

At a meeting of the Federal Reserve Board held in the office of the Board on Thursday, April 15, 1920, at 11 A.M.,

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

Minutes of meeting of the Board held April 14th were read, and on motion approved.

The Governor reported the reserve positions of the several Federal Reserve Banks as at close of business April 13th, and the status of rediscounts between Federal Reserve Banks as of the same date.

(At this point the Chairman joined the meeting)

Telegram dated April 14th from the Chairman, Federal Reserve Bank of San Francisco, requesting continuation of the employment of Mr. Edward Elliott in State bank membership campaign work, and suggesting that his compensation should perhaps be increased from the rate of \$10,000 per annum to the rate of \$1,000 per month.

Voted to approve the continuation of Mr. Elliott's services until not later than July 1st next at his present rate of compensation.

(At this point Mr. Williams joined the meeting)

Telegram dated April 14th from the Governor, Federal

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Reserve Bank of Kansas City, requesting the views of the Board upon a suggested plan of graduated discount rates to be submitted to the directors of that Bank at their meeting tomorrow.

After prolonged discussion, on motion duly seconded, it was voted that the Executive Committee submit for approval by the Board, draft of reply to Mr. Miller's telegram.

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

REPORTS OF COMMITTEE NO. 1:

Dated April 14th, recommending changes in stock at Federal Reserve Banks, as set forth in the auxiliary minute book as of this date.

Approved.

Dated April 14th, recommending approval of application of John E. Thayer, Jr., to serve at the same time as Director of the National Shawmut Bank, and as Director and Vice-President, Equitable Trust Company, both of Boston, Mass.

Approved.

Dated April 12th, recommending approval of salary of \$2,400 per annum for Mr. Roy E. Smith as National Bank Examiner in the 10th Federal Reserve District.

Approved.

Dated April 14th, recommending approval of salary of \$3,000 per annum for Mr. David E. Waggoner as National Bank Examiner in the 7th Federal Reserve District.

Approved.

Dated April 15th, recommending approval of appointment of Mr. John Joseph Connell as Stenographer on

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the rolls of the Board detailed to the office of the Comptroller of the Currency, at \$1,600 per annum, vice Miss Louise E. Peiffer, resigned.

Approved.

(At this point a recess was taken until 3-30 P.M.)

The meeting reconvened at the expiration of the recess with the same members present as at the opening session.

The Governor submitted for approval draft of telegram to the Governor, Federal Reserve Bank of Kansas City, in reply to his telegram submitted at the morning session.

Approved, amended to read as follows:

X  
"Your telegram 14th. Board expects you to control your rediscount situation and if your directors agree that graduated rates are essential for proper control, Board will cooperate in establishing them. Board, however, questions effectiveness of any rate of progression below one-half percent and does not think it would be wise for either Board or Reserve Bank to bind themselves as to future rates of progression. Board would suggest that differentials adopted be made applicable at once to all new loans, letting progressive rates apply to existing lines on and after June first or such other date as may be agreed upon. Otherwise you will have big expansion because of anticipatory borrowings. Proposed method of determining basic line seems logical but Board has been debating suggesting to you an alternative in order to facilitate distribution of Treasury certificates in your district and to avert undue hardship to banks having unsold amounts of Liberties and Victories subscribed for in good faith. Proposed alternative suggestion is that your directors consider making basic discount line and progressive rates apply only to commercial paper, having no rate progression as to member banks notes secured by Treasury certificates; or by Liberties and Victories actually owned by borrowing banks on April 1, 1920. If this

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plan is adopted it is suggested that if total borrowings secured in this way by Government war obligations equal or exceed normal discount line, that progressive rates apply to other loans, figuring rate upward from the basic line established. For example, if a bank having a normal line of one hundred thousand dollars offers its own paper secured by certificates or by Victories and Liberties actually owned by it on April 1st to extent of two hundred thousand dollars, entire amount should be taken at the basic rate. If, in addition, however, the bank should offer one hundred thousand dollars of commercial paper, then this paper should be taken at the progressive rate based on the excess above the normal line of one hundred thousand dollars. What does your Board think of this?"


An exhaustive discussion was thereupon had of the general question of discount rates in their relation to credit control, and the Governor was authorized to transmit the following telegram to the Governors of all Federal Reserve Banks:

"Three reserve banks have recommended to Board changes in discount rates. One, while suggesting rate of five and three-quarters percent on member banks promissory notes or rediscounts secured by Liberties and Victories all maturities, indicates a real preference for six percent. Another suggests five and three-quarters percent rate on Liberties and Victories and five and one-quarter percent rate on certificates, while the third suggests five and one-quarter and five and one-half percent respectively on three months and six months certificates. Has there been any change in your own views regarding rates since your return from Washington? Do you feel that practice should be continued of having substantial uniformity in all districts in rates on all classes of paper secured by Government obligations? If so, do you regard any change in existing rates on paper secured by Government obligations advisable, and if your local condition is such that uniformity in rates with other districts is inexpedient, what rates would you suggest as being necessary to control your rediscount situation?"

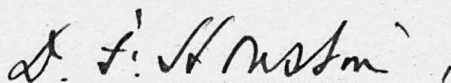
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Whether or not rates on Government secured paper are advanced, what do you recommend as regards rates on commercial paper? Does advance of Bank of England rate to seven percent in your opinion call for any action by Federal Reserve Banks?"

At 5 P.M., the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.