

At a meeting of the Federal Reserve Board with the Federal Advisory Council at 11:00 A. M., Tuesday, September 19, 1916,

PRESENT:

- Governor Harding, presiding, Mr. Warburg,
- Mr. Miller, Mr. Williams,
- Mr. Allen, Secretary,

All members of the Federal Advisory Council,

President Forgan read the views of the Council upon the topics suggested by the Board and those which the Council itself had originated. At the conclusion of this reading, Mr. Record of the 11th District read a substitute offered by him to Topic 5, sub-division b. which had been presented as a minority report, but had failed to receive a second.

There was general discussion of reserve conditions and discount rates in which all the members of the Council participated, briefly as follows:

MR. WING - Boston.

The excess reserves of Boston banks

are approximately \$27,000,000, \$24,000,000 of which is in New York banks. There is little borrowing from the Federal Reserve Bank by country banks. The discount rates appear to be about right.

MR. MORGAN - New York.

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Banks generally are now carrying large excess reserves, but a few large banks carry heavy amounts and the situation is understood. He suggested no change in discount rates, but the application of the new 15-day rate for member banks' promissory notes, to 10-day paper.

MR. RUE - Philadelphia.

Reserve conditions are normal and there is a surplus of funds. No change is recommended in rates.

MR. ROWE - Cleveland.

Conditions are normal, with less than the usual demand for credit. No change recommended in rates.

MR. NORWOOD. - Richmond.

Reserve conditions are satisfactory and the rates in the Richmond District are being closely watched.

MR. LYERLY - Atlanta.

Reserves are above normal and no change is recommended in rates.

MR. FORGAN - Chicago.

There is a large excess of reserves, but probably no need for change in discount rates this year.

MR. WATTS - St. Louis.

Reserves are at normal and probably as low as they should be. No change is recommended in rates.

MR. JAFFRAY - Minneapolis.

Reserves and rates are being closely watched to prevent expansion.

MR. SWINNEY - Kansas City.

It is difficult to keep funds employed. Reserves are high and rates should not be any lower.

MR. RECORD - Dallas.

Reserves are generally good. No change is necessary in rates, but they should be kept low enough to encourage banks to discount.

MR. FLEISHHACKER - San Francisco.

Reserves are high. There is no necessity for a rate change at present.

There was general discussion of the position of the Board relative to the topics

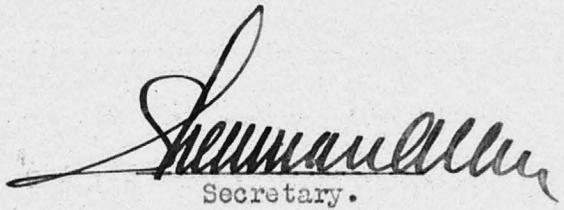
upon which the opinion of the Council had been requested, Governor Harding discussing the clearing plan, paying particular attention to the giving of immediate credit for checks drawn upon member banks and the payment, without deduction, at a designated Federal Reserve Bank, of checks and drafts drawn by a member bank which keeps the necessary excess reserve with its Federal Reserve Bank, under arrangements made by the drawing bank with the Federal Reserve Bank of its District. He then asked Mr. Warburg to discuss the question of stock ownership in foreign corporations.

Mr. Warburg also took up the question of placing vault money with Federal Reserve Banks, urging that excess reserves be so placed, and that assistance be given the banks in the accumulation of gold. In this connection, Mr. Morgan suggested the issuance by Federal Reserve Banks of certificates of deposits of gold, and said

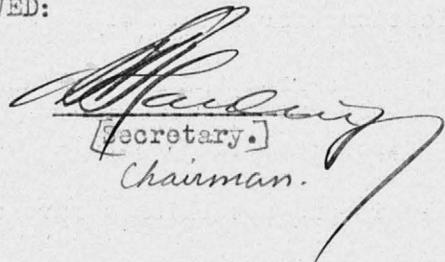
he could make deposits in New York if such certificates could be given.

Reference was made by Mr. Morgan to the effect of recent rulings of the Board under the Kern amendment to the Clayton Act, with the suggestion that such rulings might tend to keep non-member banks from entering the system.

Mr. Forgan then gave it as the opinion of the Council that a director who removed from the Federal Reserve District, should resign his directorship, and at 12:30 P. M. the conference adjourned.


Secretary.

APPROVED:


[Secretary.]
Chairman.