

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
November 18-19, 1929

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

November 18, 1929.

The fourth meeting of the Federal Advisory Council for the year 1929 was convened in Room 836 of the Mayflower Hotel, Washington, D. C., at 10:20 A. M.
Present:

Mr. Arthur M. Heard	District No. 1
Mr. William C. Potter	District No. 2
Mr. Howard A. Loeb (Alternate for 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. F. O. Wetmore	District No. 7
Mr. W. 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. Geo. E. Hediger	Acting Secretary

On motion duly made and seconded, the minutes of the meeting of September 16-17, copies of which had been previously sent to members, were approved.

Mr. Wetmore read a communication from Mr. A. C. Miller, inviting the members of the Council to be his guests at an informal supper at his home, Monday evening, November 18th.

Mr. Wetmore then read a communication from Mr. R. L. Austin, Chairman of the Board of the Federal Reserve Bank of Philadelphia, stating that as Mr. L. L. Rue was ill and unable to attend the meeting, Mr. Howard A. Loeb, Chairman, Tradersmens National Bank & Trust Company, Philadelphia, had been appointed as alternate.

Mr. Wetmore then read a letter from Governor Young, dated October 28th, 1929, suggesting four topics for discussion by the Council.

Topic No. 1. Mr. Wetmore suggested that consideration of this topic be deferred until the meeting with the Federal Reserve Board as the Board would undoubtedly ask that each member of the Council report on the financial and business conditions in his district.

Topic No. 2. It was the general opinion that even though some of the members might have formed definite opinions with regard to branch, chain or group banking, and ownership of bank stocks by investment trusts and holding corporations, the subject was

of such great importance that a committee should be appointed to go fully into it, and accordingly Recommendation No. 2 was adopted. (Attached hereto and made a part of these minutes).

Dr. Goldenweiser joined the meeting at 11:00 A. M., during the discussion of Topic No. 2. Shortly thereafter he was asked to speak on open market conditions. His remarks briefly covered developments in open market operations covering the period of the last three weeks or so.

The meeting adjourned at 12:40 for Lunch.

GEO. E. HEDIGER,

Acting Secretary.

MINUTES OF MEETING OF FEDERAL ADVISORY COUNCIL.

November 18, 1929.

At 3:00 P. M., the Federal Advisory Council reconvened in Room 836 of the Mayflower Hotel, the President, Mr. Wetmore in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. Arthur M. Heard, William C. Potter, Howard A. Loeb, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, F. L. Lipman, and Geo. E. Hediger, Acting Secretary.

Mr. Wetmore called for remarks with regard to Topic No. 3. After considerable discussion, during which the members were called upon individually to give their opinions as to the need of liberalization in their particular districts, Mr. McKinney offered Recommendation No. 3 (attached hereto and made a part of these minutes), which was seconded and adopted for presentation to the Board by the following vote: Affirmative 8, Negative 3, Mr. Loeb, alternate for Mr. Rue, expressing himself in favor, but not entitled to vote. The members voting in the negative were Messrs. Wetmore, Wold and Smith.

Mr. Wold had left the meeting at 3:30 P. M., and returned at 4:30 P. M.

Topic No. 4 was then taken up. An exhaustive discussion took place, following which on motion duly made and seconded, Recommendation No. 4 (attached hereto and made a part of these minutes), was adopted by the following vote: Affirmative 6, Negative 5, Mr. Loeb expressing himself in favor of it, but not entitled to vote. The members voting in the negative were Messrs. Wetmore, Wold, Creech, Lipman and Goebel.

The meeting adjourned at 5:25 P. M.

GEO. E. HEDIGER,

Acting Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL.

November 19, 1929.

At 9:55 the Federal Advisory Council reconvened in the Federal Reserve Board Room, Treasury Building, Washington, D. C., the President, Mr. Wetmore, in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. Arthur M. Heard, William C. Potter, Howard A. Loeb, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, F. L. Lipman, and Geo. E. Hediger, Acting Secretary.

The Recommendations adopted at the meetings on Monday, November 18th, were formally approved for presentation to the Board.

The meeting adjourned at 10:25 A. M.

GEO. E. HEDIGER,

Acting Secretary.

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

November 19, 1929.

At 10:35 A. 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; Comptroller of the Currency, John W. Pole; Messrs. C. S. Hamlin, A. C. Miller and E. H. Cunningham; also E. L. Smead, Chief of Division of Bank Operations; E. A. Goldenweiser, Director of Research and Statistics, Federal Reserve Board; J. C. Noell and E. M. McClelland, Assistant Secretaries to the Board.

Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. Arthur M. Heard, William C. Potter, Howard A. Loeb, Harris Creech, John Poole, J. P. Butler, Jr., W. W. Smith, Theodore Wold, P. W. Goebel, F. L. Lipman, and Geo. E. Hediger, Acting Secretary.

