

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL

February 19, 20, 1923

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL

For the Year 1923

OFFICERS:

President, L. L. Rue
Vice President, P. M. Warburg
Secretary, H. L. Hilyard

EXECUTIVE COMMITTEE:

L. L. Rue
P. M. Warburg
A. L. Aiken
J. M. Miller, Jr.
J. J. Mitchell
E. F. Swinney

MEMBERS:

A. L. Aiken	Federal Reserve District No. 1
P. M. Warburg	Federal Reserve District No. 2
L. L. Rue	Federal Reserve District No. 3
C. E. Sullivan	Federal Reserve District No. 4
J. M. Miller, Jr.	Federal Reserve District No. 5
E. W. Lane	Federal Reserve District No. 6
J. J. Mitchell	Federal Reserve District No. 7
F. J. Wade	Federal Reserve District No. 8
G. H. Prince	Federal Reserve District No. 9
E. F. Swinney	Federal Reserve District No. 10
R. L. Ball	Federal Reserve District No. 11
D. W. Twohy	Federal Reserve District No. 12

BY-LAWS OF THE FEDERAL ADVISORY COUNCIL

ARTICLE I. OFFICERS

Officers of this Council shall be a President, Vice-President and Secretary.

ARTICLE II. PRESIDENT AND VICE-PRESIDENT

The duties of the President shall be such as usually pertain to the office; and in his absence the Vice-President shall serve.

ARTICLE III. SECRETARY

The Secretary shall be a salaried officer of the Council and his duties and compensation shall be fixed by the Executive Committee.

ARTICLE IV. EXECUTIVE COMMITTEE

There shall be an Executive Committee of six (6) members of the Council, of which the President and Vice-President of the Council shall be ex-officio members.

ARTICLE V. DUTIES OF EXECUTIVE COMMITTEE

It shall be the duty of the Executive Committee to keep in close touch with the Federal Reserve Board and with their regulations and promulgations, and communicate the same to the members of the Council, and to suggest to the Council from time to time special matters for consideration.

The Executive Committee shall have power to fix the time and place of holding their regular and special meetings and methods of giving notice thereof.

Minutes of all meetings of the Executive Committee shall be kept and such minutes or digest thereof shall be immediately forwarded to each member of the Council.

A majority of the Executive Committee shall constitute a quorum and action of the Committee shall be by a majority of those present at any meeting.

ARTICLE VI. MEETINGS

Regular meetings of the Federal Advisory Council shall be held in the City of Washington on the third Monday of the months of February, May, September and November of each year, unless otherwise directed by the Executive Committee.

Special meetings may be called at any time and place by the President or the Executive Committee, and shall be called by the President upon written request of any three members of the Council.

ARTICLE VII. AMENDMENTS

These By-laws may be changed or amended at any regular or special meeting by a vote of a majority of the members of the Federal Advisory Council.

February 20, 1923.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 19, 1923.

The organization meeting of the Federal Advisory Council for the year 1923 was held in the Federal Reserve Board room, Treasury Building, Washington, D. C., at 10.30 A. M., Monday, February 19, 1923.

Present :

Mr. A. L. Aiken	District No. 1
Mr. P. M. Warburg	District No. 2
Mr. L. L. Rue	District No. 3
Mr. C. E. Sullivan	District No. 4
Mr. J. M. Miller, Jr.	District No. 5
Mr. E. W. Lane	District No. 6
Mr. G. H. Prince	District No. 9
Mr. E. F. Swinney	District No. 10
Mr. R. L. Ball	District No. 11
Mr. D. W. Twohy	District No. 12
Mr. E. A. Hamill	District No. 7
Mr. H. L. Hilyard	Secretary

Absent :

Mr. J. J. Mitchell	District No. 7
Mr. F. J. Wade	District No. 8

Mr. Rue called the meeting to order and upon motion, Mr. Swinney was asked to act as temporary Chairman.

The Secretary reported that he had received communications from all the Federal Reserve Banks certifying to the election of their representatives for the year 1923.

Mr. Swinney, temporary Chairman, called for nominations for the office of President of the Council for 1923, and Mr. L. L. Rue was nominated. On motion, duly seconded, Mr. Rue was unanimously elected President.

The President, Mr. Rue, took the Chair and called for nominations for Vice-President. Mr. Paul M. Warburg was nominated, and on motion, duly seconded, was unanimously elected Vice-President.

The President called for nominations for the four appointive members of the Executive Committee, and Messrs. A. L. Aiken, J. M. Miller, Jr., J. J. Mitchell and E. F. Swinney were nominated. On motion, duly seconded, they were declared elected members of the Executive Committee, the President and Vice-President being ex-officio members.

