

FEDERAL⁶⁷¹⁰_K
ADVISORY COUNCIL

MINUTES
AND
RECOMMENDATIONS

1931-1935

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
February 16-17, 1931

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL
For the Year 1931

OFFICERS:

President, B. A. McKinney
Vice-President, W. W. Smith
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

B. A. McKinney
W. W. Smith
H. A. Loeb
M. A. Traylor
G. H. Prince
W. S. McLucas

MEMBERS:

Herbert K. Hallett	Federal Reserve District No. 1
Robert H. Treman	Federal Reserve District No. 2
Howard A. Loeb	Federal Reserve District No. 3
J. A. House	Federal Reserve District No. 4
John Poole	Federal Reserve District No. 5
J. P. Butler	Federal Reserve District No. 6
Melvin A. Traylor	Federal Reserve District No. 7
Walter W. Smith	Federal Reserve District No. 8
George H. Prince	Federal Reserve District No. 9
Walter S. McLucas	Federal Reserve District No. 10
B. A. McKinney	Federal Reserve District No. 11
H. M. Robinson	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 other than one 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 its 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 17, 1931.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 16, 1931.

The first and organization meeting for 1931 of the Federal Advisory Council was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, February 16, 1931, at 10:15 A.M.

Present:

Mr. Herbert K. Hallett	District No. 1
Mr. Robert H. Treman	District No. 2
Mr. Howard A. Loeb	District No. 3
Mr. J. A. House	District No. 4
Mr. John Poole	District No. 5
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. H. M. Robinson	District No. 12
Mr. Walter Lichtenstein	Secretary

Mr. McKinney called the meeting to order at 10:15 A.M.

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

Upon nominations for the office of President of the Council being called for, Mr. B. A. McKinney was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast a ballot for Mr. McKinney, who was thereupon declared elected President of the Council for the year 1931.

Upon nominations for Vice-President being called for, Mr. Walter W. Smith was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast a ballot for Mr. Smith, who was thereupon declared elected Vice-President of the Council for the year 1931.

The President called for nominations for the four appointive members of the Executive Committee. Messrs. Howard A. Loeb, Melvin A. Traylor, George H. Prince, and Walter S. McLucas were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1931, the President and Vice-President being ex officio members.

On motion, duly made and seconded, Mr. Walter Lichtenstein was elected Secretary of the Federal Advisory Council for the year 1931 at a salary of \$2000 per annum.

On motion, duly made and seconded, the Council readopted for the year 1931 the existing By-laws which are attached hereto and made part of these minutes.

On motion, duly made and seconded, the minutes of the Council meeting of November 17-18, 1930, copies of which had been previously sent to the members, were approved.

The Secretary presented his financial report for the year 1930, which has been audited by Mr. J. J. Buechner, 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 1931 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 President reported that the engrossed copy of the resolution of condolence had been presented to Mrs. Wetmore who wished to express to the members of the Council her thanks and appreciation of their friendship for her husband.

Mr. McLucas reported that the matter regarding new regulations in the Kansas City District relating to collection items of non-member banks had been dropped. The Council thereupon decided not to proceed with the discussion of this question.

The subject of supervision of banks raised in the letter of Governor Meyer of January 23, 1931, was discussed and it was voted to make the following recommendation to the Board:

“The Federal Advisory Council believes that bank failures in recent times have been largely due to a change in economic and social conditions.

“In many instances the minimum capitalization required of banks has not been a sufficient protection to the depositors. The difficulties which banks have encountered cannot be traced entirely to a deficiency in our banking and examination systems. The law now gives sufficient power and authority for an adequate examination. Improvements in examinations undoubtedly can and should be made.

“There should be imposed upon the Federal Reserve banks the requirement so to participate in the examinations of all of its members as to be cognizant of the quality of the investments and loans and the policy of the management.”

At 12:15 P.M. Dr. E. A. Goldenweiser, Director of the Division of Research and Statistics of the Federal Reserve Board, gave an interesting account of recent developments in the financial and business world.

The meeting adjourned at 2:00 P.M. to meet at 10:00 A.M. on Tuesday in the Treasury Building.

