

MINUTES OF MEETING  
of the  
FEDERAL ADVISORY COUNCIL  
February 14-15, 1929

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL

For the Year 1929

OFFICERS:

President, F. O. Wetmore  
Vice-President, B. A. McKinney  
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

F. O. Wetmore  
B. A. McKinney  
William C. Potter  
L. L. Rue  
Harris Creech  
W. W. Smith

MEMBERS:

A. M. Heard  
William C. Potter  
L. L. Rue  
Harris Creech  
John Poole  
J. P. Butler, Jr.  
Frank O. Wetmore  
Walter W. Smith  
Theodore Wold  
P. W. Goebel  
B. A. McKinney  
F. L. Lipman

Federal Reserve District No. 1  
Federal Reserve District No. 2  
Federal Reserve District No. 3  
Federal Reserve District No. 4  
Federal Reserve District No. 5  
Federal Reserve District No. 6  
Federal Reserve District No. 7  
Federal Reserve District No. 8  
Federal Reserve District No. 9  
Federal Reserve District No. 10  
Federal Reserve District No. 11  
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; 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. To fill a vacancy, the President, or in his absence, the Vice-President shall be authorized to designate as a member of the Executive Committee for a given meeting, another member of the Council than those elected to the Executive Committee.

### ARTICLE V. DUTIES OF THE 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 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 Tuesday of the months of February, May, September, and November of each year, unless otherwise directed by the Executive Committee.

A preliminary meeting of the Federal Advisory Council shall be called by the Secretary to be held on the day preceding the regular meeting.

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. ALTERNATES

In the absence of the regular representative of any Federal Reserve District, the Board of Directors of the Federal Reserve Bank of that District may appoint an alternate.

The alternate so appointed shall have the right to be present at all the meetings of the Council for which he has been appointed. He shall have the right to take part in all discussions of the Council but shall not be entitled to vote.

ARTICLE VIII. 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 15, 1929.

# MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 14, 1929.

The first and organization meeting for 1929 of the Federal Advisory Council was convened in the Presidential Suite of the Mayflower Hotel, Washington, D. C., on Thursday, February 14, 1929, at 10:15 A.M.

## Present:

Mr. Arthur M. Heard	District No. 1
Mr. William C. Potter	District No. 2
Mr. L. L. Rue	District No. 3
Mr. Harris Creech	District No. 4
Mr. John Poole	District No. 5
Mr. J. P. Butler, Jr.	District No. 6
Mr. Frank O. Wetmore	District No. 7
Mr. Walter W. Smith	District No. 8
Mr. Theodore Wold	District No. 9
Mr. P. W. Goebel	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. F. L. Lipman	District No. 12
Mr. Walter Lichtenstein	Secretary

Mr. Goebel was elected temporary Chairman and called the meeting to order at 10:15 A. M.

The Secretary stated that communications had been received from all of the Federal Reserve Banks, certifying to the election of their representatives in accordance with the above list.

Mr. Goebel called for nominations for the office of President of the Council and Mr. Frank O. Wetmore was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast one ballot for Mr. Wetmore, who was thereupon declared elected President of the Council for the year 1929.

Mr. Wetmore took the Chair and called for nominations for Vice-President. Mr. B. A. McKinney was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast one ballot for Mr. McKinney, who was thereupon declared elected Vice-President of the Council for the year 1929.

The President called for nominations for the four appointive members of the Executive Committee. Messrs. William C. Potter, L. L. Rue, Harris Creech, and W. W. Smith were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1929, the President and Vice-President being ex-officio members.

On motion, duly made and seconded, Mr. Walter Lichtenstein was reelected Secretary of the Federal Advisory Council for the year 1929 at a salary of \$2,000 per annum.

On motion, duly made and seconded, the Council readopted for the year 1929 the existing By-laws, with one amendment. "ARTICLE VI. MEETINGS" was amended to read as follows:

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

"A preliminary meeting of the Federal Advisory Council shall be called by the Secretary to be held on the day preceding the regular meeting.

"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."

The complete By-laws are attached hereto and made part of these minutes.

On motion, duly made and seconded, the minutes of the Council meeting of November 21-22, 1928, copies of which had been previously sent to the members, were approved.

The Secretary presented his financial report for the year 1928, which had been audited by Mr. J. P. McElherne, Assistant Auditor of the First National Bank of Chicago, which on motion duly made and seconded was approved and ordered to be printed. The report is attached hereto and made part of these minutes.

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

"Resolved, that the Secretary be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$300 toward the Secretarial and incidental expenses of the Federal Advisory Council for the year 1929 and to draw on them for that purpose."

It was voted that the Mayflower Hotel continue to be used as the headquarters of the Council.

The two topics presented for discussion by the Federal Reserve Board were considered and recommendations were adopted which are attached hereto and made part of these minutes.

The topic originating with the Council itself and dealing with the question of the retirement of national bank notes was considered. It was decided to take no action at this meeting as evidently the Treasury Department does not intend to retire the national bank notes at this time.

The meeting adjourned at 12:20 P. M.

WALTER LICHTENSTEIN,  
Secretary.

REPORT OF THE SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1928.

