

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL

November 19, 1923

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A regular statutory meeting of the Federal Advisory Council was held in the Federal Reserve Board room, Treasury Building, Washington, D. C., Monday, November 19, 1923.

The President, Mr. Rue, called the meeting to order at 10.30 A. M.

Present:

Mr. L. L. Rue, President	District No. 3
Mr. Paul M. Warburg, Vice President	District No. 2
Mr. A. L. Aiken	District No. 1
Mr. C. E. Sullivan	District No. 4
Mr. J. M. Miller, Jr.	District No. 5
Mr. E. W. Lane	District No. 6
Mr. J. J. Mitchell	District No. 7
Mr. F. J. Wade	District No. 8
Mr. G. H. Prince	District No. 9
Mr. C. W. Allendoerfer	District No. 10
Mr. W. M. McGregor	District No. 11
Mr. D. W. Twohy	District No. 12
Mr. H. L. Hilyard	Secretary

The President, Mr. Rue, presented communications from the Federal Reserve Banks of Kansas City and Dallas appointing Messrs. C. W. Allendoerfer and W. M. McGregor, respectively, as alternates in place of Messrs. Swinney and Ball. Messrs. Allendoerfer and McGregor were asked to take part in the proceedings of the Council without the privilege of voting.

On motion, duly seconded, the minutes of the Council meeting of September 17 and 18, 1923, copies of which had previously been sent to the members, were approved.

The President, Mr. Rue, reported that in accordance with Council's instructions of September 17, the Committee consisting of himself, Mr. Warburg and Mr. Miller had appeared and testified before the Congressional Joint Committee of Inquiry on membership in the Federal Reserve System, October 5, 1923.

The President presented communication from Vice Governor Platt, of the Federal Reserve Board, dated October 31, 1923, relative to the shipment abroad of Federal Reserve notes of the Federal Reserve Bank of Dallas. The question was discussed informally by the members of the Council.

At 12.45 P. M., the Council adjourned to convene in joint session with the Federal Reserve Board.

H. L. HILYARD,

Secretary.

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

November 19, 1923.

At 12.45 P. M., a joint conference of the Federal Advisory Council and the Federal Reserve Board was held as arranged.

Present: Members of the Federal Reserve Board:

Hon. D. R. Crissinger, Governor, Vice Governor Edmund Platt, Hon. H. M. Dawes, Comptroller of the Currency, Messrs. A. C. Miller, G. R. James, and E. H. Cunningham.

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, J. J. Mitchell, F. J. Wade, G. H. Prince, C. W. Allendoerfer, W. M. McGregor, D. W. Twohy and H. L. Hilyard, Secretary.

The President of the Council, Mr. Rue, called the meeting to order and an informal discussion was held by the members of the Board and of the Council on the subject matter contained in Mr. Platt's letter of October 31, 1923, relative to the shipment abroad of Federal Reserve notes of the Federal Reserve Bank of Dallas.

The Board suggested that the Council might consider the subject of branch banking by State member banks with particular reference to the Board's resolution and reports of November 7, 1923.

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

H. L. HILYARD,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

November 19, 1923.

At 3 P. M., the Council reconvened in the Federal Reserve Board room, the President, Mr. Rue, in the Chair.

Further consideration was given to the subject matter contained in Mr. Platt's letter of October 31st, relative to shipment abroad of Federal Reserve notes of the Federal Reserve Bank of Dallas. The members of the Council unanimously disapproved the proposition and the matter was referred to the Executive Committee to draft formal recommendation to be presented to the Federal Reserve Board. (Recommendation No. 1.)

The President presented for discussion three topics which had been submitted by Mr. C. E. Sullivan as follows:

1. Elimination of all limits to the use of Federal Reserve Exchange.
2. Allow country banks (those banks required to maintain only a 7% reserve) to deduct the float as between themselves and the Federal Reserve Bank, and in addition, cash in the vault before computing their deposits for reserve purposes.
3. Experience of the Federal Reserve Banks in purchasing debentures of Federal Intermediate Credit Banks in view of the Board's ruling of September 27th making them eligible for purchase.

These topics were informally discussed by the members of the Council. Mr. Sullivan with the approval of the Council withdrew Topic No. 3 above and also with the approval of the Council requested that consideration of Topics Nos. 1 and 2 be deferred until Council's next meeting in February.

