



FEDERAL RESERVE BANK  
OF DALLAS

November 4, 1920.

TO THE PRESIDENT OF THE BANK ADDRESSED:

The following pages contain a copy of the minutes adopted un-  
animously at the annual meeting of the officers and directors of the National  
Association of Credit Men at Atlantic City, September 16 to 18, inclusive,  
for the Banking and Currency Department.

These minutes reflect a discussion of the general present credit situ-  
ation with mention of the participation of the Federal Reserve System in  
the banking and credit operations of the United States, and is an authorita-  
tive and intelligent statement from a representative body of men, which  
must of necessity be in the closest possible touch with all the elements  
and factors involved in the use of credit.

The statement will, I am confident, be of real interest to you and every  
business man and banker.

Yours very truly,

*R. L. Van Zandt*  
Governor.

## Minutes of the Annual Meeting of the Officers and Directors of The National Association of Credit Men at Atlantic City September 15 to 18, inclusive, for the Banking and Currency Department.

The nation's gratitude must be tendered the Federal Reserve System for the abilities it has shown to cope with unusual conditions and to stabilize the tendencies of men in the readjustment period. The powers of the system were vividly demonstrated in the war period. With unprecedented problems arising from the reactions of the titanic struggle, disorders would have happened and costly crises precipitated but for the abilities of the Federal Reserve System to neutralize the dangers and to keep the nation steady in the face of disquieting situations. Fairness and not any desire merely to comment or flatter dictates this message of appreciation.

Humanly controlled instruments always show some defects and mistakes. The administration of the Federal Reserve Bank System may have justified criticism in some unimportant particular. There may have been an unnecessary closeness in its interpretation of the intent of the act. There may be extravagances in the operations of some of the Federal Reserve Banks, but more important than those minor matters we must acknowledge a perfect freedom from political control and an earnest desire of the Federal Reserve Board and the Officers and Directors of the Federal Reserve Banks to preserve equality of rights for all member banks, to show no preferences and use the powers of the System solely for the public benefit. This attitude is a condition precedent to the continued success and high standing of the System. Its administrators must continue to be independent in their actions and to be servants alone of the nation.

Inflation of credit and currency was concurrent with the complexities of the readjustment period. The need of deflation is a necessary element in the wise lowering of prices and the restoration of a more normal credit system. Yet safety demands an orderly deflation, and an orderly deflation is a much slower and more painful process than inflation. With patience, therefore, the business public and the people generally must co-operate for an orderly deflation in credit and currency. If the process should appear unduly slow, the reasons for the slowness must be understood. A slip at this time might precipitate a crisis. Common sense and good judgment must be the controlling factors, and nothing is so highly important as steadiness of character and movements in this period.

The powers and abilities of the Federal Reserve System must be used always to check harmful speculation. Funds and credit must be used for the development and protection of legitimate commerce. The speculative and profiteering temperament should be rebuked and controlled at every turn. It is a very unsafe temperament at this juncture of the nation's business, domestic and foreign.

High money rates serve the purpose of checking speculation, but they react sometimes on legitimate business, and this is something the administrators of the Federal Reserve System should always carefully consider. Making funds available for legitimate business and at the lowest rates consistent with safety is sound in principle and every encouragement should be given to desirable business paper that reflects carefully scrutinized credits and to those channels of commerce which will best serve and develop the nation's business.

The business public must learn to understand the difference between credit and capital. There has been a strong disposition under the recent strain to make credit do the work of capital. The amount of waste resulting from the war decreased to that extent the national wealth. This waste has not been replaced by savings. Therefore, capital has suffered, and credit has been over-played. A clear understanding of these fundamentals in commerce would help tremendously to prevent the mistakes that so readily are made regarding the relative uses of capital and credit.



The Federal Reserve System has its opponents, and strangely so. There should be a united front in its support. Some banks apparently fail to appreciate not only the principles of good banking, but their responsibilities to the public as well. Merely making profit is not the true function of a bank. It stands for more,—the making of the public weal and the rendering of a real service to its community. In this year of political strife, it would be unfortunate should any attempt be made or contemplated to unduly abridge or eliminate the Federal Reserve System.

One feature of the Federal Reserve System received from the very beginning the hearty endorsement of the National Association. This is the par collection plan. The Association's defense of this plan has been viewed with disfavor in some sections, but on a careful scrutiny, the soundness and economic value of the par collection plan should be conceded. The attitude of the Association must be persevered in and every effort met with the strongest opposition that tends to eliminate the par collection plan. The interests of our commerce as represented in business and banking are closely joined and are served wisely in this plan. The non-assenting banks, of which there is a small proportion in the country at the present time, should recognize the wisdom of the plan and yield their antagonism.

Once again we would emphasize our belief in the utility and practical value of the trade acceptance. The open account system is so favorable to the debtor and has encouraged such great abuses that we appreciate fully the slowness with which the buyer has accepted this instrument when its exchange for commodities was not insisted upon by the selling house. The instrument offers an opportunity of great value to the nation's business, converting the indefiniteness of open accounts to the definiteness of a written obligation. It lessens the strain of credit and decreases the cost of doing business. These views are not concurred in by all, but they are the frank views of this Board. The hope is expressed that further studies will broaden the use of the trade acceptance, and yet the Board recognizes that the use of the instrument in credit circles should by all means be voluntary. The literature of the Association, National and local, can profitably devote continued space to the presentation of this subject.