Balance on hand December 31, 1927.....	\$ 810.49	Postage.....	\$ 5.00
Assessment—Twelve Federal Reserve Banks.....	3,600.00	Telegrams.....	2.84
Interest on Balance at 1st Nat. Bank of Chicago.....	47.51	Printing & Stationery.....	273.00
		Miscellaneous Items.....	104.08
		Salary.....	1,500.00
		Conference Expenses.....	1,074.16
		Balance on hand December 31, 1928.....	1,498.92
	<u>\$4,458.00</u>		<u>\$4,458.00</u>

Chicago, January 15, 1929.

*To the Federal Advisory Council:*

I have audited the books, vouchers and accounts of the Secretary of the Federal Advisory Council for the year ending December 31, 1928, and certify that the above statement agrees therewith.

Respectfully,

(Signed) J. P. McELHERNE

## MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 14, 1929.

At 2:20 P. M. the Federal Advisory Council reconvened in the Presidential Suite of the Mayflower Hotel, Washington, D. C.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, W. C. Potter, L. L. Rue, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, F. L. Lipman, and Walter Lichtenstein, Secretary.

The President submitted a plan proposed by Mr. John E. Rovensky, First Vice-President of the Bank of America, for increasing reserve requirements but permitting a part of the reserves to be kept in the form of bank acceptances. The plan was called to the attention of members of the Council simply for future consideration but not in order that any action be taken at the present time.

The Council discussed at length the letter of the Federal Reserve Board of February 2, 1929 addressed to the various Chairmen of the Federal Reserve banks, requesting the Federal Reserve Bank of each district to urge its member banks to restrict, as far as possible, those loans which aided the present excessive speculation in securities.

The meeting adjourned at 3 P. M.

WALTER LICHTENSTEIN,  
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 15, 1929.

At 10 A. M. the Federal Advisory Council reconvened in the Presidential Suite of the Mayflower Hotel, Washington, D. C.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, W. C. Potter, L. L. Rue, Harris Creech, John Poole, J. P. Butler, Jr., Theodore Wold, P. W. Goebel, F. L. Lipman, and Walter Lichtenstein, Secretary.

The actions taken and the recommendations prepared at the preliminary meeting were reaffirmed and formally adopted.

In reference to the letter of the Federal Reserve Board of February 2, 1929, the following resolution was adopted:

"The Federal Advisory Council approves the action of the Federal Reserve Board in instructing the Federal Reserve banks to prevent, as far as possible, the diversion of Federal Reserve funds for the purpose of carrying loans based on securities. The Federal Advisory Council suggests that all the member banks in each district be asked directly by the Federal Reserve Bank of the district to cooperate in order to attain the end desired. The Council believes beneficial results can be attained in this manner."

The meeting adjourned at 10:15 A. M.

WALTER LICHTENSTEIN,  
Secretary.

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

February 15, 1929.

At 10:30 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the sunparlor of the Washington Hotel, Washington, D. C.

Present: Members of the Federal Reserve Board:

Governor Roy A. Young, Vice Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller and E. H. Cunningham; also W. L. Eddy, Secretary, and E. M. McClelland, Assistant Secretary to the Board; and E. A. Goldenweiser, Director of the Division of Research and Statistics, Federal Reserve Board.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, W. C. Potter, L. L. Rue, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, F. L. Lipman, and Walter Lichtenstein, Secretary.

The Secretary of the Council read the recommendations of the Council which had been adopted (recommendations Nos. 1-3 attached hereto and made part of the minutes).

The Federal Reserve Board gave the Council confidential information relating to the question of changing the rediscount rates. The Council adopted unanimously the following resolution:

“The Council believes every effort should be made to correct the present situation in the speculative markets before resorting to an advance in rates.”

Members of the Council reported on business conditions in their respective districts. Generally speaking, it was reported that business throughout the country was satisfactory.

The meeting adjourned at 12.30 P. M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE  
FEDERAL RESERVE BOARD

February 15, 1929.

TOPIC No. 1. Is an acceptance credit, based on the retail sale of automobiles in foreign countries on installment notes, a proper acceptance credit?

RECOMMENDATION: This would be inconsistent with facilities accorded to similar business in this country and the Council therefore answers the query of the Board in the negative.

TOPIC No. 2. What procedure could be adopted by the banks of the United States to discourage and possibly eliminate the practice of corporations, foreign banks and others of "window dressing" at the end of the year, which results in a concentration of borrowing in the New York market at that time?

RECOMMENDATION: The Federal Advisory Council knows of no possible way of preventing the practice of so-called "window dressing" to which the Federal Reserve Board refers. It may be well to point out that in many states the system of taxation is such as to provide an incentive for depositors to convert cash into non-taxable investments at the close of the year.

TOPIC No. 3. Letter from Federal Reserve Board to Chairman of Federal Reserve banks, dated February 2, 1929.

RECOMMENDATION: The Federal Advisory Council approves the action of the Federal Reserve Board in instructing the Federal Reserve banks to prevent, as far as possible, the diversion of Federal Reserve funds for the purpose of carrying loans based on securities. The Federal Advisory Council suggests that all the member banks in each district be asked directly by the Federal Reserve Bank of the district to cooperate in order to attain the end desired. The Council believes beneficial results can be attained in this manner.