

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
May 15-17, 1933

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 15, 1933.

The second statutory meeting for 1933 of the Federal Advisory Council was convened in Room 736 of the Mayflower Hotel, Washington, D. C., on Monday, May 15, 1933, at 10:15 A. M., the President, Mr. Smith, in the Chair.

Present:

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| Mr. Thomas M. Steele | District No. 1 |
| Mr. Walter E. Frew | District No. 2 |
| Mr. Howard A. Loeb | District No. 3 |
| Mr. H. C. McEldowney | District No. 4 |
| Mr. Melvin A. Traylor | District No. 7 |
| Mr. Walter W. Smith | District No. 8 |
| Mr. Theodore Wold | District No. 9 |
| Mr. W. T. Kemper | District No. 10 |
| Mr. Joseph H. Frost | District No. 11 |
| Mr. Henry M. Robinson | District No. 12 |
| Mr. Walter Lichtenstein | Secretary |

Absent:

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| Mr. Howard Bruce | District No. 5 |
| Mr. John K. Ottley | District No. 6 |

On motion, duly made and seconded, the minutes of the meeting of February 20-21, copies of which had been previously sent to the members, were approved.

The President called attention to the fact that owing to the resignation of Messrs. Davison and McLucas as members of the Council, two vacancies on the Executive Committee had been created. Messrs. Walter E. Frew and W. T. Kemper were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the balance of the year 1933 to take the places of Messrs. Davison and McLucas, respectively.

It was decided to enter into a discussion of the Glass and Steagall bills.

Mr. Frew presented a draft of a resolution and it was decided to use this as a basis for a minute to be prepared by the Council.

At 12:15 P. M. Mr. Robert V. Fleming, Chairman, Federal Legislative Committee of the American Bankers Association, came to the meeting of the Council and discussed still further the Glass and Steagall bills.

At 12:45 P. M. the members of the Council adjourned for lunch at which Governor Eugene R. Black was also present.

The Council, with the exception of Mr. Traylor, reconvened at 2:00 P. M.

At 2:15 P. M. Dr. E. A. Goldenweiser came to the Council meeting and discussed the general business situation and the like, leaving at 3:45 P. M.

The meeting adjourned at 4:20 P. M., with the understanding that it would reconvene Tuesday morning at 10:15 A. M. in the Federal Reserve Board Room, Treasury Building.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 16, 1933.

At 10:15 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, W. E. Frew, H. A. Loeb, H. C. McEldowney, Theodore Wold, W. T. Kemper, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

The Secretary presented the following based upon the draft offered by Mr. Frew:

"The Federal Advisory Council desires to place on its records this minute expressing its great satisfaction and gratification in the way the general situation has been helped by the President's leadership and by the action of the Congress in passing so promptly the emergency banking legislation of March 9, 1933. #

"The reopening of sound banks has contributed largely to the restoration of public confidence. A careful survey shows that the whole banking situation is steadily improving. In view of the successful results of the constructive measures so far undertaken the Council has given careful consideration to the wisdom of enacting further banking legislation at this session of the Congress and has discussed especially S. 1631 and H. R. 5598 (the Glass and Steagall bills). #

"The Council recognizes the many constructive features embodied in the two bills mentioned such as the divorcement of affiliates from banks, the regulations as to qualifications for directorships, the limitations placed upon officials serving with companies handling investment securities, and the like. The Council believes that many of these provisions if enacted into law will be beneficial to the country. #

"On the other hand, the Council questions the advisability of preventing in the future banks from participating in long term capital financing. The Council would point out that with the complete elimination of banks from all types of underwriting it is likely to prove impossible to place at the disposal of commerce and industry the funds needed for the progress of industrial development in this country. There are simply not available outside of the banks sufficient accumulations of capital to handle the financing and refinancing required. #
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"Above all else, the Council is vigorously opposed to the principle of the insurance of bank deposits as provided for in the bills under consideration. It believes that even as an emergency measure such a step is both unnecessary at the present time and doomed to failure in practice. #

"The Council realizes and admires the faithful and conscientious study that distinguished members of the Congress have given to the banking problems, but it ventures to ask in view of there being an entirely new administration in the Department of the Treasury and a new Governor of the Federal Reserve Board whether it might not be wise to allow these new financial authorities more time for a still more thorough study of the situation and the formulation of policies based thereon." #

On motion, duly made and seconded, it was voted to adopt the above minute and present it to the Federal Reserve Board.