The President presented communications from the absent members, Messrs. J. J. Mitchell and F. J. Wade, regretting their inability to be present.

The President presented communication from the Federal Reserve Bank of Chicago, appointing Mr. E. A. Hamill as temporary representative of the Chicago District, in the absence of Mr. Mitchell. Mr. Hamill was asked to take part in the proceedings without the privilege of voting.

The President called for the financial report of the Secretary for the year 1922, which had been audited by the Auditor of The Philadelphia National Bank, and which was on motion, duly seconded, approved. The report is attached hereto and made a part of these minutes.

The President called for nominations for Secretary, and Mr. H. L. Hilyard was nominated. On motion, duly seconded, Mr. Hilyard was unanimously elected Secretary of the Council for the year 1923. On motion, duly seconded, the Secretary's salary was fixed at \$1,500. for the year 1923.

On motion, duly seconded, the following resolution was unanimously adopted:

“Resolved, that the President be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$250. toward the secretarial and incidental expenses of the Federal Advisory Council for the year 1923 and to draw on them for that purpose.”

On motion, duly seconded, Council adopted By-laws for the year 1923, copy of which is attached hereto and forms part of these minutes.

On motion, duly seconded, the minutes of the November 20, 1922, meeting of the Council, copies of which had previously been sent to the members, were approved.

The President read communication from Hon. W. P. G. Harding, dated December 21, 1922, expressing his appreciation of the engrossed copy of Resolution adopted by the Council at its meeting September 26, 1922.

The President presented letter from Acting Governor Edmund Platt, of the Federal Reserve Board, dated January 20, 1923, with reference to eligibility for rediscount of demand drafts, with bills of lading attached, and Council's recommendation No. 2, of the September 26, 1922, meeting, since which time the Board had agreed to the insertion in the Rural Credits Bills—S. 4280 Capper and S. 4287 Lenroot—of a section which permits the rediscount or purchase of such bills under certain conditions. After discussion, the Council decided to take no further action in regard thereto.

Continuing the discussion of the provisions in the Rural Credits Bills—S. 4280 and S. 4287 Lenroot—Mr. Warburg recommended that the Council disapprove a provision in those Bills which provides, under certain conditions, for an extra dividend of 3% to member banks on stock of the Federal Reserve Banks. On motion, duly seconded, Council disapproved this provision as contained in the Bills mentioned. (Recommendation No. 2.)

Mr. Prince brought up for discussion the matter of the handling of collection items by the Federal Reserve Banks, which in some Districts is becoming somewhat of a burden. (See below in Joint Meeting.)

At 11.45 A. M. the Council adjourned to meet in joint session with the members of the Federal Reserve Board.

H. L. HILYARD,

Secretary.

MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY
COUNCIL AND THE FEDERAL RESERVE BOARD

February 19, 1923.

At 11.45 A. M. a joint conference of the Federal Reserve Board and the Federal Advisory Council was held as arranged.

Present: Members of the Federal Reserve Board:

Vice Governor Edmund Platt, Hon. D. R. Crissinger, Comptroller of the Currency, Messrs. Charles S. Hamlin, A. C. Miller and John R. Mitchell, also Mr. S. P. Gilbert, Jr., Undersecretary of the Treasury.

Present: Members of the Federal Advisory Council:

Mr. L. L. Rue, President, Mr. P. M. Warburg, Vice President, Messrs. A. L. Aiken, C. E. Sullivan, J. M. Miller, Jr., E. W. Lane, G. H. Prince, E. F. Swinney, R. L. Ball, D. W. Twohy, E. A. Hamill, and H. L. Hilyard, Secretary.

The President of the Council, Mr. Rue, called the meeting to order and invited Vice Governor Platt to address the conference.

Mr. Platt discussed two subjects as follows:

1. Rediscount rates of the Federal Reserve Banks—particularly those of Boston, New York and San Francisco, which are $\frac{1}{2}\%$ below the other Federal Reserve Banks.

2. The address made by Mr. Paul M. Warburg before the Annual Meeting of the American Acceptance Council in New York, January 19, 1923.

The members of the Board and of the Council discussed these subjects informally; also the provisions of the Rural Credits Bills—S. 4280 Capper and S. 4287 Lenroot—particularly the provision in those Bills which allows, under certain conditions, an extra dividend of 3% to be paid to member banks on stock of the Federal Reserve Banks. Mr. Platt stated that the approval which the Board had previously given to this provision had later been withdrawn, and the House Committee on Banking and Currency had been so advised.