WALTER LICHTENSTEIN,
Secretary.

REPORT OF THE SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1930

Balance on hand December 31, 1929.....	\$1,839.06	Telegrams.....	\$ 4.97
Assessment—Twelve Federal Reserve Banks.....	3,600.00	Printing and Stationery.....	198.25
Interest on Balances at First National Bank of Chicago....	64.43	Salary.....	2,000.00
		Conference Expenses.....	956.74
		Miscellaneous Items.....	37.75
		Balance on hand December 31, 1930.....	2,305.78
	\$5,503.49		\$5,503.49

Chicago, January 5, 1931.

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, 1930, and certify that the above statement agrees therewith.

Respectfully,

FIRST NATIONAL BANK OF CHICAGO,

(Signed by) J. J. BUECHNER,

Assistant Auditor.

MINUTES OF THE MEETING OF THE FEDERAL ADVISORY COUNCIL

February 17, 1931.

At 10:00 A.M. the Federal Advisory Council reconvened in the Federal Reserve Board Room, Treasury Building, Washington, D. C., the President, Mr. McKinney, being in the Chair.

Present: Mr. B. A. McKinney, President; Mr. W. W. Smith, Vice-President; Messrs. H. K. Hallett, R. H. Treman, H. A. Loeb, J. A. House, John Poole, J. P. Butler, M. A. Traylor, G. H. Prince, W. S. McLucas, H. M. Robinson, and Walter Lichtenstein, Secretary.

The question of rediscount rates and open market operations was discussed, and it was voted to make the following recommendation to the Board:

“The Federal Advisory Council wishes to reiterate the recommendation made at its last meeting that the situation will be best served if the natural flow of credit is unhampered by open market operations or changes in the rediscount rates.

“The Council believes that the manner in which open market operations have been conducted since the last meeting of the Council is satisfactory.”

The meeting adjourned at 10:10 A.M.

WALTER LICHTENSTEIN,

Secretary.

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

February 17, 1931.

At 10:15 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 G. R. James; 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. W. W. Smith, Vice-President; Messrs. H. K. Hallett, R. H. Treman, H. A. Loeb, J. A. House, John Poole, J. P. Butler, M. A. Traylor, G. H. Prince, W. S. McLucas, H. M. Robinson, and Walter Lichtenstein, Secretary.

The Secretary of the Federal Advisory Council read the recommendation adopted regarding supervision of banks. After some discussion it was voted upon motion, duly made and seconded, to amend the recommendation to read as follows:

“The Federal Advisory Council believes that bank failures in recent times have been largely due to a change in economic and social conditions.

“In many instances the minimum capitalization required of banks has not been sufficient protection to the depositors. The difficulties which banks have encountered cannot be traced entirely to a deficiency in our banking and examination systems. The law now gives sufficient power and authority for an adequate examination. Improvements in examinations undoubtedly can and should be made.

“There should be imposed upon the Federal Reserve banks the requirement to keep themselves informed of the quality of the investments and loans and the policy of the management of all member banks.”

The Secretary of the Federal Advisory Council read the recommendation regarding rediscount rates and open market operations.

A discussion took place regarding general business conditions.

The meeting adjourned at 12:10 P.M.

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

February 17, 1931.

TOPIC No. 1: Bank failures and bank examinations.

RECOMMENDATION: The Federal Advisory Council believes that bank failures in recent times have been largely due to a change in economic and social conditions.

In many instances the minimum capitalization required of banks has not been a sufficient protection to the depositors. The difficulties which banks have encountered cannot be traced entirely to a deficiency in our banking and examination systems. The law now gives sufficient power and authority for an adequate examination. Improvements in examinations undoubtedly can and should be made.

There should be imposed upon the Federal Reserve banks the requirement to keep themselves informed of the quality of the investments and loans and the policy of the management of all member banks.

TOPIC No. 2: Open market operations and rediscount rates.

RECOMMENDATION: The Federal Advisory Council wishes to reiterate the recommendation made at its last meeting that the situation will be best served if the natural flow of credit is unhampered by open market operations or changes in the rediscount rates.

The Council believes that the manner in which open market operations have been conducted since the last meeting of the Council is satisfactory.