Mr. Frost suggested that the Council discuss with the Board also the following three matters:

1. Open market operations.
2. Rates on Government securities sufficient to enable good banks to continue in business.
3. Hoarding which it is believed might end if hoarders could obtain an adequate return on short term Government securities.

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.

May 16, 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:

Governor Eugene R. Black; Mr. J. F. T. O'Connor, Comptroller of the Currency; Messrs. C. S. Hamlin, A. C. Miller, and G. R. James; also Messrs. Chester Morrill, Secretary of the Board; E. M. McClelland, Assistant Secretary of the Board; Walter Wyatt, General Counsel of the Federal Reserve Board; Leo H. Paulger, Chief, Division of Examinations 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; Mr. M. A. Traylor, Vice President; Messrs. T. M. Steele, W. E. Frew, H. A. Loeb, H. C. McEldowney, Theodore Wold, W. T. Kemper, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

The Secretary of the Council read the minute which had been adopted by the Council.

Mr. James asked whether the Board, if it deemed wise to do so, might send the minute to the appropriate committees of the Congress. As it was planned to present the minute in question also to the President of the United States, the President of the Council on behalf of the Council replied to Mr. James that the Council would have no objection if the Board sent the minute in question to the proper committees of Congress, provided the President of the United States had no objection to such action.

The questions suggested by Mr. Frost at the earlier meeting were discussed with the Board.

Dr. Miller made a strong plea that the Council should not adjourn until it had something concrete to offer the Board in the form of advice on the question of keeping those banks which had been properly licensed open. Dr. Miller pointed out that until the banking and credit situation and anxiety of the bank depositor are relieved, it will be difficult to have an economic regeneration. He does not believe that any general economic regeneration can come quickly enough to save the banking situation and that until such regeneration comes some direct expedients must be used.

Mr. James told of the suggestions of the Governor's Conference to bring about more cooperation between the various agencies of the Federal Government which have direct contact with the banking situation, and stated that a committee had been appointed, consisting of Mr. Cummings of the Department of the Treasury, Mr. Jones of the Reconstruction Finance Corporation, Mr. Fancher of the Federal Reserve System, and Mr. Awalt of the Comptroller's Office. So far this committee has not submitted a report.

On motion of Mr. Robinson, seconded by Mr. Loeb, it was decided to appoint a committee of the Council to work with the Federal Reserve Board to the end of drafting some definite plan. The following committee was appointed: Messrs. Frew, Loeb, Traylor, Wold, and Robinson; and the President and Secretary of the Council ex-officio members.

The meeting adjourned at 12:30 with the understanding that there would be another joint conference with the Federal Reserve Board at 2:30 P. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 16, 1933.

At 12:35 P. 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; Mr. M. A. Traylor, Vice President; Messrs. T. M. Steele, W. E. Frew, H. A. Loeb, H. C. McEldowney, Theodore Wold, W. T. Kemper, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

Mr. Traylor reported that arrangements had been made to meet with the Secretary of the Treasury at 8:30 P. M. in his rooms at the Carlton Hotel. It was decided to defer the joint meeting with the Board until three o'clock and the Council adjourned at one o'clock with the understanding that it would meet again at two o'clock.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 16, 1933.

At 2:00 P. 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; Mr. M. A. Traylor, Vice President; Messrs. T. M. Steele, W. E. Frew, H. A. Loeb, H. C. McEldowney, Theodore Wold, W. T. Kemper, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

Mr. Traylor reported that the President of the United States would receive a committee of the Council, consisting of three members, some time on Wednesday morning.

The Council requested Dr. Miller to meet with it and Dr. Miller joined the Council at 2:40 P. M.

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 16, 1933.

At 3:15 P. M. the joint conference of the Federal Advisory Council and the Federal Reserve Board reconvened in the Federal Reserve Board Room, Treasury Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

Governor Eugene R. Black; Mr. J. F. T. O'Connor, Comptroller of the Currency; Messrs. C. S. Hamlin, A. C. Miller, and G. R. James; also Messrs. Chester Morrill, Secretary of the Board; E. M. McClelland, Assistant Secretary 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 Secretary.

Present: Members of the Federal Advisory Council:

Mr. W. W. Smith, President; Mr. M. A. Traylor, Vice President; Messrs. T. M. Steele, W. E. Frew, H. A. Loeb, H. C. McEldowney, Theodore Wold, W. T. Kemper, J. H. Frost, H. M. Robinson, and Walter Lichtenstein, Secretary.

