

MINUTES OF MEETING

of the

FEDERAL ADVISORY COUNCIL

February 20-21, 1933

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL
For the Year 1933

OFFICERS:

President, Walter W. Smith
Vice-President, Melvin A. Traylor
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

Walter W. Smith
Melvin A. Traylor
George W. Davison
Howard A. Loeb
John K. Ottley
Walter S. McLucas

MEMBERS:

Thomas M. Steele	Federal Reserve District No. 1
George W. Davison	Federal Reserve District No. 2
Howard A. Loeb	Federal Reserve District No. 3
H. C. McEldowney	Federal Reserve District No. 4
Howard Bruce	Federal Reserve District No. 5
John K. Ottley	Federal Reserve District No. 6
Melvin A. Traylor	Federal Reserve District No. 7
Walter W. Smith	Federal Reserve District No. 8
Theodore Wold	Federal Reserve District No. 9
Walter S. McLucas	Federal Reserve District No. 10
Joseph H. Frost	Federal Reserve District No. 11
Henry 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.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 20, 1933,

The first and organization meeting of the Federal Advisory Council for 1933, was convened in Room 736 of the Mayflower Hotel, Washington, D. C., on Monday, February 20, 1933, at 10:20 A. M.

Present:

Mr. Thomas M. Steele	District No. 1
Mr. George W. Davison	District No. 2
Mr. Howard A. Loeb	District No. 3
Mr. H. C. McEldowney	District No. 4
Mr. John K. Ottley	District No. 6
Mr. Melvin A. Traylor	District No. 7
Mr. Walter W. Smith	District No. 8
Mr. Theodore Wold	District No. 9
Mr. Herman M. Langworthy (Alternate for Mr. McLucas)	District No. 10
Mr. Joseph H. Frost	District No. 11
Mr. Henry M. Robinson	District No. 12
Mr. Walter Lichtenstein	Secretary

Absent:

Mr. Howard Bruce	District No. 5
------------------	----------------

The Secretary presented the minutes of the special meeting of the Executive Committee of the Federal Advisory Council held on December 18, 1932, at the Mayflower Hotel. It was voted to approve these minutes.

The Secretary read a letter from the former Comptroller of the Currency, Mr. John W. Pole, dated January 11, 1933, thanking the Federal Advisory Council for the engrossed copy of the resolutions adopted on September 20, 1932.

Mr. Henry M. Robinson was thereupon elected Chairman pro tem and Mr. Walter Lichtenstein Secretary pro tem.

The Secretary stated that 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. 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 President of the Council for the year 1933.

Upon nominations for Vice-President being called for, Mr. Melvin A. Traylor was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast a ballot for Mr. Traylor, who was thereupon declared elected Vice-President of the Council for the year 1933.

The President, Mr. Smith thereupon took the Chair and called for nominations for the four appointive members of the Executive Committee. Messrs. George W. Davison, Howard A. Loeb, John K. Ottley, and Walter S. McClucas were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1933, 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 1933 at a salary of \$2000 per annum.

On motion, duly made and seconded, the Council readopted for the year 1933 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, 1932, copies of which had been previously sent to the members, were approved.

The Secretary presented his financial report for the year 1932, which had 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 a 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 1933 and to draw on it for that purpose.”

It was voted that the Mayflower Hotel continue to be used as the headquarters of the Council.

The Council discussed the question of the advisability of the continued publication of loans made by the Reconstruction Finance Corporation. The Council adopted a recommendation, which is attached hereto and made part of these minutes.

A discussion took place regarding the further issue of currency based on United States Government bonds, bearing interest not exceeding $3\frac{3}{8}$ per cent per annum.

At 11:30 A. M., Dr. E. A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve Board, came before the Council and made a very interesting statement regarding the currency situation and the various inflationary measures that have been proposed.

At 12:45 P. M. the Council adjourned for lunch at which Governor Meyer of the Federal Reserve Board was also present.

It was voted that the Secretary be instructed to continue the practice of sending the minutes of the meeting only to members of the Council who are to use their discretion how far they wish to make known to their respective Federal Reserve Banks any details. On the other hand, the Secretary was instructed to continue to send copies of the recommendations made by the Council to the members of the Federal Reserve Board as well as to the Federal Reserve banks.