At the request of Mr. James, of the Federal Reserve Board, Council discussed the collection of non-cash items by Federal Reserve Banks. The Executive Committee was requested to formulate and present recommendation to the Board embodying views of the members on this topic. (Recommendation No. 2.)

The Council discussed branch banking by State member banks and requested the Executive Committee to formulate recommendation thereon embodying views of the members. (Recommendation No. 3.)

At 4.30 P. M., the Council adjourned.

H. L. HILYARD,

Secretary.

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

November 19, 1923.

At 4.30 P. M., a meeting of the Executive Committee of the Federal Advisory Council was held in the Federal Reserve Board room as arranged.

Present: Mr. L. L. Rue, Chairman; Messrs. Aiken, Warburg, Miller, Mitchell, and H. L. Hilyard, Secretary. The Committee formulated recommendations upon the three topics presented, in accordance with the instructions of the Council, and also formulated recommendation on the subject of rediscount rates. (Recommendation No. 4.) Copy of the recommendations is attached hereto and made part of these minutes.

On motion of Mr. Warburg, the Committee also passed a resolution relative to political pressure to which the Federal Reserve Board has been subjected in connection with appointments of Class C Directors of Federal Reserve Banks. The Secretary was instructed to send a copy of the resolution to each member of the Council, and if their approval could be obtained to have it made a part of the proceedings of the Council for this meeting.

At 5.30 P. M., the Committee adjourned, concluding the sessions of the Council.

H. L. HILYARD,

Secretary.

December 29, 1923.

The unanimous approval of the members having been subsequently obtained by correspondence, the resolution above referred to, copy of which is attached, is hereby made part of the proceedings of the meeting held November 19, 1923, and of the recommendations to the Federal Reserve Board.

H. L. HILYARD,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

NOVEMBER 19, 1923

Recommendation No. 1. Referring to letter from Vice Governor Platt, of the Federal Reserve Board, addressed to the Federal Advisory Council, dated October 31, 1923, relative to the shipment abroad of Federal Reserve notes of the Federal Reserve Bank of Dallas, the transaction as proposed involves in substance the shipment abroad by a New York member bank of Federal Reserve notes. It would require a very strained construction of the Federal Reserve Act to conceive that the Federal Reserve Bank of New York for such purpose would be warranted in paying out Federal Reserve notes issued by the Federal Reserve Bank of Dallas; nor does the Council approve such a transaction for the purpose either of increasing the reserve or the open market investments of the Federal Reserve Bank of Dallas, in view of its position as disclosed by its latest published statement showing government securities and open market investments of \$44,000,000. and a reserve of 54.9 per cent. The Council sees all the less reason for giving favorable consideration to this suggestion inasmuch as the object to be sought is not to create needed additional credit facilities for the Federal Reserve Bank of Dallas but apparently to enlarge its earning capacity.

Recommendation No. 2. Council refers to its recommendation No. 1 to the Federal Reserve Board of May 21, 1923, relative to the collection of non-cash items by Federal Reserve Banks, at which time it was understood that the question was being studied by a special committee of Governors appointed by the Federal Reserve Board. Council is not informed of the committee's report, but upon further consideration is of the opinion that the collection of non-cash items by Federal Reserve Banks, other than coupons, should be discontinued.

Recommendation No. 3. At the request of the Federal Reserve Board, the Council has considered the resolution and reports of the Board dated November 7, 1923, concerning state-wide branch banking. Council believes that the resolution, if carried into effect, will give a position of monopoly to those state banks that have already established state-wide systems of branches, while those state banks that have refrained from branch banking will be placed in a position of great disadvantage.

Recommendation No. 4. Council has received no communication from the Federal Reserve Board with respect to discount rates, but is of the opinion that no changes at this time are necessary or warranted.

Resolution. The Federal Advisory Council has been informed that in connection with pending appointments or reappointments of Class C Directors of Federal Reserve Banks, the Federal Reserve Board has been subjected to the embarrassment of an attempt to influence it by political pressure and organized campaign, with the object in view of replacing tried servants of the Federal Reserve System by others aspiring for their positions.

The Council expresses itself as unanimously opposed to such attempts which are gravely detrimental to the best interests of the country and apt to injure the System and to undermine its high standards.

The Council requests that each member convey these views to his own District and use his influence to counteract movements of this character wherever they may arise. The Council feels that the Board should not be embarrassed in the exercise of its duties by ill advised campaigns of this kind and that the Board may safely be relied upon not to sacrifice deserving and trusted officers or directors to the aspirations of ambitious and unqualified persons.