Mr. John M. Miller, Jr., suggested that consideration should be given to the matter of withdrawals from the Federal Reserve System by some of the larger banks.

Mr. Prince again presented the question referred to in the minutes of the morning meeting regarding the present method of handling collection items by the Federal Reserve Banks without compensation. Mr. Platt reported that the Board had already given this subject consideration, and would bring it up also at the next conference of the Governors of the Federal Reserve Banks.

Mr. Aiken presented for discussion the present method of approving applications for charters of national banks, expressing the opinion that such applications should be approved by the Board of Directors of the Federal Reserve Bank in whose District the applying bank was located, and also by the Federal Reserve Board. Mr. Crissinger stated that he felt the present system was satisfactory, and that applications for charters were granted by the Comptroller and the Secretary of the Treasury only after conferring with the Federal Reserve Agent and the Chief National Bank Examiner of the District.

At 1.30 P. M., the joint conference adjourned.

H. L. HILYARD,

Secretary.

MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY
COUNCIL AND THE FEDERAL RESERVE BOARD

February 19, 1923.

At 2.45 P. M., the Federal Reserve Board and the Federal Advisory Council reconvened as arranged.

Present: Members of the Federal Reserve Board:

Vice-Governor Edmund Platt, Hon. D. R. Crissinger, Comptroller of the Currency, Messrs. Charles S. Hamlin, A. C. Miller, and John R. Mitchell; also Mr. S. P. Gilbert, Jr., Undersecretary of the Treasury.

Present: Members of the Federal Advisory Council:

Mr. L. L. Rue, President, Mr. Paul M. Warburg, Vice President, Messrs. A. L. Aiken, C. E. Sullivan, J. M. Miller, Jr., E. W. Lane, G. H. Prince, E. F. Swinney, R. L. Ball, D. W. Twohy, E. A. Hamill, and H. L. Hilyard, Secretary.

The President, Mr. Rue, called the meeting to order and asked the members of the Council in turn to give their views relative to present rediscount rates in their respective Districts. {

An informal discussion was again held concerning the subject matter of Mr. Warburg's address before the American Acceptance Council, January 19, 1923.

At 4.40 P. M., the joint conference adjourned.

H. L. HILYARD,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 19, 1923.

At 4.40 P. M., the Federal Advisory Council reconvened in the Federal Reserve Board room as arranged, the President, Mr. Rue, in the Chair.

The Council gave further consideration to the topics presented by Vice Governor Platt at the morning session and instructed the Executive Committee to prepare recommendations for submission to the Council for approval at the session to be held the following day, on the subjects of rediscount rates and the provision in the Capper and Lenroot Bills relative to an extra dividend of 3% on stock of the Federal Reserve Banks.

On motion, duly seconded, the President was requested to appoint a Committee to prepare a Recommendation relative to the subject matter of Mr. Warburg's address above referred to, for submission to the Council for approval at the session to be held the following day. The President thereupon appointed Messrs. Warburg, Aiken and Sullivan, a Committee to prepare this recommendation.

At 6 P. M., the meeting adjourned.

H. L. HILYARD,

Secretary.

MINUTES OF MEETING OF THE EXECUTIVE COMMITTEE OF THE
FEDERAL ADVISORY COUNCIL

February 19, 1923.

At 6 P. M., the Executive Committee of the Federal Advisory Council met in the Federal Reserve Board room as arranged.

Present: Mr. L. L. Rue, Chairman, Messrs. P. M. Warburg, A. L. Aiken, J. M. Miller, Jr., E. F. Swinney, and H. L. Hilyard, Secretary.

The Committee prepared for presentation to the Council recommendations on the topics referred to it.

At 6.45 P. M., the meeting adjourned.

H. L. HILYARD,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 20, 1923.

At 9.30 A. M., the Federal Advisory Council reconvened in the Federal Reserve Board room as arranged.

Present: Mr. L. L. Rue, President, Mr. P. M. Warburg, Vice President, Messrs. A. L. Aiken, C. E. Sullivan, J. M. Miller, Jr., E. W. Lane, G. H. Prince, R. L. Ball, D. W. Twohy, E. A. Hamill, and H. L. Hilyard, Secretary.

Mr. Rue, Chairman of the Executive Committee, presented to the Council report embodying the recommendations which had been prepared by the Committee. The recommendations were discussed by the Council and unanimously approved for presentation to the Federal Reserve Board. Copy of the report is attached hereto and made a part of these minutes. (Topics No. 1 and No. 2.)

Mr. Warburg, Chairman of the Special Committee appointed the previous day, presented a report which had been prepared by that Committee, which was discussed by the Council and unanimously approved for presentation to the Federal Reserve Board. Copy of the report is attached hereto and made part of these minutes. (Recommendation No. 3.)