Mr. Wetmore called the meeting to order and requested the Secretary to read the Recommendations adopted by the Council at its preliminary meeting, beginning with Recommendation No. 2, attached hereto and made a part of these minutes.

Comptroller Pole then read excerpts from his intended report to the Congress on this subject.

The Secretary then read Recommendation No. 3, attached hereto and made a part of these minutes. A short discussion of the subject was held.

The Secretary then read Recommendation No. 4, attached hereto and made a part of these minutes. A general discussion of this subject took place.

Mr. Wetmore took up Topic No. 1, stating that it was the feeling of the Council that the Federal Reserve Board would desire to hear from each member of the Council individually as to the financial and business conditions in his district, and that therefore no recommendation had been prepared for presentation to the Board. The members of the Council reviewed business conditions in their respective districts and expressed themselves, "I see no need of making a change in the rates at the moment," but that the question would have to be determined as conditions arose, which were, of course, changing rapidly.

Governor Young made the query: "Is it possible for rates to go lower to a point where they may again be a danger in the money market?"

Mr. Wetmore replied that he believed he voiced the sentiment of all of the members of the Council in stating that this condition might readily arise, that hundreds of millions of dollars of secured loans had been transferred from brokers' hands to banks on loans to individuals in which form they were less liquid, and that a firm pressure should be kept on the money market for the purpose of securing a reasonable liquidation of these loans.

Mr. Miller then called upon Dr. Goldenweiser for off-hand information relative to the last period of business recession, its duration, the unemployment situation at that time, the shrinkage in production, etc.

Governor Young inquired as to whether the Council in its discussion on open market operations had any criticisms or suggestions of the Federal Reserve Board's actions during the recent turmoil in the stock market. Mr. Wetmore replied that he would like to express his own thought, and he believed it was concurred in by the other members of the Council, which was that the situation had been handled in a most masterly way and that the Federal reserve banks and member banks had co-operated in a highly commendable manner.

The meeting adjourned at 1:00 P. M.

GEO. E. HEDIGER,

Acting Secretary.

On invitation from the President, the members of the Federal Advisory Council attended a meeting at the White House at 2:30 P. M.

Present: President Hoover,
Secretary of the Treasury Mellon,
Secretary of Commerce Lamont,
Chairman of Chamber of Commerce Barnes.

Members of the Federal Reserve Board:

Governor Roy A. Young; Vice Governor Edmund Platt; Comptroller of the Currency, John W. Pole; Messrs C. S. Hamlin, A. C. Miller and E. H. Cunningham.

Members of the Federal Advisory Council:

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

There was a general discussion of business conditions, each member of the Council speaking of the conditions in his particular district, and the following public announcement was made as representing the views of the Council:

“At a meeting of the Federal Advisory Council, the members of which represent the twelve Federal reserve banking districts, with the President, the general business situation was reviewed and each member reported that business and banking throughout his district are in sound condition, and the prospects were that money will be available at lower rates.”

The meeting then adjourned.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO
THE FEDERAL RESERVE BOARD

November 19, 1929.

TOPIC No. 1. Discount rates, bill rates and open market operations.

NO RECOMMENDATION.

TOPIC No. 2. Developments in branch, chain and group banking with particular reference to the effects of bank stock ownership by investment trusts and holding corporations.

RECOMMENDATION: The Federal Advisory Council recommends that the Federal Reserve Board appoint a committee to study the merits of the branch banking system as practiced in this and other countries, (conditions in Canada being apparently more comparable with our own), the group or chain banking system as developed in this country and elsewhere, and the unit banking system of this and other countries; and further, the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the Federal Reserve Board may be in possession of accurate and authoritative information on this important subject.

TOPIC No. 3. Desirability of liberalizing the requirements of the Federal Reserve Act as to paper eligible for rediscount by Federal reserve banks.

RECOMMENDATION: It is the feeling of the Federal Advisory Council that consideration could well be given to liberalizing the provisions of Section 13 of the Federal Reserve Act, pertaining to eligibility of paper, in a manner not inconsistent with the proper functioning of the Federal Reserve System.

FOR 8 — AGAINST 3 — ALTERNATE FOR, NOT VOTING.

TOPIC No. 4. Desirability of changing distribution of earnings of Federal reserve banks as proposed in S.5723, introduced by Senator Glass.

RECOMMENDATION: The Federal Advisory Council approves of the provisions of Senate Bill 5723, relating to the distribution of earnings of Federal reserve banks, with an amendment providing that the earnings of all twelve Federal reserve banks accruing thereunder to member banks, shall be pooled and divided among all member banks in proportion to their respective capital contributions and their average annual reserve requirements.

FOR 6 — AGAINST 5 — ALTERNATE FOR, NOT VOTING.

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THE FEDERAL RESERVE BOARD

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