

MINUTES OF MEETING
of the
FEDERAL ADVISORY COUNCIL
May 20, 1926—May 21, 1926

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 20, 1926.

The second meeting of the Federal Advisory Council for the year 1926 convened in the Vice Presidential Suite of the Mayflower Hotel, Washington, D. C., on Thursday, May 20.

The President, Mr. Wetmore, called the meeting to order at 11 A. M.

Present:

Mr. C. A. Morss	District No. 1
Mr. J. S. Alexander	District No. 2
Mr. L. L. Rue	District No. 3
Mr. G. A. Coulton	District No. 4
Mr. J. F. Bruton	District No. 5
Mr. P. D. Houston	District No. 6
Mr. F. O. Wetmore	District No. 7
Mr. Breckinridge Jones	District No. 8
Mr. Theodore Wold	District No. 9
Mr. P. W. Goebel	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. H. S. McKee	District No. 12
Mr. Walter Lichtenstein	Secretary

The morning was occupied by an informal discussion concerning the future activities of the Federal Advisory Council and its relation to the Federal Reserve Board. It was decided that in the future the members of the Council should formulate topics concerning which they might wish information from the Federal Reserve Board, or which they wished to have discussed with the Board. Such inquiries should be addressed to the Secretary of the Council, and the Secretary was directed to act as a clearing house for members of the Council, and prepare material to be brought up at the joint conferences of the Federal Advisory Council and the Federal Reserve Board.

After luncheon the meeting was adjourned to meet again at 4:30 P. M. in the same place.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 20, 1926.

At 4:30 P. M. the members reassembled in the Vice Presidential Suite of the Mayflower Hotel, the President, Mr. Wetmore, in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, L. L. Rue, G. A. Coulton, J. F. Bruton, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, Secretary.

There was informal discussion of the topics suggested by the Federal Reserve Board and it was decided to request the Federal Reserve Board to make statements concerning the following matters:

1. Have any steps been taken to prevent the recurrence of delay, such as happened recently on the part of the Atlanta Federal Reserve Bank to ship currency to Cuba if needed in an emergency?
2. What progress has been made toward authorizing a pension system for employees of the Federal Reserve Banks?
3. Does the Board desire to make any further communication to the Council regarding the establishment of a credit for the Bank of England by the Federal Reserve Bank of New York?
4. Would it be desirable for the Federal Reserve Board to suggest to the various Federal Reserve banks that each of them notify its respective Council member to attend the meetings of the Board of Directors of the Federal Reserve bank in question?

Mr. Wetmore informed the Council that he had closed the account of the Federal Advisory Council at the New York Trust Company, and deposited with the First National Bank of Chicago on April 19, the balance of \$3,615.65.

The meeting adjourned at 6:00 P. M. to meet again at 9:00 A. M. on Friday, May 21, in the sitting room of the Vice-Presidential Suite of the Mayflower Hotel.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 21, 1926.

At 9:00 A. M. the Federal Advisory Council reconvened in the sitting room of the Vice-Presidential Suite of the Mayflower Hotel, the President, Mr. Wetmore, in the Chair.

Present: Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, L. L. Rue, G. A. Coulton, J. F. Bruton, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, Secretary.

Minutes of the meeting of February 18 were read and approved.

The informal discussion regarding the topics suggested by the Federal Reserve Board was continued until 10:00 A. M., at which time the meeting was adjourned in order to reconvene in the Federal Reserve Board Room at 10:15 A. M.

WALTER LICHTENSTEIN,

Secretary.

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

May 21, 1926.

At 10:15 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:

Governor D. R. Crissinger, Vice-Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller, G. R. James, E. H. Cunningham, and Walter L. Eddy, Secretary.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, L. L. Rue, G. A. Coulton, J. F. Bruton, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, Secretary.

The President of the Council, Mr. Wetmore, called the meeting to order and an informal discussion took place.

The Federal Reserve Board made the following statements regarding the four questions suggested at the meeting of the Federal Advisory Council held on the previous day.

1. Steps have been taken to prevent in the future any delay on the part of the Federal Reserve Bank of Atlanta in shipping currency to Cuba in the event of an emergency.

2. A bill is pending in Congress authorizing Federal Reserve banks to establish pension systems for their employees, and there is some ground for hoping that this bill will be enacted into law in the near future. Plans have been pretty well developed for a pension scheme if and when the Congress gives its permission. Each Federal Reserve bank will then be able to establish a pension system for its employees if such is its desire.

