in any way the enactment of a wise policy by the Federal Government.

In connection with the clearing plan, Mr. Forgan suggested that since banks in Federal reserve cities will probably have many checks of country banks to handle, it would be of assistance to the public and country banks if the fact that there is a cost charge to be assessed by the Federal Reserve Board, together with the matter of deferred credit, was made plain. In this connection, later in the meeting, Mr. Jaffray of Minneapolis, urged that it was desirable

that either circulars or press statements hereafter issued, indicate in connection with the matter of immediate credit, that checks are subject to a collection charge upon the patron of the bank, to be fixed by the Federal Reserve Board.

There was general discussion of the question of bank reserves in view of the possible results at the termination of the war, and Mr. Warburg drew the Conference' attention particularly to the reduction of excess cash reserves at New York, pointing out that the one billion so-called excess reserve was, to the extent of more than seventy-five per cent, invested today in collateral loans, securities, and commercial paper. Mr. Morgan stated that the situation in New York was, in his judgment, entirely natural, and not alarming, but that it was one which should receive careful study. He said that some of the largest New York banks

which had received the great accession of country bank deposits in recent months, had not as yet been able to fully adjust themselves, or loan their funds in short time and liquid loans. This, he thought, would all be adjusted.

All the members of the Council reported individually as to business conditions in their districts, and as to the desirability of changing Federal reserve banks' discount rates.

Mr. Wing thought there was no necessity for a change in rates at this time. Business was at the maximum; the only disturbing feature the labor conditions.

Mr. Morgan said New York banks were carrying large excess reserves, as they should at this time. He thought, in fact, they should be in a strong cash position. To pay expenses is all that the New York Federal Re-

serve Bank should think of at this time.

Mr. Rue reported business very active, but labor demoralized. There was no necessity for a change in rates at this time. The Federal reserve bank rate should not at this time enter into the matter.

Mr. Rowe said business was growing, and could see no necessity for a change in rates.

Mr. Norwood stated conditions in the northern portion of District No. 5 were similar to those reported elsewhere, but differed somewhat in the southern half of the district. No change in rates seemed to him desirable.

Mr. Lyerly said business conditions were excellent. The cotton acreage was twenty-five per cent more than last year. He believed that rates for rediscount were low enough, to say the least, and hoped that the commodity

rate will be withdrawn. He said the South was never so prosperous in his memory.

Mr. Forgan reported labor troubles have been threatening in Chicago since May 1, but business was heavy notwithstanding. There was no necessity for a change in rates.

Mr. Watts stated that the Federal Reserve Bank of St. Louis has very little in the way of rediscounts. He wanted to keep the bank liquid. Business was good, except for labor troubles.

Mr. Jaffray said business was good and money plentiful. The spring was late, and the acreage in grain is short. He said they had no labor troubles to contend with.

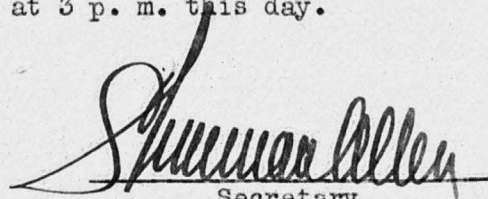
The member from Kansas City was absent.

Mr. Record reported no labor troubles in the Dallas District. The crops, he said, were in nearly perfect condition. He

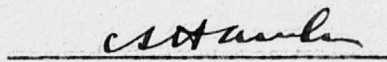
thought a low rate on trade paper, as low as the rate of commodity paper, should be named. He thought perhaps $3\frac{1}{2}\%$ for both would be wise.

Mr. Fleishhacker said mining and lumber business in the San Francisco District was very good, but in other lines business was little, if any, over normal. Crop conditions show lack of rain, and the yield will be less than for many years. Crops, however, were better, he said, in Oregon and Washington.

At 1:00 o'clock p. m., the Board adjourned to meet at 3 p. m. this day.


Secretary.

APPROVED:


Chairman.