

At an adjourned meeting of the Federal Reserve Board held with Governors of Federal Reserve banks, summoned to Washington for conference, in the assembly room of the Board in the Metropolitan National Bank Building, at 2.50 p.m. on Friday, November 9, 1917,

## PRESENT:

Mr. Harding, presiding,	Mr. Hamlin,
Mr. Warburg,	Mr. Allen, Assistant Secretary.
Mr. Williams,	

Present also: Mr. Lynch, Mr. Treman, Mr. Van Zandt, Mr. Wold, Mr. Aiken, Mr. Miller, Mr. McCord, Mr. Seay, Mr. McDougal, Mr. Rhoads.

Mr. Aiken, for the Governors, reported the following action on topics suggested by the Board, - stamp tax on 15 day notes, U. S. securities or commercial paper, voted to take up with the Board the question of exemption; committee of Governors will prepare and forward a resolution.

Daily settlements, - opinion of the Governors that there should be no change at present, but it was requested that arrangements be made with the Treasury Department, so far as practicable, to make transfers of Gov-

ernment funds from the Federal Reserve banks to the New York Bank on Wednesday of each week, and further requesting that the settlement day be changed from Thursday to Friday.

Service charges, - voted by the Governors that nothing should be done at the present time, in view of the many other activities of Federal Reserve banks.

Governor Harding stated that Secretary of the Treasury McAdoo had expressed his regret at not being able to meet with the Governors, and requested him to say the Secretary would be glad to receive the Governors at his office at 4.30 p.m. today.

Governor Harding suggested that the banks should be looking forward to the question of the preparation of new Federal Reserve notes - that they should establish a maximum and minimum supply, and that there should be discussion of the plan now in force at the San Francisco Bank, of having Commercial paper rediscounted by member banks endorsed by the bank and held by the agent, and again endorsed by him to the bank.

General discussion of discount rates having been suggested, the following expression of views was made:

Deputy Governor Treman thought no change was necessary at present, and expressed the view that money will grad-

ually become tighter in New York. He anticipated rediscounts of from \$200,000,000 to \$300,000,000 at the New York Bank around the time of the second Liberty Loan payment.

For the purpose of making the discussion as brief as possible, Governor Harding suggested that each Governor give a brief review of the immediate situation in his district, a forecaste of the probable condition of his bank on February 1, and a statement as to whether rates should be increased.

Adopting this plan, Mr. Miller said that in Kansas City the demand was now abnormally large, and he anticipated that the peak of rediscounts would be reached about December 15. He thought the rates at Kansas City now a little high, except that for cattle loans. He did not anticipate that the Kansas City Bank would ask rediscounts of other Federal Reserve banks.

Mr. McCord said the peak of the loan in Atlanta had probably been reached, and he anticipated relief around the middle of December, with easier conditions on February 1. No assistance was likely to be asked by

the Atlanta Bank from the other banks, and the increase in rates recently made, will probably be sufficient.

Mr. Seay said very heavy subscriptions to the second Liberty Loan had been made by the member banks in the Richmond District, and he thought that the rates on loans secured by Government bonds must be raised to encourage a clean-up of these securities by the member banks. He anticipated heavy and increasing demands, but did not think it likely that assistance would be asked from other banks.

Mr. Lynch thought that the demands upon the San Francisco Bank would begin to decrease about December 15, although they expected heavy rediscounts. Conditions would be easy on February 1, and he did not anticipate any need for assistance.

Mr. McDougal stated that the demand in the Chicago District was strong, that rediscounts were being made to 256 member banks, including most of the large banks in Chicago and that the demand from banks in agricultural districts would probably increase. Easier conditions were anticipated around February 1. He thought the 3% rate should stand for perhaps three weeks, and then be raised to 3 1/2%, and that rates in all Federal Reserve districts should be uniform. The Chicago bank will not need assistance.

Mr. Aiken for the Boston District reported that large city banks were rediscounting very little, but said that money would be very tight in New England from December 1 to January 1, and he anticipated that member banks would be heavy borrowers during that period. Corporations in New England bought bonds freely, anticipating that loans could be had at 4%. Mr. Aiken said the Boston Bank would wish to rediscount its paper with other banks, and he thought it vital that liquidation of loans made to carry Government bonds should be forced through an increase in rediscount rates. The rate should be such that banks will not have a profit on these loans.

Mr. Van Zandt said that ordinary loans in the Dallas District are not now at the maximum. Liquidation will probably care for the demand to February 1. He did not anticipate much change in the volume of loans until that time, and the district will not require help.

Mr. Rhoads reported for the Philadelphia District that commercial loans had fallen off recently, but he anticipated borrowings around November 15. His directors thought the rate should be 4% after that date, and the banks in the Philadelphia District expected such an increase.

Money is not likely to be easier until after January 1. No help would be needed in his district.

It was suggested by Mr. Warburg that three things should be considered in connection with rates: (1) Liquidation; (2) The relationship between temporary borrowing and Government financing; and (3) if for the sentimental effect the 4% rate is not too low.

Following Mr. Rhoads' statement, Mr. Warburg suggested that the Philadelphia Bank should have a rate of 3 1/2% on acceptances, to which Mr. Rhoads replied that the directors of the Bank had considered such a rate, but had agreed that the 4% rate was advisable.

Mr. Wold stated that the Minneapolis District was operating under abnormal conditions, and, in reply to an inquiry, that many farmers were still holding wheat. The condition of borrowing in his district was normally easy on January 1. He thought the 15 day rate should be increased to 3 1/2%, and that there should be a fixed policy as to rates among the Federal Reserve banks.

Mr. Fancher said that the directors of the Cleveland Bank had increased their rate on Government securities and for 90 day paper in September. The normal peak of their bor-

rowing would be reached on December 15. He anticipated calls for substantial advances to carry bonds purchased. Corporations in his district had been investing their undivided profits in Government bonds, and would, therefore, be borrowers at the banks.

Governor Harding thanked the Governors of the banks for their attendance at the meeting, and for their generous cooperation, and yielded the chair to Mr. Warburg, who presided for the remainder of the meeting.

Mr. Warburg asked for an expression of opinion on the part of the Governors as to whether State banks of small capital should be admitted to the Federal Reserve system without the increase now made necessary by the Federal Reserve Act in their capital, to make it conform to the requirements for national banks. On this question the Governors in individual expression of their views, all voted against any change in the law.

Mr. Williams asked if there had been discussion of the condition of savings banks, particularly in New England, and Mr. Aiken said that the condition of these banks had caused him much alarm, and that he thought some steps should be taken to take care of them. Similar views were

expressed by the other Governors.

Mr. Wold suggested the possibility of deposits by the Secretary of the Treasury in national banks for loans to savings banks.

Mr. Warburg, referring again to the question of rate changes, said the Board would watch the developments of November 15, when payment for bonds is to be made, and will probably communicate with Federal Reserve banks thereafter on this subject.

At 4.20 p.m. the Conference adjourned, without date.

APPROVED:

Chairman.

*Asst.*

Secretary.