

At a meeting of the Federal Reserve Board held in the office of the Board on Wednesday, November 26, 1919, at 11 A.M.,

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

PRESENT ALSO, by invitation:
 Hon. R.C. Leffingwell, Assistant Secretary
 of the Treasury.

Minutes of the meetings of the Board held on November 21st and 25th were read, and on motion approved as amended.

Business was presented and disposed of as follows:

The Governor reported the purchase of special $\frac{2}{2}$ certificates of indebtedness of the United States for deposit with the Comptroller of the Currency as collateral for Federal Reserve bank notes, as follows:

<u>For Federal Reserve Bank of:</u>	<u>Date</u>	<u>Amount</u>
Philadelphia	Nov. 25th	\$1,000,000

Approved.

The Governor reported the reserve positions of the several Federal Reserve banks as at close of business November 24th, and the status of rediscounts between Federal Reserve banks as of the same date.

Memorandum of Mr. Emerson dated November 25th, sug-

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gesting certain revision of Form 34 - Balance Sheet for Federal Reserve banks.

Tabled pending receipt of opinion by General Counsel.

REPORTS OF COMMITTEE NO. 1:

Dated Nov. 26th, 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. 25th, recommending approval of salary of \$3,600 per annum for Mr. Robert C. Houston as National Bank Examiner in the Seventh Federal Reserve District.

Approved.

Dated Nov. 25th, recommending appointment of Mr. Frank J. Drinnen as Assistant Federal Reserve Examiner on the Eastern Force, at \$2,400 per annum, vice Mr. S. B. Jenks.

Approved.

(At this point Mr. Leffingwell joined the meeting)

The Governor stated that Secretary Glass desired very much to be present at the meeting to express his views on the action of the Federal Reserve Banks of Boston and New York in recommending increases in their rates of discount on paper secured by Government obligations, but that he had requested Assistant Secretary Leffingwell to attend the meeting for this purpose.

Mr. Leffingwell thereupon presented to the meeting the views of Treasury Department in opposition to the proposed rate increases.

On motion duly seconded, it was voted that the Federal Reserve Board after due consideration of all the factors of the situation, disapprove the rates established by the Federal Reserve Bank of New York.

Mr. Miller stated that while he had not changed his views on the general question of the necessity of advancing discount rates for the purpose of controlling and regulating the expansion of credit, and hoped that such course would be earnestly pursued by the Board after the beginning of the new year, he was, nevertheless, still of the opinion expressed by him at the recent conference of the Governors that any considerable advance of rates at the present moment was inadvisable in view of representations made by the Treasury Department with respect to its situation. He stated, however, that he would regard the Board as free to act in the matter of discount policy according to its best judgment of national needs and conditions and without primary reference to the views of the Treasury after January 1, 1920.

Mr. Strauss stated that while he reserved his right as to discount rates to act on circumstances as they might arise, he desired to go on record as stating that in his opinion any advance in general discount rates at the present time would have no effect on the present general situation.

On motion duly seconded, it was voted that the Federal Reserve Board after due consideration of all the factors of the situation, disapprove the rates established by the Federal Reserve Bank of Boston.

On motion duly seconded, it was voted that in advising the Federal Reserve Banks of Boston and New York of the disapproval of the rates established by them, the Governor inform such banks that the Board considers their present rates on acceptances too low, and would be glad to give consideration to a recommendation of increases in such rates.

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The Governor submitted for approval the following telegram to the Governors of the Federal Reserve Banks of Boston and New York, disapproving the rates established by them:

After full consideration, taking into account the Treasury's position and announcement, Board has voted to disapprove rates established by your directors on 24th instant, which were submitted for review and determination of the Board. Board feels, however, that your rates on acceptances have for some time past been too low and will, if requested, approve new spread governing your purchases of acceptances."

Voted that the Executive Committee be authorized to formulate for the signature of the Governor a suitable letter to the Federal Reserve banks named in confirmation of the above telegrams, outlining the reasons moving the Board to its action in the premises.

Mr. Williams stated that he was receiving returns from National Banks on schedule 30, indicating considerable borrowing by member banks from Federal Reserve banks, which member banks in turn were lending large amounts of money in the Wall Street market. Mr. Williams was requested to submit to the Board a short analysis of the outstanding cases of this kind.

On motion duly seconded, the Executive Committee was authorized, in its discretion, to address a letter to the Governors of the several

Federal Reserve banks, calling their attention to the situation referred to by Mr. Williams, and giving them certain typical examples of such action by banks in their respective districts with a view to the orderly correction of the situation.

The Governor stated that he had reviewed the papers in connection with the pending question of whether or not the branch of the Federal Reserve Bank of Kansas City authorized to be established in the southwestern portion of the Tenth Federal Reserve District should be established at Tulsa or Oklahoma City, and suggested that it would be in order for the Board to pass upon the question of whether it or the Federal Reserve Bank of Kansas City should determine the location of the branch as between the cities named.

Voted that the Federal Reserve Board determine the location, as between Tulsa and Oklahoma City, of the branch to be established of the Federal Reserve Bank of Kansas City.

Voted further that the Governor address a letter to each member bank in the territory affected (other than banks located in Tulsa and Oklahoma City), requesting such banks to express their preference as to the location of such branch as between the two cities named, Mr. Miller not voting.

Voted that Mr. Moehlenpah be authorized to visit Tulsa and Oklahoma City on December 9th at the expense of the Board in connection with the campaign for additional State bank members.

The Governor stated that he had discussed with Senator Smoot the heavy drains upon the silver of the United States

arising out of the demands of the Orient, resulting in the increase of the price of silver, as a consequence of which silver dollars can now be exported at a profit and silver certificates (which are redeemable in silver dollars) have practically disappeared from circulation. The Governor stated further that he had suggested to Senator Smoot that inasmuch as Federal Reserve bank notes in denominations of one and two dollars can not be issued in sums exceeding the amount of silver dollars broken up and exported under the provisions of the Pittman Act, and the available supply of silver certificates has been depleted as above, a large and immediate additional supply of bills of these denominations is absolutely necessary for industrial and commercial purposes. The Governor added that he was advised that it was the purpose of Senator Smoot to introduce a bill making legal tender United States gold certificates payable to bearer.

Voted that the Governor be authorized to instruct General Counsel to prepare for submission to Senator Smoot, draft of a bill to make gold bearer certificates receivable for all debts, public or private, and through consultation with the Chairman of the appropriate committees of Congress, to endeavor to secure prompt passage of such a measure.

Mr. Strauss stated that he was authorized to say that such action would meet with the approval of the Treasury Department.

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


Secretary.

Approved:


Governor.