

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 19, 1927.

The second meeting of the Federal Advisory Council for the year 1927 convened in the Vice Presidential Suite of the Mayflower Hotel, Washington, D. C., on Thursday, May 19.

The President, Mr. Wetmore, called the meeting to order at 10:30 A. M.

Present:

Mr. Arthur M. Heard	District No. 1
Mr. J. S. Alexander	District No. 2
Mr. L. L. Rue	District No. 3
Mr. Harris Creech	District No. 4
Mr. J. F. Bruton	District No. 5
Mr. P. D. Houston	District No. 6
Mr. F. O. Wetmore	District No. 7
Mr. Breckinridge Jones	District No. 8
Mr. Theodore Wold	District No. 9
Mr. P. W. Goebel	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. H. S. McKee	District No. 12
Mr. Walter Lichtenstein	Secretary

The question of the Cuban agency of the Federal Reserve Bank of Atlanta was considered. Unanimous opposition was expressed to the recommendation contained in the last paragraph of Mr. Traylor's brief, which suggested that one of the branches of a member bank be appointed agent for the Federal Reserve System.

Mr. Alexander read a memorandum prepared by Governor Strong of the Federal Reserve Bank of New York which would provide for a distinctive Cuban office of emission.

The Secretary stated that he had sent a copy of Mr. Traylor's brief to Governor Crissinger. The Secretary was instructed to inform the Secretary of the Federal Reserve Board that the sending of this brief was to be regarded as having been done merely for the purpose of information and was not to be regarded as an official filing.

It was voted that the thanks of the Federal Advisory Council be transmitted to Mr. Traylor for the work which he had done in preparing a comprehensive and valuable memorandum covering the subject of Cuban agencies of Federal Reserve banks, and that Mr. Traylor be informed that his memorandum had been of the greatest assistance in enabling the Council to discuss the subject in question intelligently.

The Council adjourned at 12:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 20, 1927.

The Federal Advisory Council reconvened in the Federal Reserve Board room, Treasury Building, Washington, D. C., Friday, May 20, 1927.

Present: Mr. F. O. Wetmore, President; Mr. J. F. Bruton, Vice-President; Messrs. A. M. Heard, J. S. Alexander, L. L. Rue, Harris Creech, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, Secretary.

President Wetmore called the meeting to order at 10:15 A. M.

The topics Nos. 1 and 2, attached hereto and made part of these minutes, were discussed.

In connection with the question of open market operations, the Secretary read the report prepared recently by the Open Market Investment Committee, which the Secretary of the Council had obtained from the Secretary of the Federal Reserve Board.

It was voted to ask the Federal Reserve Board to furnish members of the Federal Advisory Council with copies of this report and to ask further that, in the future, members of the Federal Advisory Council be furnished with copies of similar reports which may be prepared. Members of the Council felt that only by being kept advised of current developments would it be possible for them to be helpful to the Federal Reserve Board.

The meeting was adjourned at 12:40 P. M. to meet again in the same room at 2:15 P. M.

WALTER LICHTENSTEIN,

Secretary.

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

May 20, 1927.

At 2:15 P. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board room.

Present: Members of the Federal Reserve Board:

Governor D. R. Crissinger, Messrs. E. H. Cunningham, C. S. Hamlin, G. R. James, A. C. Miller, and Mr. E. A. Goldenweiser, Director of the Division of Research Statistics, Federal Reserve Board.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. J. F. Bruton, Vice-President; Messrs. A. M. Heard, J. S. Alexander, L. L. Rue, Harris Creech, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, Secretary.

The President of the Council, Mr. Wetmore, called the meeting to order and presented to the Board the recommendations of the Council which had been prepared. (Recommendations 1 and 2 attached hereto and made part of these minutes.)

In respect to the Recommendation No. 1, Mr. Wetmore stated that it was the feeling of the members of the Council that no publicity should be given to this recommendation. The members of the Federal Reserve Board, however, felt that this was not necessary and it was decided to treat this recommendation in the usual manner.

Mr. Wetmore stated that Mr. Traylor's memorandum in regard to Cuban agencies of Federal Reserve banks had been given to the Federal Reserve Board merely for the purpose of information and that it was not to be regarded as an official filing.

Mr. Wetmore also stated that the members of the Council did not concur in regard to the recommendation contained in the last paragraph of Mr. Traylor's brief, according to which, arrangements should be made with some Cuban branch of a member bank to act as agent in Cuba for the Federal Reserve System.

Mr. Wetmore asked on behalf of the Federal Advisory Council that each member of the Council be supplied with a copy of the report of the Open Market Investment Committee, and also be given copies of future reports as and when issued. Governor Crissinger replied that this was a matter which would have to be taken under consideration by the Board.

The meeting adjourned at 4:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

May 20, 1927.

TOPIC No. 1. Cuba—The question of the Cuban Agency.

RECOMMENDATION: The Federal Advisory Council recognizes that it is not advisable to discontinue the Cuban Agency at this time. The Council, however, wishes to reiterate the view to which it has given expression on several occasions in the past, to wit: that it does not believe it to be good policy for the Federal Reserve Banks to establish agencies of the character of the Cuban Agency outside of the Continental United States. The Council, therefore, suggests to the Federal Reserve Board that it study the whole problem to the end that, if possible, some plan be devised which may be an effective substitute for the present arrangement.

TOPIC No. 2. Open market operations.

RECOMMENDATION: The Federal Advisory Council approves of the present policy of the Federal Reserve Board and the Open Market Investment Committee in aiming to acquire from time to time, as occasion requires, an amount of securities sufficient to enable the System to exercise some control over the market whenever this seems advisable. The Council further approves the present method of conducting operations through a committee of the Governors.