

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL

February 18, 1926

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL

For the Year 1926

OFFICERS:

President, F. O. Wetmore
Vice-President, C. A. Morss
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

F. O. Wetmore
C. A. Morss
J. S. Alexander
G. A. Coulton
Breckinridge Jones
L. L. Rue

MEMBERS:

C. A. Morss
J. S. Alexander
L. L. Rue
G. A. Coulton
J. F. Bruton
P. D. Houston
F. O. Wetmore
Breckinridge Jones
Theodore Wold
P. W. Goebel
B. A. McKinney
H. S. McKee

Federal Reserve District No. 1
Federal Reserve District No. 2
Federal Reserve District No. 3
Federal Reserve District No. 4
Federal Reserve District No. 5
Federal Reserve District No. 6
Federal Reserve District No. 7
Federal Reserve District No. 8
Federal Reserve District No. 9
Federal Reserve District No. 10
Federal Reserve District No. 11
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; and 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 than those elected to the Executive Committee.

ARTICLE V. DUTIES OF 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 their 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 a 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 Friday of the months of February, May, September and November of each year, unless otherwise directed by the Executive Committee.

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. 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 18, 1926.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 18, 1926.

The first and organization meeting for 1926 of the Federal Advisory Council was held in the Federal Reserve Board room, Treasury Building, Washington, D. C., Thursday, February 18, 1926, having been postponed from the third Monday, the date prescribed in the By-laws, by arrangement of the Executive Committee.

Present:

Mr. C. A. Morss	District No. 1
Mr. J. S. Alexander	District No. 2
Mr. Robert Wardrop (Alternate for Mr. G. A. Coulton)	District No. 4
Mr. P. D. Houston	District No. 6
Mr. F. O. Wetmore	District No. 7
Mr. Breckinridge Jones	District No. 8
Mr. P. W. Goebel	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. H. S. McKee	District No. 12
Mr. C. B. Georgen	Secretary

Absent:

Mr. L. L. Rue	District No. 3
Col. J. F. Bruton	District No. 5
Mr. E. W. Decker (Appointed alternate for Mr. Theodore Wold)	District No. 9

Mr. Morss, acting as temporary Chairman, called the meeting to order at 9:30 A. M., and requested the Secretary to report the accredited members of the Council for the year 1926.

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.

Communications were presented, regretting inability to attend, from Mr. Rue and from Mr. Rieman, who had been appointed alternate for Col. Bruton on account of his recent illness, as well as communications showing the appointments of Messrs. Wardrop and Decker, respectively, as alternates in place of Messrs. Coulton and Wold; also acknowledgments expressing appreciation for the Resolution passed at the previous Federal Advisory Council meeting in regard to the decease of Mr. David C. Wills, Federal Reserve Agent and Chairman of the Board of the Federal Reserve Bank of Cleveland.

Mr. Morss called for nominations for the office of President of the Council and Mr. Frank O. Wetmore was nominated. On motion, duly seconded, the nominations were closed and the Secretary was instructed to cast one ballot for Mr. Wetmore, who was thereupon declared elected President of the Council for the year 1926.

The President, Mr. Wetmore, took the Chair, and called for nominations for Vice-President. Mr. C. A. Morss was nominated and on motion, duly seconded, the nominations were closed. The Secretary was instructed to cast one ballot for Mr. Morss, who was thereupon declared Vice-President of the Council for the year 1926.

The President called for nominations for the four appointive members of the Executive Committee and Messrs. J. S. Alexander, L. L. Rue, G. A. Coulton and Breckinridge Jones were nominated. On motion, duly seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1926, the President and Vice-President being ex-officio members.

On motion, duly seconded, the President was authorized to appoint the Secretary at a salary of \$1,500 per annum, whereupon Mr. Wetmore appointed Mr. Walter Lichtenstein to be the Secretary of the Council, effective at the close of this meeting.

On motion, duly seconded, the Council readopted for the year 1926 the existing By-laws, with amendments to Articles IV and VI in accordance with the copy attached hereto and made part of these minutes.

On motion, duly seconded, the minutes of the Council meeting of November 30-December 1, 1925, copies of which had previously been sent to the members, were approved.

The Secretary presented his financial report for the year 1925, which had been audited by Edward L. Dodge, the General Auditor of the Federal Reserve Bank of New York, and which on motion, duly seconded, was approved. The report is attached hereto and made part of these minutes.

On motion, duly seconded, the following resolution was unanimously adopted:

Resolved, that the President be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$200 toward the Secretarial and incidental expenses of the Federal Advisory Council for the year 1926 and to draw on them for that purpose.

At 11:00 A. M. the Council adjourned to convene in joint session with the Federal Reserve Board.

C. B. GEORGEN,
Secretary.

REPORT OF SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1925

Balance on hand December 31, 1924	\$1,845.66	Miscellaneous Items	\$ 159.10
Assessment — Twelve Federal Reserve Banks	2,400.00	Salary	1,500.00
Interest on Balance at N. Y. Trust Co.	54.83	Conference Expenses	288.63
		Printing & Stationery.....	319.72
		Corporation Trust Service....	25.00
		Telegrams	70.05
		Postage	30.00
		Balance on hand December 31, 1925	1,907.99
	\$4,300.49		\$4,300.49

New York, February 8, 1926

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, 1925, and certify that the above statement agrees therewith.