The meeting adjourned at three o'clock.

WALTER LICHTENSTEIN
Secretary.

REPORT OF THE SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1932

Balance on hand December 31, 1931.....	\$2,500.09	Telegrams.....	\$ 31.07
Assessment — Twelve Federal Reserve Banks.....	3,600.00	Miscellaneous.....	14.80
Interest on Balances at First National Bank of Chicago....	26.78	Conference Expenses.....	1,012.79
		Salaries.....	2,000.00
		Printing and Stationery.....	314.92
		Postage.....	20.04
		Balance on hand December 31, 1932.....	2,733.25
	<u>\$6,126.87</u>		<u>\$6,126.87</u>

Chicago, January 11, 1933.

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, 1932, and certify that the above statement agrees therewith.

Respectfully,
FIRST NATIONAL BANK OF CHICAGO,
By J. J. BUECHNER,
Assistant Auditor.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 21, 1933.

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

Present: Mr. W. W. Smith, President; Messrs. T. M. Steele, H. A. Loeb, H. C. McEldowney, J. K. Ottley, Theodore Wold, H. M. Langworthy, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

The question was raised whether in answering the requests made upon banks to furnish information to national companies, notably chain stores, regarding the condition of smaller banks, there was not some danger that as a result of information given, accounts were withdrawn from smaller banks, thereby hastening in some cases their collapse. A discussion took place concerning this problem, but no action taken.

A discussion took place regarding the great need of having the President-elect issue a public statement as promptly as possible regarding the policies of his administration in respect to the following three matters:

1. The necessity of balancing the Federal budget largely by reduction in expenditures;
2. The dangers inherent in the various proposals to inflate the currency, and
3. The desirability of preventing the undue expansion of the Government's credit which if continued will be a menace to the credit of the Government.

It was decided to postpone decision on this matter until the joint meeting of the Federal Advisory Council and the Federal Reserve Board.

The meeting adjourned at 10:25 A. M.

WALTER LICHTENSTEIN,
Secretary.

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

February 21, 1933.

At 10:30 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:

Mr. Ogden L. Mills, Secretary of the Treasury; Governor Eugene Meyer; Messrs. C. S. Hamlin and A. C. Miller; also Messrs. Chester Morrill, Secretary of the Board; E. M. McClelland, Assistant Secretary of the Board; Floyd R. Harrison, Assistant to the Governor; 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 Secretary.

Present: Members of the Federal Advisory Council:

Mr. W. W. Smith, President; Messrs. T. M. Steele, G. W. Davison, H. A. Loeb, H. C. McEldowney, J. K. Ottley, Theodore Wold, H. M. Langworthy, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

Governor George L. Harrison, Federal Reserve Bank of New York, later joined the meeting.

The President of the Council requested the opinion of the Board respecting the suggestion made to ask the President-elect to issue an immediate statement. Governor Meyer indicated that he would much prefer to have the Council, if it decided it advisable to make such a request, do it directly and not through the medium of the Board.

The Council thereupon suggested to its President that he ask for an interview with President-elect Roosevelt, but President Smith intimated that he would not ask for an interview, but would transmit the request of the Council by letter.

The Secretary of the Council transmitted from Mr. Traylor a statement that he thought it advisable for the Council to discuss the possibility of the Government taking preferred stock from solvent banks, whose capital structure had been impaired. Several members of the Council opposed this plan and it was decided that the Council would not go on record in respect to the purchase of preferred stock on the part of the Government or any of its agencies.

Governor Harrison made a full statement in respect to the gold and banking situation in New York.

The meeting adjourned at 12:50 P. M.

WALTER LICHTENSTEIN,
Secretary.

RECOMMENDATION OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

February 21, 1933.

TOPIC: Publication of loans made by the Reconstruction Finance Corporation.

RECOMMENDATION: The Federal Advisory Council is of the opinion that the list of loans made by the Reconstruction Finance Corporation may well be filed with the President of the United States and the chairman of the appropriate committee in each of the houses of Congress. As the object of these loans was and is to restore public confidence in the financial and industrial structure of the country, the Council believes that much of the good accomplished has been undone by the publication of the names of the institutions to which loans have been made. The Council believes that all such publicity is harmful and should cease.