At 10 A. M., the meeting adjourned.

H. L. HILYARD,

Secretary.

MINUTES OF JOINT MEETING OF THE FEDERAL ADVISORY COUNCIL
AND THE FEDERAL RESERVE BOARD

February 20, 1923.

At 10 A. M., a joint meeting of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board room as arranged.

Present: Members of the Federal Reserve Board:

Vice Governor Edmund Platt, Hon. D. R. Crissinger, Comptroller of the Currency, Messrs. Charles S. Hamlin, A. C. Miller and John R. Mitchell.

Present: Members of the Federal Advisory Council:

Mr. L. L. Rue, President, Mr. Paul M. Warburg, Vice President, Messrs. A. L. Aiken, C. E. Sullivan, J. M. Miller, Jr., E. W. Lane, G. H. Prince, R. L. Ball, D. W. Twohy, E. A. Hamill and H. L. Hilyard, Secretary.

The President of the Council, Mr. Rue, called the meeting to order and submitted the Council's report, following which the various recommendations were discussed by the members of the Board and of the Council.

An informal discussion was held regarding rate policies and business conditions throughout the country.

At 11.30 A. M., the joint conference adjourned, concluding the session of the Council.

H. L. HILYARD,

Secretary.

REPORT OF SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year ending December 31, 1922

Balance on hand January 1, 1922	\$ 434.74	Salary	\$1,500.00
Annual assessment for 1922 on Twelve Federal Reserve Banks	3,000.00	Printing and Stationery	263.07
		Traveling Expenses	271.08
		Corporation Trust Service ...	25.00
		Telegrams	109.12
		Postage	34.65
		Miscellaneous	189.78
		Balance on hand 12/31/22...	1,042.04
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	\$3,434.74		\$3,434.74

Philadelphia, January 8, 1923.

To the Federal Advisory Council:

We have audited the books, vouchers and accounts of the Secretary of the Federal Advisory Council for the year ending December 31, 1922, and certify that the above statement agrees therewith.

Respectfully,

J. A. DUFFY,

Assistant Cashier The Philadelphia National Bank.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

February 20, 1923

TOPIC 1. Rates.

RECOMMENDATION: Council believes that time and conditions now warrant increases in the rediscount rates of the Federal Reserve banks of Boston, New York and San Francisco to four and one-half per cent.

TOPIC 2. Provision for three per cent extra dividend on stock of Federal Reserve banks as contained in Capper Bill S-4280 and Lenroot Bill S-4287.

RECOMMENDATION: Council is of the opinion that the provision in the Capper and Lenroot Bills, providing under certain conditions for an extra dividend of three per cent to member banks, violates an important principle which was adopted when, after mature deliberation at the time of the passage of the Federal Reserve Act, dividends on stock of the Federal Reserve banks were limited to six per cent. The Federal Reserve banks were not organized for profit, and in this lies an important protection to the System. After six per cent has been paid to stock-holding banks, and provision made for surplus as required by law, all additional profits should be turned over to the Government and thus benefit the taxpayer.

Council requests that the Federal Reserve Board forward this recommendation to the Banking and Currency Committees of the Senate and House of Representatives.

RECOMMENDATION 3. At the request of the Federal Reserve Board, Council discussed a paper submitted by the Vice-President, Mr. Paul M. Warburg, entitled: "Annual Address of President Paul M. Warburg, American Acceptance Council, New York, January 19, 1923." This paper contains two suggestions:

1. Finance Bills.

Council is impressed with the importance of securing for American banks power to accept finance bills to be drawn by banks of such foreign countries as may attain economic and fiscal conditions sufficiently strong to warrant them to undertake the stabilization of their exchanges and the re-establishment of their gold standards; such bills to be drawn under the auspices of the government banks of the foreign countries involved and accepted by member banks under the regulations of and with the approval of the Federal Reserve Board. The Council recommends to the Board close study of this question and would welcome an expression of the Board's view at the next meeting of the Council.

2. Rediscount and open market policies.

Council believes that the second suggestion contained in Mr. Warburg's address is deserving of the Federal Reserve Board's most careful study and investigation. This suggestion deals with the importance of having the Federal Reserve System adopt two entirely distinct policies, one affecting the rediscount transactions of the Federal Reserve System, and the other the open market operations of the System, as fully described in that paper.

If the Board shares the view of the Council it is suggested that it invite the officers of the Federal Reserve banks to devote their attention to the topic with a view of developing some plan which by gradual steps would lead to a broader use of acceptances as investments by the member banks.