

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
November 17-18, 1930

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November 17, 1930.

The fourth statutory meeting for 1930 of the Federal Advisory Council was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, November 17, 1930, at 10:15 A.M., the President, Mr. McKinney, in the Chair.

Present:

Mr. Herbert K. Hallett	District No. 1
Mr. William C. Potter	District No. 2
Mr. Howard A. Loeb	District No. 3
Mr. Harris Creech	District No. 4
Mr. John Poole	District No. 5
Mr. H. Lane Young (Alternate for Mr. J. P. Butler)	District No. 6
Mr. Melvin A. Traylor	District No. 7
Mr. Walter W. Smith	District No. 8
Mr. George H. Prince	District No. 9
Mr. Walter S. McLucas	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. Walter Lichtenstein	Secretary

Absent:

Mr. F. L. Lipman	District No. 12
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Mr. Loeb, Chairman of the sub-committee appointed to consider Bill S. 4723 (Glass Bill of June 17, 1930) reported that in the opinion of the committee it is not advisable to consider the bill at this time, owing to the fact that there will undoubtedly be a number of legislative measures considered at the coming session of Congress and that there is no especial reason for singling out this particular proposal. It was voted to discharge the committee and not to proceed with the consideration of the Glass Bill at this time.

Mr. Macaulay, President of the Sun Life Assurance Company of Canada, had published on several occasions statements in the public press embodying suggestions for the purchase by the Federal Reserve banks of a large amount of Government bonds. Some discussion took place regarding his suggestions, but it was decided to take no action.

Discussion took place regarding the matter of collection items of non-member banks. Mr. McLucas furnished a further memorandum embodying regulations adopted by the Federal Reserve Bank of Kansas City. The Secretary was instructed to furnish each member of the Council with a copy of the memorandum submitted by Mr. McLucas, and it was voted that at the next meeting of the Council the members should report in regard to the practice of their respective districts.

At eleven o'clock Dr. E. A. Goldenweiser, Director of the Division of Research and Statistics of the Federal Reserve Board, gave a very interesting account of the gold situation of the world and the influences which this has, in his opinion, upon the course of national and international fiscal developments.

The Council adopted Recommendations (Topic No. 1 and Topic No. 2) attached hereto, dealing with the following topics:

Topic No. 1: Open market operations and rediscount rates.

Topic No. 2: Eligibility for rediscount of notes of finance companies.

The meeting adjourned at 2:45 P.M.

WALTER LICHTENSTEIN,

Secretary.

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

November 18, 1930.

At 10:00 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 Eugene Meyer; Mr. John W. Pole, Comptroller of the Currency; Messrs. C. S. Hamlin, A. C. Miller, and E. H. Cunningham; also Messrs. E. M. McClelland and J. C. Noell, Assistant Secretaries of the Board; Walter Wyatt, General Counsel of the Federal Reserve Board; E. A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve Board; E. L. Smead, Chief of Division of Bank Operations, and S. R. Carpenter, Assistant to the Secretaries of the Board.

Present: Members of the Federal Advisory Council:

Mr. B. A. McKinney, President; Mr. Walter W. Smith, Vice-President; Messrs. H. K. Hallett, William C. Potter, H. A. Loeb, Harris Creech, John Poole, H. Lane Young, Melvin A. Traylor, George H. Prince, W. S. McLucas, and Walter Lichtenstein, Secretary.

The Recommendations adopted by the Federal Advisory Council, Topics No. 1 and No. 2, were read by the Secretary.

A discussion took place regarding the general banking situation and related matters.

The meeting adjourned at 11:35 A.M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

November 18, 1930.

TOPIC No. 1: Open market operations and rediscount rates.

RECOMMENDATION: In the opinion of the Federal Advisory Council the present situation will be best served if the natural flow of credit is unhampered by open market operations or changes in the rediscount rates. The seasonal demands during the balance of the year should be met by rediscounting on the part of member banks.

TOPIC No. 2: Eligibility for rediscount of notes of finance companies.

RECOMMENDATION: The Federal Advisory Council has had brought to its attention by the Secretary of the National Association of Finance Companies the wish of the members of that Association that "the notes of finance companies, given to the banks for funds to be used in financing the sale of merchandise," be made eligible for rediscount by the Federal Reserve banks. The Council does not believe the rules of eligibility should be extended to make such notes eligible for rediscount.