

At a special meeting of the Federal Reserve Board
held in the office of the Board on Monday, November 10, 1919,
at 11-15 A.M.,

PRESENT: The Governor
Mr. Strauss
Mr. Miller
Mr. Hamlin
Mr. Williams
Mr. Chapman, Secretary.

Minutes of meeting of the Board held on November 7th
were read, and on motion approved as amended.

Minutes of special meetings of the Board held on
November 7th and 8th were read, and on motion approved.

Mr. Miller submitted the following memorandum bearing
upon his negative vote on Mr. Williams' motion at the meeting
held on Friday, November 7th, authorizing the suspension of the
reserve requirements against deposits of the Federal Reserve
Bank of New York, if deemed necessary:

"Computations made by the Board's Statistical Division, at my request after adjournment of the meeting of Friday, November 7th, show that the Federal Reserve System at the opening of business Friday, November 7, 1919, had a lending capacity, without reducing its reserve (against deposits as well as notes) below 40 per cent, of 1142 millions of dollars, of which 153 millions represented the lending power of the Federal Reserve Bank of New York and 989 millions the unused power of the other Federal Reserve banks. Supposing that heavy demands for discount facilities, anticipated by the Federal Reserve Bank of New York, should seriously impair the ability of the New York Bank to take care of legitimate demands of its member banks for additional credit facilities during the course of Friday's business, it seems clear that the other banks of the Federal Reserve

-2-

System, with an unused margin of almost one billion of lending power still available for use, are in a position to take care of any situation likely to arise in the New York District beyond the ability of its Reserve Bank.

"With power in the Federal Reserve Board to make the credit facilities of the whole System available through rediscounting operations for supporting any Reserve Bank, should such bank through legitimate credit extension reach the limit of its lending power and should circumstances, in the judgment of the Board, otherwise justify such assistance, resort to the device of authorizing suspension of reserve requirements seems unnecessary and inadvisable.

"The power to suspend reserve requirements, with which the Federal Reserve Board is invested, is to be regarded as an extreme emergency measure, recourse to which should be taken only in situations of extreme tension for which no other relief is available. It is, in other words, an expedient of "last resort" to be taken only when the Board, sitting and taking action as a Board and upon a full and careful examination and review of all the facts and circumstances at the very time of taking action, is satisfied that an emergency exists or is impending which can be effectively dealt with only by a suspension of reserve requirements. The Board should neither divest itself of any part of its responsibility in this most important matter nor impose upon any officer of the Board the responsibility of singly determining whether and when a suspension of reserve requirements should be made in behalf of any Federal Reserve Bank, as was being done in the resolution passed by the Board investing the Governor with such authority.

"Members of the Board should be prepared to hold themselves in readiness to attend meetings on short notice in times of monetary strain for the purpose of advising with one another and determining upon the necessity of suspending reserve requirements should a situation arise in any district, which, in the judgment of the Federal Reserve Bank of the district or the Governor of the Federal Reserve Board, seemed to require emergency action.

"The gravity of the situation in New York will probably prove to have been much exaggerated by the bank. The extraordinary borrowing operations, which are bringing about the heavy drain upon the resources of the Federal Reserve Bank there, will either prove to be transitory

-3-

and correct themselves or else will require some drastic measures of restraint upon the borrowing and lending operations of the New York banks. Definite steps should be taken to bring the borrowing banks in New York to a realization of the way in which their Federal Reserve Bank will be undermined unless an effective check on borrowing for speculative uses is applied by them. The remedy for the bad and highly extended credit situation in New York is not a letting-down of the reasonable restrictions and safe-guards of the Federal Reserve Act by suspension of reserve requirements, but the elimination or reduction of the use of the credit facilities of the Federal Reserve System by member banks for purposes for which the system was never intended."

voted that any member of the Board desiring to do so may submit memorandum in support of his vote on Mr. Williams' motion above, in pursuance of which the following were submitted:

"In view of the statement filed by Mr. Miller, the undersigned desire to place on record their position in this matter.

"1. In spite of the sale of acceptances during the past week by the New York bank to other Federal Reserve banks, amounting to about \$90,000,000, the reserve position of the New York bank on Friday night was down to 40.2 and earlier in the day on Friday it looked as though the reserve position might be even lower. The above reserve is stated on the basis of a forty per cent reserve for both notes and deposits. This has hitherto been regarded by the Federal Reserve banks as a sort of dead line, in spite of the fact that the reserve on deposits may be permitted to drop to thirty five per cent. No Federal Reserve bank likes to drop below this limit, and it would be distasteful to any of the banks to have the Board reduce their reserve requirements.

"It was to emphasize to the New York bank the reluctance of the Board to cause rediscounts for the New York bank in other districts at a time when speculation was so active in New York and was making such

-4-

demands for credit that we thought it desirable, rather than to order rediscounts for the New York bank, that their reserve requirements should be reduced.

"2. There was no question as to the willingness of every member of the Board to hold himself in readiness to attend meetings at any time, day or night, Sundays or other days, but the situation that might develop was fairly well understood, and the motion as passed was made for the purpose of permitting Governor Harding, if called on the telephone at his house, perhaps late at night, to deal with the situation as he might then find it.

"3. The undersigned felt, as Mr. Miller records himself as feeling, that the position of the New York bank on Friday would prove very much better than its officers during the day feared it might turn out to be.

