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FEDERAL RESERVE BANK OF CHICAGO

79 WEST MONROE STREET

FEDERAL RESERVE BOARD FILE

332.  
RECEIVED

FEB 25 1918

GOVERNOR'S OFFICE

February 21, 1918.

Mr. W. P. G. Harding, Governor,  
Federal Reserve Board,  
Washington, D. C.

Dear Sir:

We have received your telegram of even date  
reading as follows:

"It appears timely to consider increase for fifteen day paper secured by Certificates or Liberty Bonds from three and one-half to four per cent and if recommended by your directors Board will no doubt approve. Banks having commercial paper rate of ninety days at four and one-half per cent might be justified in raising to five per cent with corresponding advance in trade acceptances. Basis for bankers acceptances might well be advanced by one-quarter of one per cent."

Our Board of Directors will meet on Tuesday, February 26th, at which time your telegram will be given careful consideration and you will be advised of our action in the premises.

Yours very truly,

*Wm. P. G. Harding*  
Governor.

Y

# FEDERAL RESERVE BANK OF MINNEAPOLIS

## NINTH DISTRICT

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GRAY WARREN, ASST. CASHIER  
HOWARD HALL, AUDITOR

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CURTIS L. MOSHER, ASST. FEDERAL RESERVE AGENT

February 21, 1918.

Hon. W. P. G. Harding, Governor,  
Federal Reserve Board,  
Washington, D.C.

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FEB 25 1918  
GOVERNOR'S OFFICE

Dear Governor Harding:

Your telegram of even date relative to discount rates, was laid before our Executive Committee today, and inasmuch as Mr. Rich is to be in Washington on Monday, it occurred to us that the matter might be held in abeyance until he reached there and discussed it personally with the Board.

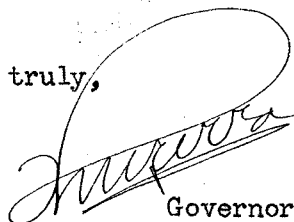
Our rate on ninety day paper is 5%, so there would be no occasion at the moment to consider making any change in that rate. The rate on trade acceptances is low, and it might be increased  $\frac{1}{2}\%$ , making the rate for sixty days 4% and ninety days  $4\frac{1}{2}\%$ , but there is no business of consequence being transacted in that class, and no pressing need of a change until we determine upon the change in the rate on paper secured by Treasury Certificates and Liberty Bonds.

In view of the Treasury Certificates now being offered, drawing  $4\frac{1}{2}\%$ , it would seem that the discount rate upon bills secured by Treasury Certificates might be increased to 4%, were it not for the fact that we have out over twenty five million of Treasury Certificates on which the rate of interest has been 4%, and a great many million of bonds on which the rate was  $3\frac{1}{2}\%$  and 4%. Those banks who through patriotic reasons - and banks, I assure you, up in this district are only buying 4% or  $4\frac{1}{2}\%$  certificates, with commercial paper selling at 6%, through patriotic motives, -bought certificates in January and on February 8th, with the thought that in case of need they could borrow on them at  $3\frac{1}{2}\%$ , ought not now to

be penalized for their promptness in responding to the call of the Government. Those banks who for selfish reasons or otherwise have held back, will have the advantage.

Would it be practicable for the fifteen day rate upon bills secured by Treasury Certificates and bonds to be dependent upon the rate that the bills or bonds draw? In other words,  $3\frac{1}{2}\%$  upon extensions of credit secured by  $3\frac{1}{2}\%$  or  $4\%$  bonds or Treasury Certificates, and  $4\%$  upon advances when secured by the  $4\frac{1}{2}\%$  certificates.

Yours very truly,



Governor

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2/25

#6  
Treasury Department

TELEGRAM

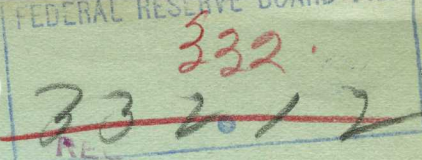
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Harding Governor Federal Reserve Board Washington DC

Telegram reference rates received wrote you yesterday on this subject enclosing letter from member bank complaining at loss of earnings by having to affix revenue stamps in addition to three and one half percent discount rate now in existence of opinion if rate is advanced to four percent with revenue tax still effective would seriously retard subscriptions to certificates and new loan stop Our committee suggest rate commerce paper could be raised to five percent longer date sixty days previous to receipt your telegram committee raised bankers acceptance rate one eight stop Our committee of opinion rate secured government obligations should remain as at present until new loan offered

McCord Governor 250PM



EDW. T. BROWN  
DEPUTY CHAIRMAN OF THE BOARD

JOS. M. SCATTERY,  
ASSISTANT FEDERAL RESERVE AGENT

M. B. WELLBORN  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

JOS. A. McCORD, GOVERNOR  
J. B. PIKE, CASHIER  
M. W. BELL, ASSISTANT CASHIER

# FEDERAL RESERVE BANK 332, OF ATLANTA.

February 21, 1918.

RECEIVED  
FEB 23 1918  
GOVERNOR'S OFFICE

Hon. W. P. G. Harding, Governor,  
FEDERAL RESERVE BOARD,  
Washington, D. C.

Dear Governor:

We received your telegram this morning, calling attention to the present rates of discount by the Federal Reserve Banks to their members, and saying that it appears timely to consider an increase on the fifteen day paper, asking our opinion in the matter, to which we replied as per the enclosed confirmation.

Following this up we wish to say that we wrote you on yesterday enclosing letter from the Cumberland Valley National Bank of Nashville, complaining that even at the present rate of  $3\frac{1}{2}\%$  that there was a loss to member banks in handling loans secured by Government securities, and suggesting that the stamp tax be removed, for if not, they felt it would retard the subscriptions to the new loan and also to the Treasury certificates of indebtedness. We are of the same opinion, and you will note from our answer that we suggested that no increase be made in the rate on notes secured by Government obligations until after the announcement of the new Liberty Loan.

We did suggest that the rate for commercial paper over sixty days and up to ninety days should be raised to five per cent.

We also advised that we have increased the rate on bankers' acceptances one-eighth; and having previously charged  $3-7/8\%$ , we are notifying all banks that have offered us their acceptances that on and after Monday, February 25th, the rate will be  $4\%$  and subject to change without notice.

This letter is written after a conference with Mr. Wellborn, who agrees with the writer along the lines indicated in our telegram.

Yours very truly,

  
Governor.

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