

At a special meeting of the Federal Reserve Board held in the office of the Governor on Wednesday, June 13, at four p.m.,

PRESENT:

- Mr. Harding, presiding,
- Mr. Warburg,
- Mr. Hamlin,
- Mr. Delano,
- Mr. Miller,
- Mr. Williams,
- Mr. Willis, Secretary.

Governor Harding stated that the purpose of the meeting was to consider a statement issued by the Comptroller of the Currency as of this date, the statement referred to being as follows:

RELEASED FOR PUBLICATION IN MORNING PAPERS THURSDAY JUNE 14, 1917.

R. W. WOOLEY, Director of Publicity, LIBERTY LOAN OF 1917.

(The following statement is substantially a copy, slightly revised, of a statement which was given out to this afternoon's papers).

OFFICE OF THE COMPTROLLER OF THE CURRENCY. June 13, 1917.

The Comptroller of the Currency said today:

The reports which are coming to Washington from every section of the country bear testimony to the patriotic, unselfish and admirable work which our banks, both National and State, are, with rare exceptions, doing to insure the success of the Liberty Loan.

"At the time of the Civil War, through hearty cooperation between the banks and our people, our Government was able to place an amount of bonds equal to twice as much as the total resources of all the banks at that time.

If it is the duty of every American citizen to subscribe according to his means to Liberty Bonds, it is an equally imperative duty of the banks to invest in Liberty Bonds, a reasonable proportion of their resources.

The opinion has been expressed by leading bankers, and this Office concurs in that opinion, that the National Banks of this country could reasonably and conservatively subscribe, on their own account, at this time to Liberty Bonds to the extent of six per cent of their total resources. If all the National Banks should do this, it would provide purchasers for about one billion dollars of bonds. If the State Banks and Trust Companies should subscribe in the same proportion, more than another billion dollars would be fully covered; and, with the subscriptions of the people generally and other corporations, the bonds would be many times over-subscribed.

Soon after the first of July, the National Banks of the country will be given an opportunity of showing the amount of Liberty Bonds which they shall have purchased for investment for their respective banks; and also the amount of Liberty Bonds which they may be carrying or may have agreed to carry for customers.

No bank need be concerned about its ability to reimburse itself from its Federal Reserve Bank for advances made by it on Liberty Bonds. The Reserve Banks have all given notice that any member bank in good standing can receive any reasonable accommodation which it may desire from its reserve bank against Liberty Bonds or loans made on Liberty Bonds, at from three to three and one-half per cent interest.

After July first it is proposed to publish a list of the National Banks whose own subscriptions to Liberty Bonds shall amount to five per cent or more of their total resources, and which thus shall have contributed most practically and effectively to the success of the great loan. Should any bank, however, whose subscription has reached the limit indicated prefer, for any reason, that its name should not be published, its wishes will be respected. It is earnestly hoped that this Roll of Honor will be a long one."

Governor Harding called attention to the fact that the statement in question had been sent out without any consultation with the Board, notwithstanding that it adopted a point of view different from that heretofore adopted by the Board.

Mr. Williams gave his reasons for sending out the statement in advance to chief national bank examiners with the request that it be shown to Federal reserve agents. He said that he had also telegraphed to Federal reserve agents suggesting that the latter cooperate with the examiners in bringing to the attention of member banks, which had not subscribed or had subscribed only in a limited measure to Government bonds, the plan of bank subscriptions outlined in the statement referred to.

Questions arising as to whether the various Federal reserve banks had or had not established a special rate of discount on customers' paper secured by bonds, the Secretary of the Board, on request, produced the file of communications on this subject.

At this point a recess was taken and the Board adjourned for an informal conference in the office of the Secretary of the Treasury.

Upon reconvening, Mr. McAdoo being present, discussion of the situation was pursued, and the Secretary of the Treasury said that as a matter of fact the loan was already practically over subscribed, so that the question raised with reference to the policy of the Board and of the Comptroller, was really of no practical importance.

Mr. Williams explained that the Federal reserve banks had in fact established special rates of discount for customers' paper secured by bonds.

Mr. Miller said that he thought the real question was found in the fact that Mr. Williams' statement was a formulation of policy as to the holding of bonds by banks, which differed from the plan announced by the Board in its previous statement. Mr. Warburg called attention to various differences between the Board's policy as to the bonds and the investment policy suggested by the Comptroller.

Mr. McAdoo said that he thought no real harm had been done, especially at this late date, in the bond selling campaign, when the plans of the subscribing banks had practically been made up. He agreed, however, that it was important the statement had not been shown to the Board in advance, and expressed the view that there should be mutual

cooperation in regard to the formulation of policies before public expression of opinion.

Governor Harding said that it had been proposed that the Board telegraph to all Federal reserve banks to the effect that Mr. Williams' statement did not commit the Board, not being the Board's action.

Mr. Delano said he objected principally to the statement in that Mr. Williams had said that a "roll of honor" containing the names of banks which are carrying large holdings of bonds, would be established, whereas the Board had urged the banks to do all the work they could in distributing the bonds, but not to hold them any longer than necessary.

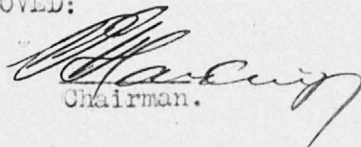
Mr. McAdoo thought that no announcement was really needed, and said it was particularly essential that no differences of point of view should be exhibited to the public.


Mr. Warburg expressed the view that such a statement was needed.

It was finally agreed that a suitable telegram should be drafted by the Executive Committee for transmission to all Federal reserve banks.

On motion at five p. m. the Board adjourned.

APPROVED:


Chairman.


Secretary.