Respectfully,

(Signed) EDWARD L. DODGE.

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

February 18, 1926.

At 11:00 A. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board room.

Present: Members of the Federal Reserve Board:

Vice Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller and E. H. Cunningham.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, Robert Wardrop, P. D. Houston, Breckinridge Jones, E. W. Decker, P. W. Goebel, B. A. McKinney, H. S. McKee and C. B. Georgen, Secretary.

The President of the Council, Mr. Wetmore, called the meeting to order and at the request of Mr. Platt invited the members of the various districts in turn to report upon business and credit conditions and to express opinions as to whether or not the discount rate should be changed. None of the members recommended changes in discount rates at the present time.

Brokerage loans and the Call Money Market were informally discussed. Mr. Jones also presented for consideration the possibilities of embarrassment if banks held an overabundance of paper ineligible for rediscount at a time when a recession in business occurred.

At 1:15 the joint conference adjourned.

C. B. GEORGEN,
Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 18, 1926.

At 2:30 P. M. the Federal Advisory Council reconvened in the Federal Reserve Board room, the President, Mr. Wetmore, in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, Robert Wardrop, P. D. Houston, Breckinridge Jones, P. W. Goebel, B. A. McKinney, H. S. McKee and C. B. Georgen, Secretary.

The topics (Nos. 1-5 inclusive attached hereto and made part of these minutes) which had been submitted for this meeting were discussed and recommendations formulated which, on motion duly seconded, were unanimously approved for presentation to the Federal Reserve Board.

At 4:30 P. M. the Council adjourned to meet with the Federal Reserve Board.

C. B. GEORGEN,
Secretary.

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

February 18, 1926.

At 4:30 P. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held.

Present: Members of the Federal Reserve Board:

Vice Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller and E. H. Cunningham.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, Robert Wardrop, P. D. Houston, Breckinridge Jones, P. W. Goebel, B. A. McKinney, H. S. McKee and C. B. Georgen, Secretary.

The President of the Council called the meeting to order and presented to the Board the recommendations of the Council which had been prepared (Recommendations 1-5 attached hereto and made part of these minutes).

A general informal discussion was held among the members of the Board and of the Council relative to the subjects covered by the Recommendations as well as the pending McFadden bill H. R. 8887. With reference to the latter, Mr. Wetmore pointed out to the Board the advisability of sending to the members of the Council copies of matter showing any subsequent action which had been taken upon subjects submitted to the Council, as for example the results of Prof. Sprague's suggestions (Topic No. 3 and Recommendation at Council meeting December 1, 1925).

Upon inquiry from Mr. Morss, Mr. Platt stated that although the subject of Term Settlements on the New York Stock Exchange regarding which an informal recommendation had been made at the previous meeting, was discussed, no definite action was taken by the Board.

At 6:00 P. M. the joint conference adjourned, concluding the session of the Council.

C. B. GEORGEN,
Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

February 18, 1926.

TOPIC No. 1. Customary report on business and financial conditions in the various districts and recommendation as to whether or not discount rate should be changed.

RECOMMENDATION: The members of the Council made verbal reports to the Board regarding business and financial conditions in the various districts. The Council makes no recommendation with regard to discount rates at this time.

TOPIC No. 2. Installment financing—its uses, dangers and appropriate methods of control. To what extent was installment buying a factor in the sustained and increased business activity during the year 1925.

RECOMMENDATION: The principal danger that we see in installment financing now is the mortgaging of future earnings. These debts in the event of a contraction of business would undoubtedly tend to postpone a recovery. Installment buying in 1925 undoubtedly was greatly responsible for the increased business activity during that year.

This business within the last few years has increased so rapidly and is so unrestrained that the Council has not before it the statistics on which to predicate a definite answer to the question submitted by the Board. Members of this Council are informed that several associations through committees are collecting statistics, and the Council prefers to postpone answering the question here presented until reliable data is available.

TOPIC No. 3. The outlook for both long and short term money rates during 1926.

RECOMMENDATION: The present outlook is for ample supplies of credit at or below present market rates.

TOPIC No. 4. The outlook for foreign financing in 1926.

RECOMMENDATION: Recent experience of investors in foreign securities has been generally satisfactory and profitable. The prospects are that a substantial demand will be made on our money market from foreign sources during the year 1926. This could be readily and substantially increased provided the Italian debt settlement is promptly confirmed and an agreement between France and the United States is reached during the year. It seems likely to us that large amounts of many good foreign securities could readily be absorbed during the year by American investors to the advantage of American business.

TOPIC No. 5. The outlook for building construction in 1926.

RECOMMENDATION: It would appear that the pressing demands for new construction had largely been met. Members of the Council have been advised that building construction in 1926 will nevertheless be in large volume, but probably below the level of 1925.