3. The Federal Reserve Board had no further information to give regarding the establishing of a credit for the Bank of England by the Federal Reserve Bank of New York.

4. The members of the Federal Reserve Board declared their willingness to suggest informally to various Federal Reserve banks that each bank notify the member of the Council from its district of meetings of the Board of Directors, and invite such member of the Council to attend the meeting of the Board of Directors if he desires to do so. Members of the Council were not in entire agreement as to the desirability of attending meetings of the Board of Directors of their respective Federal Reserve banks.

Meeting adjourned at 1:00 P. M.

WALTER LICHTENSTEIN,

Secretary.

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

May 21, 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, L. L. Rue, G. A. Coulton, J. F. Bruton, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, 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 4:00 P. M. the Council adjourned to meet with the Federal Reserve Board.

WALTER LICHTENSTEIN,

Secretary.

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

May 21, 1926.

At 4:45 P. M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held.

Present: Members of the Federal Reserve Board:

Governor D. R. Crissinger, Vice-Governor Edmund Platt, Messrs. C. S. Hamlin, A. C. Miller, C. R. James, E. H. Cunningham, and Walter L. Eddy, Secretary.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. C. A. Morss, Vice-President; Messrs. J. S. Alexander, L. L. Rue, G. A. Coulton, J. F. Bruton, P. D. Houston, Breckinridge Jones, Theodore Wold, P. W. Goebel, B. A. McKinney, H. S. McKee, and Walter Lichtenstein, 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 Nos. 1-5, attached hereto and made part of these minutes).

There was some discussion of the recommendation in respect to Topic No. 2, but the Council decided not to alter its recommendation.

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

WALTER LICHTENSTEIN,

Secretary.

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE
FEDERAL RESERVE BOARD

May 21, 1926.

TOPIC No. 1. Has the Federal Reserve System any responsibilities through credits extended to central banks in the matter of stabilizing foreign currencies not on an effective gold basis? If so what can it properly and safely undertake to do?

RECOMMENDATION: All such applications ought to receive the most friendly consideration in view of the interests of our own foreign trade. In the case of loans, however, to central banks of countries not on a gold basis the risk must be considered as especially hazardous and it will be necessary to give careful consideration, in the event of such applications, to the political and other conditions in the countries applying for such credit.

TOPIC No. 2. What is the function of New York call loans in our banking system as modified by the Federal Reserve Act?

RECOMMENDATION: The New York call money market under our banking system as modified by the Federal Reserve Act affords the basis of a desirable secondary reserve for banks throughout the country.

TOPIC No. 3. What indications are there, if any, of a recession in business? What was the significance of the recent collapse in the securities market?

RECOMMENDATION: There is no marked contraction of present business although the prospect for future business is somewhat uncertain as orders in some lines are diminishing. This latter condition may be readily modified if crops should prove favorable. The collapse in the securities market appears to the Council to have been due to inflation in values of speculative stocks.

TOPIC No. 4. What should be the rate and open policies of the Federal Reserve banks and Board in case there are definite indications of a marked recession in business?

RECOMMENDATION: In our opinion the policy of the Federal Reserve System in regard to rediscount rates and open market policies must be adjusted to conditions as they arise. It is impossible to formulate in advance any set policy in these matters. We also doubt whether a reduction from present low rates would be helpful in case a recession in business should take place.

TOPIC No. 5. In the opinion of the Council is stabilization of the price level by means of rediscount rates and open market operations possible? What would be the result of such amendment to the Federal Reserve System if adopted?

RECOMMENDATION: In the opinion of the Council stabilization of the price level cannot be accomplished by means of rediscount rates and open market operations. In the main, fundamental conditions of the business situation are not subject to control by the Federal Reserve banks. Moreover, the Council believes it would be extremely dangerous were the Federal Reserve System charged with the responsibility for promoting a stable price level for commodities by means of the powers vested in the Federal Reserve System. The index of prices represents merely an average and it has often been true in the past and will be so in the future that the prices of some commodities are high while those of others are low. Whenever such a situation should arise the interests of various lines of business would be in conflict and the System would become subject to most undesirable pressure exerted now in favor of one commodity and then of another.