

At an adjourned meeting of the Federal Reserve Board held in the office of the Board at 11:10 a. m., on Saturday, February 26,

## PRESENT:

Mr. Hamlin, presiding      Mr. Warburg

Mr. Delano                      Mr. Harding

Mr. Williams                      Mr. Miller

Mr. Willis, Secretary.

Mr. Delano on behalf of the special committee named at the meeting of February 25 reported the result of a conference with the Secretary of the Treasury, stating that he, so far as at present advised, intended to continue his preparations for the proposed journey to South America, that he believed there is at present nothing to prevent its occurring; and that he strongly hoped the Board would not think it inadvisable to have a representative of the Board join in the visit; and further that the Secretary of the Treasury has reached

the conclusion that he would not for the current year refund more than \$25,000,000 of 2% into 3% bonds.

Mr. Delano offered a report of the committee on Organization and Staff relative to the salaries proposed by Federal reserve banks for their officers and employees. The report was read and ordered laid on the table until Tuesday, February 29.

Mr. Warburg offered a resolution relating to the question of refunding, and after informal discussion and modification, it was agreed that this resolution be presented in the following form:

WHEREAS, The Federal Reserve Board has been informally advised that the Secretary of the Treasury intends or has determined to refund not more than \$25,000,000 of 2% U. S. bonds into bonds bearing 3% interest during the year 1916, and -

WHEREAS, The Federal Reserve Act lays upon the Board the duty to recommend to the Secretary of the Treasury approval or disapproval of appli-

cations made by banks for the conversion of such 2% into 3% bonds, and -

WHEREAS, From time to time different members of the Board have prepared informal memoranda expressing their views on this whole subject, and -

WHEREAS, The Board has approved the views expressed in said memoranda as filed from time to time, without, however, taking action thereon in any formal way, and -

WHEREAS, It is desirable that such a formal expression of opinion be made a matter of record,

THEREFORE, BE IT RESOLVED, That the following be stated as the sense of the Board:

1. That it is important that everything possible be done to carry into effect the provisions of the law relating to the withdrawal of bond-secured currency, and by converting 2% into 3% bonds, to place the bonded indebtedness of the United States as largely as possible in the hands of the investing public, instead of continuing to have it, as at present, carried by national banks, and -

2. That by pursuing such a policy of conversion there will be created a field of circulation necessary for the operations of Federal reserve banks, inasmuch as commercial paper will even-

tually have to be deposited as a substitute for bonds which are now serving as collateral security against the present bond-secured currency, and -

3. That it is considered of the highest importance that the opinions recently rendered by the Solicitor of the Treasury Department, and by the Counsel of the Federal Reserve Board, that the said sum of \$25,000,000 shall not be regarded as the limit to be regularly and permanently fixed for the conversion of such 2% into 3% bonds in any one year, be adopted,

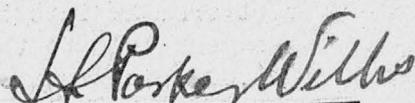
AND FINALLY BE IT RESOLVED, That it is the sense of the Federal Reserve Board that the Secretary of the Treasury should not limit the sum he is willing to convert from 2% into 3% securities during the year 1916 to the said figure of \$25,000,000, inasmuch as such action might create a harmful precedent, and might likewise hamper the operations of the Federal reserve banks, preventing them from proceeding boldly in the purchase of bonds inasmuch as, although they are likely in any event to retain a considerable number of 2% bonds, they will almost certainly hesitate in making further purchase of 2% bonds if they find themselves unable to dispose of the same.

It was further informally agreed that the actual vote on the resolution be deferred until a meeting to be held this afternoon at

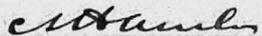
3:00 p. m.

The Committee on Staff reported in favor of the transfer of Mr. Alvan L. Fowler, stenographer to Mr. A. C. Miller, member of the Board, to the Division of Statistics, effective March 1, 1916, and on motion this was approved by the Board.

On motion at 12:30 p. m., the Board adjourned to meet at 3:30 p. m., this day.

  
Secretary.

APPROVED:



Chairman.