

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
May 20-21, 1929

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 20, 1929.

The second statutory meeting for 1929 of the Federal Advisory Council was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, May 20, 1929, at 10:15 A. M., the President, Mr. Wetmore, in the Chair.

Present:

Mr. Arthur M. Heard	District No. 1
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

Absent:

Mr. William C. Potter	District No. 2
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The Secretary stated that on communicating with Mr. Potter over the telephone Mr. Potter had informed him that he had mislaid the notice of this meeting and, therefore, had made no arrangements to be present.

The Secretary presented a confidential memorandum of Vice-Governor Platt which had been spread upon the minutes of the Federal Reserve Board indicating that Mr. Platt was not in favor of the present policy of the Board in declining to approve the raise of the rediscount rates on the part of four of the Federal Reserve banks.

Governor Young sent to the Council a memorandum prepared by Dr. Goldenweiser, Director of Division of Research and Statistics, Federal Reserve Board, showing statistically the development of the credit situation as related to the Federal Reserve System and the member banks.

Dr. Goldenweiser was requested to come to the meeting of the Council and he arrived at 11:40 A. M. Dr. Goldenweiser explained in detail by the aid of statistical material the present credit situation and answered inquiries related thereto. He left the meeting at 2 P.M.

Mr. Wetmore reviewed in detail, for the benefit of those who had not been present, the meeting of the Executive Committee on April 16 and the special meeting of the Council on April 19.

The Secretary informed the members of the Council that he had received word from the Federal Reserve Bank of New York that Mr. Paul M. Warburg had been appointed

alternate for Mr. Potter and would be present at the meeting of the Council on the following day.

Mr. Smith moved and Mr. Wold seconded the following resolution:

“The Federal Advisory Council has reviewed carefully the credit situation as it has developed since its meeting on April 19, 1929. The Council does not believe that there has been any marked improvement in conditions affecting the credit stringency prevailing.”

“The Council, therefore, reaffirms the resolution which it presented to the Federal Reserve Board on April 19.”

This resolution was not, however, formally put to a vote.

After considerable discussion it was voted that the President of the Council be requested to place before the Board at the joint meeting of the Federal Advisory Council and the Federal Reserve Board the following:

“The only question before the Federal Advisory Council at this meeting is in regard to the rediscount rates. Before taking definite action on the subject, the Council desires to get the reasons that have controlled the action of the Board in continuing to deny the application of several of the Federal Reserve Banks for an increase of the rediscount rate since the meeting of the Federal Advisory Council on April 19, 1929.”

Mr. McKinney declined to vote, explaining that he was not convinced that it would be desirable to increase the rediscount rates at this time.

Mr. Butler also declared that he was doubtful about the wisdom of any rate increase at this time.

The meeting adjourned at 4:45 P. M., to meet again in Room 836 of the Mayflower Hotel, at 9:15 A. M., on May 21.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF FEDERAL ADVISORY COUNCIL

May 21, 1929.

At 9:25 A. M. the Federal Advisory Council reconvened in Room 836 of the Mayflower Hotel, Washington, D. C., the President, Mr. Wetmore, in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, Paul M. Warburg (Alternate for Mr. 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.

Mr. Warburg made a statement about the domestic and foreign situation as related to our present credit conditions.

The meeting adjourned at 10 A. M.

WALTER LICHTENSTEIN,

Secretary.

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

May 21, 1929.

At 10:40 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was called to order by Mr. Wetmore in the Federal Reserve Board room, Treasury Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

Governor Roy A. Young; Vice-Governor Edmund Platt; Mr. John W. Pole, Comptroller of the Currency; 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; E. A. Goldenweiser, Director of the Division of Research and Statistics, Federal Reserve Board; and E. L. Smead, Chief of Division of Bank Operations.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, Paul M. Warburg, 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.

Mr. Wetmore placed before the Federal Reserve Board the inquiry adopted by the Council at yesterday's meeting.

Governor Young on behalf of the Federal Reserve Board made a statement that in the opinion of the majority of the Federal Reserve Board the so-called "direct action" had produced satisfactory results and it was doubted whether a six per cent rate would bring about any more satisfactory results. The Board is opposed to the suggestion made to them by various representatives of Directors of Federal Reserve banks for a program looking to successive increases of Federal Reserve rates for the purpose of influencing the speculative situation.

Dr. Miller stated that the Council in February had approved the action of the Federal Reserve Board and the Board, therefore, felt that its course was a wise one.

In reply Mr. Wetmore stated that the Council felt that no great relief had been obtained since the February meeting or since its meeting of April 19, and that, therefore, while the course approved by the Council may have been a wise step in February, the time had now come to change the tactics in order that the Federal Reserve banks might gain control of the money market.

Mr. Pole left the meeting at 11:05 A. M.

A long discussion took place, chiefly carried on by Mr. Warburg on behalf of the Council and Dr. Miller on behalf of the Federal Reserve Board. Messrs. Platt, Hamlin, Miller and James stated that whatever action the Council took ought to be made public.