The committee, appointed by the Council to consider the problems raised by Dr. Miller, presented its report. Considerable discussion took place and it was pointed out that it would be desirable to consider two things:

1. What might be done without further legislative action, and
2. If nothing could be done without further legislative action, what legislation in the opinion of the Council would meet the needs of the situation.

It was voted that the committee of five should be given authority to revise the draft and to present its conclusions to the Secretary of the Treasury and the President of the United States.

The meeting adjourned at 5:50 P. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF SPECIAL COMMITTEE OF THE
FEDERAL ADVISORY COUNCIL

May 17, 1933.

The special committee of the Federal Advisory Council convened in Room 736 of the Mayflower Hotel, Washington, D. C., on Wednesday, May 17, 1933, at 8:50 A. M.

Present: Mr. Walter W. Smith, President; Mr. Melvin A. Traylor, Vice President; Messrs. Howard A. Loeb, Theodore Wold, H. M. Robinson, Walter Lichtenstein, Secretary, and Jesse Jones, Chairman, Reconstruction Finance Corporation.

Mr. Smith reported that the committee had not met with the Secretary of the Treasury the evening before, but that it was to meet with the Secretary of the Treasury in his office in the Treasury Building at 9:30 A. M., and if the Secretary deemed it wise, then to seek an appointment to meet with the President of the United States.

The committee adopted unanimously the following as being the final form of the report which it was authorized, together with the minute adopted at its meeting of May 16, to present to the President of the United States and the Secretary of the Treasury:

"The Federal Advisory Council recommends that the proposed co-ordination of the four agencies of the Federal Government, viz., the Treasury, the Federal Reserve Board, the Comptroller of the Currency and the Reconstruction Finance Corporation, be brought about as expeditiously as possible. These four agencies have the primary responsibility for the maintenance of the major portion of the banking structure of the country and the Council, from its collective experience, believes that the procedure for making loans and the rules by which assets of banks are valued by the respective authorities should be harmonized and that the recuperative value of such assets rather than the distressed market price should constitute the basis of such valuation, to the end that the assurance given the public that the member banks permitted to open on or after March 13 were sound and would be kept open, or closed only under conditions stated herein later, may be made certain. Here again time is of great importance. If it should be determined that under the law the powers and authorities of this group of Federal agencies are not adequate to make definite and certain the responsibility for keeping open such banks as have been permitted to open then it may well be that the need will arise to ask for legislation which will give these agencies adequate power to accomplish the purpose stated.

"Such legislation should cover the following thought:

"A bank in a given district applying to the Federal Reserve Bank of that district may, on the recommendation of such Federal Reserve Bank, if approved by the Federal Reserve Board, obtain from the Reconstruction Finance Corporation, on such available security as the bank may have, sufficient funds to pay its net obligations to depositors. In the case of a national bank if, for any reason, the Federal Reserve Board deems such action advisable, it may, on recommendation of the Federal Reserve Bank, require the Comptroller of the Currency to close such a bank, but in such event the Reconstruction Finance Corporation shall, against the securities of such bank, advance such sums as are necessary to pay the net deposit liabilities of such bank.

"In the case of State banks, advances shall be made on the same conditions as to national banks, but no advances shall be made to banks recommended to be closed except upon the condition that the State authorities agree to close such banks. This legislation should not remain in force longer than February 28, 1935."

The meeting adjourned at 9:15 A. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF SPECIAL COMMITTEE OF
THE FEDERAL ADVISORY COUNCIL

May 17, 1933.

At 9:45 A. M. the special committee of the Council, together with Mr. Jesse Jones, met with the Secretary of the Treasury in his office in the Treasury Building, and remained with him for one hour.

The Secretary of the Treasury arranged that the special committee should call upon the President of the United States, and it did so remaining with the President from 11:00 until 11:20 A. M.

The minute adopted by the Council on May 16 as well as the report of the special committee were discussed both with the Secretary of the Treasury and the President of the United States.

The special committee returned to the office of the Secretary of the Treasury at 11:30 A. M., where it was joined by Governor Black. After some further discussion the Secretary of the Treasury undertook to see whether it would be possible to translate into action the recommendations made by the Federal Advisory Council and the special committee.

The meeting adjourned at 1:50 P. M.

WALTER LICHTENSTEIN,
Secretary.