

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
September 23-24, 1935

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 23, 1935.

The third meeting of the Federal Advisory Council in Washington and the fourth meeting of the year was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, September 23, 1935, at 10:15 A. M., the President, Mr. Smith, in the Chair.

Present:

Mr. Thomas M. Steele	District No. 1
Mr. James H. Perkins	District No. 2
Mr. Howard A. Loeb	District No. 3
Mr. Arthur E. Braun	District No. 4
Mr. H. Lane Young	District No. 6
Mr. Solomon A. Smith	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. M. A. Arnold	District No. 12
Mr. Walter Lichtenstein	Secretary

Absent:

Mr. Charles M. Gohen	District No. 5
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On motion, duly made and seconded, the minutes of the Council meeting of April 10, 1935, copies of which had been previously sent to the members, were approved.

Mr. Frost discussed the topic, previously submitted, dealing with the large excess reserves in the Federal Reserve System and raised the question whether under these circumstances the Council should not express an opinion or offer advice in regard to the immediate open market policy to be pursued by the System. Mr. Frost expressed the fear that as the total amount of bonds held by the System had not varied for a considerable period of time there was danger that if this condition continued the belief would be created that the System would always hold an amount of bonds the minimum of which would not be materially reduced from the present amount.

Topic No. 2, which had been previously submitted and which dealt with Section 19 of the Banking Act of 1935 ". . . to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof," was brought up by Mr. Young. It was, however, pointed out that this matter was satisfactorily covered by the tentative regulation now under consideration by the Board of Governors of the Federal Reserve System.

From 11:00 A. M. until 12:30 P. M. Dr. Goldenweiser discussed the present business situation.

The meeting adjourned for lunch at 12:45 P. M.

WALTER LICHTENSTEIN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 23, 1935

At 1:50 P. M. the Federal Advisory Council reconvened in Room 836 of the Mayflower Hotel, Washington, D. C., the President, Mr. Smith, in the Chair.

Present: Mr. Walter W. Smith, President; Mr. Howard A. Loeb, Vice President; Messrs. T. M. Steele, A. E. Braun, H. L. Young, S. A. Smith, Theodore Wold, W. T. Kemper, J. H. Frost, M. A. Arnold, and Walter Lichtenstein, Secretary.

Mr. Perkins joined the meeting at 2:30 P. M.

It was decided not to discuss the tentative regulations under consideration by the Board of Governors of the Federal Reserve System.

To carry out Mr. Frost's suggestion the following resolution was moved and duly seconded:

"The Federal Advisory Council wishes to call the attention of the Board of Governors of the Federal Reserve System to the existence in the System of large amounts of Government bond holdings which have not varied for a long time. The Council feels there is a possibility that this will become a permanent condition. The Board of Governors of the Federal Reserve System should give consideration to the steps needed to be taken by which this can be prevented. The whole theory of open market operations is to have sufficient flexibility to prevent undue expansion and contraction in the credit structure of the country and this may become impossible if the amount of Government bond holdings by the Federal Reserve System is allowed to become a constant quantity."

Various amendments were suggested and the resolution was unanimously adopted to read as follows:

"The Federal Advisory Council wishes to call the attention of the Board of Governors of the Federal Reserve System to the existence in the System of large amounts of Government bond holdings which have not varied for a long time. The whole theory of open market operations is to have sufficient flexibility to prevent undue expansion and contraction in the credit structure of the country and this may become impossible if the amount of Government bond holdings by the Federal Reserve System is allowed to become a constant quantity. The Council would like to know whether the Board agrees with the principle here enunciated."

Mr. Arnold discussed the desirability of the Board consulting all Federal Reserve banks in respect to possible changes in rediscount rates before changing the rate in any one district. He felt that the change in the rediscount rate by one bank might affect the situation in other districts as well.

It was decided not to take any action on this matter.

The meeting adjourned at 3:30 P. M.

WALTER LICHTENSTEIN,
Secretary.

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

September 24, 1935.

At 10:00 A. M. a joint conference of the Federal Advisory Council and the Board of Governors of the Federal Reserve System was held in the Federal Reserve Board Room, Washington Building, Washington, D. C.

Present: Members of the Board of Governors of the Federal Reserve System:

Vice Chairman J. J. Thomas; Mr. J. F. T. O'Connor, Comptroller of the Currency; Messrs. C. S. Hamlin and G. R. James; also Messrs. Walter Wyatt, General Counsel for the Board; Lawrence Clayton, Assistant to the Chairman of the Board of Governors of the Federal Reserve System; L. P. Bethea and S. R. Carpenter, Assistant Secretaries of the Board of Governors; Dr. E. A. Goldenweiser, Director, Division of Research and Statistics, Board of Governors; E. L. Smead, Chief of Division of Bank Operations of the Board of Governors; and Leo H. Paulger, Chief of Division of Examinations, Board of Governors.

Present: Members of the Federal Advisory Council:

Mr. Walter W. Smith, President; Mr. Howard A. Loeb, Vice President; Messrs. T. M. Steele, J. H. Perkins, A. E. Braun, H. L. Young, S. A. Smith, Theodore Wold, W. T. Kemper, J. H. Frost, M. A. Arnold, and Walter Lichtenstein, Secretary.

The Secretary of the Federal Advisory Council read the resolution adopted at the Council meeting on the previous day. Mr. Frost discussed the resolution.

The Comptroller of the Currency stated that it would be very desirable to bring about a wider distribution of Government securities among ordinary investors and he urged that the banks help in this direction.

The members of the Council reviewed the business conditions prevailing in their respective districts.

The Comptroller of the Currency left the meeting at 11:00 A.M.

The meeting adjourned at 11:30 A.M.

WALTER LICHTENSTEIN

Secretary.