

At a joint session of the Federal Reserve Board with the Governors of Federal Reserve banks held in the office of the Board at 10:30 A. M. on Monday, December 11, 1916:-

PRESENT:

Governor Harding, presiding, Mr. Miller, Mr. Warburg, Mr. Delano, Mr. Hamlin, Mr. Willis, Secretary.

Present also:- Mr. Wells, Mr. Van Zandt, Mr. McCord, Mr. Curtiss, Mr. Aiken, Mr. Seay, Mr. Rhoads, Mr. Fancher, Mr. Treman, Mr. Wold, Mr. Miller, Mr. McDougal.

Mr. Harding addressed the Conference, outlining the functions it might well perform, and indicating his views of the relation of the Board to it. He then took up the programme of the Conference as tentatively drafted, and indicated the points therein which he considered of special interest, naming particularly 5(f) on reserve penalties; No. 6, clearing and collection, especially subdivision (h); Nos. 1, 2, and 3; No. 8, gold settlement fund; No. 21, branches and agencies. No. 9 on currency and reserves, however, said Governor Harding, was interesting but academic unless dealt with in a strictly practical

way. The Board might or might not ask for amendments on the points indicated in the topic referred to under that head. Mr. Harding then proceeded to explain the Board's complete programme of amendments as tentatively blocked out, following substantially the same lines that had been agreed upon as set forth in the Board's minutes of the meeting on Friday, December 8th, but adding thereto a twelfth proposed amendment not there enumerated, calling for the issue of Federal Reserve notes directly against gold, this being the same recommendation made in the Board's last annual report. Mr. Harding also said that the Board had considered the question of having Federal Reserve notes issued at the cost of the Government, and had almost determined to ask for it, but had changed its mind owing to the fact that it was at present not dependent upon Congress for appropriations, a condition of affairs which might be hazarded by the innovation referred to. He added that it was possible that the Board would ask Congress to authorize a reduction of the paid-in capital stock of any Federal Reserve bank to one-half of the present figure.

Mr. Harding then took up the Board's statement of November 28th relating to Treasury bills of foreign Govern-

ments, and stated that he would outline confidentially the history of this statement. He described the visit of Mr. Henry P. Davison to the Board some ten days before the issuance of the statement, sketching the conversation with him, and his proposal then set forth to offer on the market an indeterminate amount of the bills. He said that Mr. Davison could not possibly have obtained from this conversation the idea that the Board was favorably impressed with his plan. Nevertheless the firm of J. P. Morgan & Company proceeded with its plan for the issue of the bills. Meantime the Advisory Council had met and the whole matter was taken up with that body. Immediately upon the adjournment of the Advisory Council a statement very conservatively framed was issued, such statement being intended to express the ideas arrived at by agreement with the Council. This statement was misinterpreted in various quarters, and was, therefore, followed by the statement of November 28th. The bills, as a consequence, were withdrawn, and since then the sentiment of the foreign press had become more friendly, toward the action of the Board.

In closing Mr. Harding said that committees of the Board would be named to consult with the Governors on various

topics, as might be desired, during the continuance of the session. He announced that Mr. Warburg would address the Conference on a special topic.

Mr. Warburg, thereupon, outlined briefly the situation as to bankers acceptances, suggesting the appointment of a small committee to deal with the subject. He referred to the possibility of raising the prevailing rates on acceptances and suggested that the system had now reached the point at which such an increase would be not only possible, but probably desirable. Moreover, there was needed a better development of a policy of general cooperation on the whole question of acceptances. At the present time the system has accumulated about \$40,000,000 of renewal acceptances, due to the lack of cooperation among the banks in making their purchases. A further topic brought out for consideration was the question of a differential rate favorable to the acceptances of member banks as against those of non-member banks. Finally Mr. Warburg suggested that the time has come for the discussion of the use of endorsed acceptances instead of continuing a situation in which the acceptor often undertook to market its own acceptances. Upon the conclusion of Mr. Warburg's remarks, Mr.

Mr. Harding presented a question recently raised by a New York bank with reference to the method to be used in reconciling member banks' reserves, and the treatment of uncollected balances with Federal Reserve banks in that connection. He recommended that the Governors appoint a special committee to consider this matter.

Secretary Curtis of New York inquired the Board's policy with respect to the Committee of the American Bankers' Association now working out the clearing and collection question, and Mr. Harding briefly replied that the Board's policy was, so far as possible, to hold aloof from the discussion unless asked by a Committee of Congress to present its views.

In closing Mr. Harding renewed his suggestion that a committee on acceptances and acceptance policy be named by the Governors.

On motion at 11:50 A. M. the joint session adjourned.

*J. P. Parker Wells*  
Secretary.

APPROVED:

*Harding*  
Chairman.