

MINUTES OF MEETING
of the
EXECUTIVE COMMITTEE
of the
FEDERAL ADVISORY COUNCIL
held in New York City on April 16, 1929
and of
SPECIAL MEETING
of the
FEDERAL ADVISORY COUNCIL
held in Washington, D. C. on April 19, 1929

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

April 16, 1929.

At 11:10 A. M. Mr. Wetmore called the meeting to order in the Marble Room of the Guaranty Trust Company of New York.

Present: Mr. F. O. Wetmore, President; Messrs. W. C. Potter, Harris Creech, W. W. Smith, and Walter Lichtenstein, Secretary.

The Secretary reported that Mr. Rue was in California and that Mr. McKinney had wired that he would be unable to be present.

Mr. Wetmore reported that the purpose of the meeting was to reconsider the resolution adopted at the last meeting of the Council reading:

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

Mr. Wetmore stated that he had received requests from several sources suggesting a special meeting of the Council for the purpose of urging the Federal Reserve Board to consent to a raise in the rediscount rate voted by several Federal Reserve banks. Confidential information was furnished showing that a number of the Federal Reserve banks had voted to raise the rediscount rate to six per cent but that such action had not been confirmed by the Federal Reserve Board.

After a careful analysis of the weekly statements of the Federal Reserve banks and the six hundred reporting member banks, it was the unanimous conclusion of those present that little or no progress had been made in the reduction of the amount of credit used for various speculative purposes since the date of the last regular meeting, February 15, 1929, and that, while the statements of the Federal Reserve banks as a whole show a decided increase in reserve ratios, such increase was caused by the importation of gold undoubtedly brought about by the high rates for call money and other reserve cash. Governor Harrison of the Federal Reserve Bank of New York was invited to come to the meeting and came at 12:40 P. M. He furnished the Committee with statistics confirming this view.

Governor Harrison left the meeting at 3:45 P. M.

After some further discussion, the Committee requested Mr. Wetmore to telephone Acting Governor Platt of the Federal Reserve Board for the purpose of having a meeting of the whole Federal Advisory Council to be held at the earliest possible date agreeable to the Federal Reserve Board.

The meeting adjourned at 4 P. M.

WALTER LICHTENSTEIN,
Secretary.

April 19, 1929.

A special meeting of the Federal Advisory Council was held on April 19, 1929 in the North Room of the Mayflower Hotel, Washington, D. C.

PRESENT:

Mr. Arthur M. Heard	District No. 1
Mr. William C. Potter	District No. 2
Mr. Howard A. Loeb	District No. 3
(Alternate for Mr. L. L. Rue)	
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. Walter Lichtenstein	Secretary

ABSENT:

Mr. B. A. McKinney	District No. 11
Mr. F. L. Lipman	District No. 12

The meeting was called to order by the President, Mr. Wetmore, at 10:05 A. M.

The Secretary read a report of the meeting of the Executive Committee which was amplified by statements of Messrs. Wetmore and Potter.

Mr. Wetmore reported that he had conversed with Mr. Lipman over the telephone and had given him information regarding the situation as Mr. Lipman, owing to the distance, would be unable to be present at the meeting.

The Council discussed at length the present situation and adopted tentatively the following resolution:

"On February 15, 1929, the Federal Advisory Council adopted the following resolution:

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

"The Council in reviewing present conditions finds that in spite of the cooperation of member banks the exhaustive measures so far adopted have not been effective in correcting the present situation of the money market. The Council, therefore, recommends that the Federal Reserve Board permit the Federal Reserve banks to raise their rediscount rates immediately and maintain a rate consistent with the cost of commercial credit."

The meeting adjourned at 11:40 A. M.

WALTER LICHTENSTEIN,
Secretary.

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

April 19, 1929.

At 12:10 P. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board room, Treasury Building, Washington, D. C., the Secretary of the Treasury, Mr. Mellon, in the Chair.

Present: Members of the Federal Reserve Board:

Messrs. Andrew W. Mellon, Secretary of the Treasury, and John W. Pole, Comptroller of the Currency; Acting Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller, G. R. James and E. H. Cunningham; also J. C. Noell and E. M. McClelland, Assistant Secretaries 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; Messrs. A. M. Heard, W. C. Potter, H. A. Loeb, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, and Walter Lichtenstein, Secretary.

Mr. Wetmore made a statement as to the reasons for the meeting.

Mr. Platt in reply stated that the Board wished to be sure all measures had been exhausted before raising the rate.

At 1:20 P. M. Mr. Mellon left the meeting and Mr. Wetmore took the Chair.

Mr. James brought out the desirability of compelling certain banks which had been more or less continuous borrowers for a long time to pay off their loans at their respective Federal Reserve banks. He stated that there were approximately thirty-seven such banks. He also stated that on April 3 these thirty-seven banks, whose reserve requirements were \$509,000,000, were borrowing \$461,000,000.

The meeting adjourned at 2:55 P. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF SPECIAL MEETING OF THE FEDERAL ADVISORY COUNCIL

April 19, 1929.

At 3 P. M. the Federal Advisory Council met alone in the Federal Reserve Board room.

Present: Mr. F. O. Wetmore, President; Messrs. A. M. Heard, W. C. Potter, H. A. Loeb, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, and Walter Lichtenstein, Secretary.

The Council considered the tentative resolution adopted at the meeting in the morning. It was voted to cross out the word "exhaustive" and the resolution, reading as follows, was adopted unanimously upon the motion of Mr. Smith, seconded by Mr. Potter:

"On February 15, 1929, the Federal Advisory Council adopted the following resolution:

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

"The Council in reviewing present conditions finds that in spite of the cooperation of member banks the measures so far adopted have not been effective in correcting the present situation of the money market. The Council, therefore, recommends that the Federal Reserve Board permit the Federal Reserve banks to raise their rediscount rates immediately and maintain a rate consistent with the cost of commercial credit."

The Secretary was instructed to hand a copy of the resolution to the Secretary of the Federal Reserve Board.

The meeting adjourned at 3:15 P. M.

WALTER LICHTENSTEIN,
Secretary.