The meeting adjourned at 1:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF FEDERAL ADVISORY COUNCIL

May 21, 1929.

At 1:35 P. M. the Federal Advisory Council met alone in the Federal Reserve Board room.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, Paul M. Warburg, 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 Council discussed the situation and a committee was appointed, consisting of Messrs. Wetmore, Warburg, Lipman and the Secretary, to draft a resolution which would be in accord with the views expressed by members of the Council.

The meeting adjourned at 1:50 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF FEDERAL ADVISORY COUNCIL

May 21, 1929.

At 2:30 P. M. the Federal Advisory Council met alone in the Federal Reserve Board room.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, Paul M. Warburg, 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.

It was unanimously voted, on motion of Mr. Rue, seconded by Mr. Lipman, that: "The Council has no objection to publicity of its resolution if in its discretion the Federal Reserve Board desires to give it out."

The special committee appointed to draft a resolution presented the following:

"The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board as expressed in its statement of February 5, 1929, that 'an excessive amount of the country's credit has been absorbed in speculative security loans'. The policy pursued by the Federal Reserve Board has had a wholesome effect due largely to the loyal co-operation of the banks of the country. The efforts in this direction should be continued, but the Council notes that while the total amount of Federal Reserve credit being used has been reduced, 'the amount of the country's credit absorbed in speculative security loans' has not been substantially lowered.

"Therefore, the Council recommends to the Federal Reserve Board that the time has come to grant permission to raise the rediscount rates to six per cent to those Federal Reserve banks requesting it. It believes that improvement in financial conditions and a consequent reduction of the rate structure will thereby be brought about most quickly, thus best safeguarding the commerce and industry of the country."

After some discussion this was amended to read:

"The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board expressed in its statement of February 5, 1929, that 'an excessive amount of the country's credit has been absorbed in speculative security loans'. The policy pursued by the Federal Reserve Board has had a beneficial effect due largely to the loyal co-operation of the banks of the country. The efforts in this direction should be continued. The Council notes, however, that while the total amount of Federal Reserve credit being used has been reduced, 'the amount of the country's credit absorbed in speculative security loans' has not been substantially lowered.

"Therefore, the Council recommends to the Federal Reserve Board that it now grant permission to raise the rediscount rates to six per cent to those Federal Reserve banks requesting it, thus bringing the rediscount rates into closer relation with generally prevailing commercial money rates. The Council believes that improvement in financial conditions and a consequent reduction of the rate structure will

thereby be brought about more quickly, thus best safeguarding commerce, industry, and agriculture."

Messrs. Butler and McKinney spoke in opposition to the resolution. It was moved by Mr. Rue and seconded by Mr. Lipman to adopt the resolution. The resolution was adopted, Messrs. Butler and McKinney voting "No."

The meeting adjourned at 3:10 P. M.

WALTER LICHTENSTEIN,

Secretary.

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

May 21, 1929.

At 3:20 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.

Present: Members of the Federal Reserve Board:

Governor Roy A. Young, Vice-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; E. A. Goldenweiser, Director of the Division of Research and Statistics, Federal Reserve Board; and E. L. Smead, Chief of Division of Bank Operations.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. A. M. Heard, Paul M. Warburg, 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 resolution adopted by the Council:

"The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board expressed in its statement of February 5, 1929, that 'an excessive amount of the country's credit has been absorbed in speculative security loans.' The policy pursued by the Federal Reserve Board has had a beneficial effect due largely to the loyal co-operation of the banks of the country. The efforts in this direction should be continued. The Council notes, however, that while the total amount of Federal Reserve credit being used has been reduced, 'the amount of the country's credit absorbed in speculative security loans' has not been substantially lowered.

"Therefore, the Council recommends to the Federal Reserve Board that it now grant permission to raise the rediscount rates to six per cent to those Federal Reserve banks requesting it, thus bringing the rediscount rates into closer relation with generally prevailing commercial money rates. The Council believes that improvement in financial conditions and a consequent reduction of the rate structure will thereby be brought about more quickly, thus best safeguarding commerce, industry, and agriculture."

Mr. Wetmore stated that "the Council has no objection to publicity of its resolution if in its discretion the Federal Reserve Board desires to give it out."

The meeting adjourned at 3:30 P. M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATION:

The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board expressed in its statement of February 5, 1929, that "an excessive amount of the country's credit has been absorbed in speculative security loans." The policy pursued by the Federal Reserve Board has had a beneficial effect due largely to the loyal co-operation of the banks of the country. The efforts in this direction should be continued. The Council notes, however, that while the total amount of Federal Reserve credit being used has been reduced, "the amount of the country's credit absorbed in speculative security loans" has not been substantially lowered.

Therefore, the Council recommends to the Federal Reserve Board that it now grant permission to raise the rediscount rates to six per cent to those Federal Reserve banks requesting it, thus bringing the rediscount rates into closer relation with generally prevailing commercial money rates. The Council believes that improvement in financial conditions and a consequent reduction of the rate structure will thereby be brought about more quickly, thus best safeguarding commerce, industry, and agriculture.