W.P.G.HARDING
ALBERT STRAUSS"

"I concur, and would add that a public recognition of the condition, perhaps unavoidable, at New York, would amount to making public to all a condition which would be known to a comparatively few if we maintained the regular reserve requirements at the expense of the other Federal Reserve banks, and might give to the latter an opportunity to profit at expense of the former.

C. S. HAMLIN"

Letter dated November 7th from Mr. J. P. Tumulty, Secretary to the President, transmitting letter addressed to the President by Senator Owen, requesting that a conference be held with representatives of the leading nations of Europe, in connection with stabilizing of international exchange.

Tabled for special order business on
Wednesday, November 12th.

-5-

The Governor read a report from the Federal Reserve Agent at Boston, dated November 3d, containing a statement of the recent real estate transactions of that Bank.

The Governor read in full, report by Mr. Shepard Morgan, Assistant Federal Reserve Agent at New York, under date of November 7th, relating to conditions in the Second Federal Reserve District.

Discussion was then had of the course of action to be pursued by the Governor and Vice Governor upon the occasion of their visit to New York for conference tomorrow.

Memorandum of General Counsel dated November 10th, in re request of Comptroller of the Currency for the employment of Mr. Harold Lee George as Clerk in his office.

Referred to the Executive Committee for report.

Letter dated November 8th from Chief Examiner Herson, giving a summary of results of examination of the Federal Reserve Bank of Atlanta as of close of business October 4th.

Noted.

(At this point Mr. Williams withdrew from the meeting)

Letter dated November 7th from the Governor, Federal Reserve Bank of Minneapolis, in re unsatisfactory condition

-6-

of the Commercial and Savings Bank of Sioux Falls, South Dakota, a member bank.

Voted that steps be taken looking to the cancellation of the membership of this institution.

Letter dated November 7th from the Chief, Division of Analysis and Research, suggesting form of letter to be sent to all Federal Reserve Agents looking to uniformity of their annual reports.

Voted, that Federal Reserve Agents shall be permitted to make annual reports in any form desired, but that upon the understanding the Board will condense such reports in such form as it may desire for publication in its Annual Report, such condensation to be made by the Bulletin Committee with the assistance of the Chief, Division of Analysis and Research, and the Board's Statistician, and upon the further understanding that Federal Reserve Agents may arrange to have their reports in full published in a single volume by one Federal Reserve bank, the expense to be borne by the individual Federal Reserve banks.

Letter dated November 7th from the Federal Reserve Agent at New York, in re policy to be pursued with respect to the use of gold coins for Christmas presents.

Referred to the Governor for reply.

Memorandum by Mr. Hoxton dated November 8th in re report of examination of the Federal Reserve Bank of San Francisco as of close of business August 30th.

Referred to Mr. Miller for report.

-7-

Memorandum by Comptroller of the Currency dated November 6th, recommending approval of application of the Freedom National Bank, Freedom, Pa., to reduce its capital from \$175,000 to \$100,000, and to reduce its surplus to \$50,000.

Approved.

Application of the Union Savings Bank & Trust Company, Cincinnati, Ohio, a member bank, to establish a branch to be known as its "Mohawk Branch".

Approved.

REPORTS OF COMMITTEE NO. 1:

Dated Nov. 10th, recommending admission of State institutions as set forth in the auxiliary minute book as of this date, subject to the conditions stated in the individual reports attached to each application.

Approved.

Dated Nov. 8th, recommending action on applications for fiduciary powers, as set forth in the auxiliary minute book as of this date,

Approved.

Dated Nov. 8th, recommending approval of application of F. Russell Beebe to serve at the same time as a director of Back Bay National Bank, and the Fidelity Trust Company, both of Boston, Mass.

Approved.

Dated Nov. 8th, recommending approval of application of Frank M. Andrews to serve at the same time as a director of the National Bank of Methuen, Mass., and the Merchants Trust Co., Lawrence, Mass.

Approved.

-8-

Dated Nov. 8th, recommending approval of application of W. E. Benz to serve at the same time as a director and officer of the First National Bank, Bakersfield, Cal., and the First National Bank, Shafter, Cal.
Approved.

Dated Nov. 8th, recommending approval of application of J. S. Henton to serve at the same time as a director and officer of the First National Bank, Bakersfield, Cal., and the First National Bank, Shafter, Cal.
Approved.

Dated Nov. 6th, recommending approval of salary of \$2,400 per annum for Mr. Nathan S. DuBois as National Bank Examiner in the Fourth Federal Reserve District.
Approved.

Dated Nov. 6th, recommending appointment of Herman Strater as a Special Examiner of the Federal Reserve Bank of Cleveland.
Approved.

Dated Nov. 6th, recommending appointment of Elbert A. Carter as Assistant Examiner of the Federal Reserve Bank of Cleveland at a salary of \$1,800 per annum.
Approved.


Other business was presented and disposed of as follows:

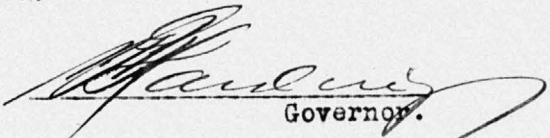
Letter dated November 3d from the Chairman, Federal Reserve Bank of New York, submitting recommendations of plan for a campaign for State bank members.

Referred to Mr. Moehlenpah for report.

At 1-20 P.M., the meeting adjourned.

Approved:


Secretary.


Governor.