

At a meeting of the Federal Reserve Board held in the office of the Board on Thursday, August 26, 1920, at 11-15 A.M.,

PRESENT: The Chairman
The Governor
Mr. Miller
Mr. Williams
Mr. Emerson, Assistant Secretary.

PRESENT ALSO:
Mr. Logan, General Counsel.
Mr. McLean, Member
Mr. Elliott, Member
Mr. Stellwagen, Secretary, Railway Loan Advisory Committee.

Minutes of meeting of the Executive Committee held August 25th were read, and on motion the action therein set forth was ratified.

Business was presented and disposed of as follows:

The Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rates same as those borne by certificates, with minimum of 5-1/2%, and 6% on paper secured by Liberty bonds and Victory notes, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Aug. 25th	Richmond	Boston	\$10,000,000	10-15 days

Noted.

The Governor reported rediscount transaction, pursuant to authority heretofore vested in him; member bank promissory notes secured by Government obligations: rate 6% on commercial paper, as follows:

<u>Date</u>	<u>Bank Redis-</u> <u>counting</u>	<u>With</u>	<u>Amount</u>	<u>Maturities</u>
Aug.25th	Atlanta	Cleveland	\$3,000,000	10-45 days
Noted.				

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

Memorandum dated August 21st by the Comptroller of the Currency, recommending approval of application of the National Bank of Waterville, New York, for a reduction of its capital stock from \$150,000 to \$75,000.

Approved.

Letter dated August 25th from Acting Governor Case of the Federal Reserve Bank of New York, reporting a conference with the New York Agent of the Yokohama Specie Bank, Ltd., respecting Japanese balances and operations in the New York market, and the probable withdrawal of gold during the next few months.

Noted.

The Governor read a telegram dated August 25th from the Chairman, Federal Reserve Bank of San Francisco, with reference to the violation of the provisions of Section 22 of the Federal Reserve Act by a member bank, and his reply thereto.

Noted.

REPORT OF COMMITTEE NO. 1:

Dated Aug. 26th, recommending approval of application of Mr. L. O. Evans to serve at the same time as a director of the First National Bank of Great Falls, Montana, and the Western Montana National Bank, Missoula, Montana.
Approved.

Other business was presented and disposed of as follows:

The Governor read a telegram dated August 24th from Mr. J. S. Wannamaker, President, American Cotton Association, requesting an expression of the policy of the Board with respect to the extension of necessary credits to enable producers of cotton to harvest their crop and warehouse same until there is a legitimate demand from manufacturers at a price above cost of production, together with his reply thereto.

Noted.

Letter dated August 25th from Assistant Federal Reserve Agent at New York, reporting upon changes in condition of that Bank, and upon general financial and business con-

-4-

ditions in New York City.

Noted.

The Governor read a statement just received by his Secretary from the Chairman, Federal Reserve Bank of New York, which was carried on the ticker in New York today, having been given out by the Boston News Bureau, criticizing the Federal Reserve Board for its policy in connection with the restriction of credit, and stating that the Federal Reserve Board was undertaking to define essential and non-essential loans, and making a canvass of all loans made by Federal Reserve Banks as far west as Kansas City. The Governor also read, in this connection, a telegram just received from the Editor, New York Commercial, requesting a statement of the Board with reference to the correctness of the above report carried on the Dow Jones ticker service this morning.

After discussion, on motion by Mr. Miller duly seconded, it was voted that in view of the various statements published, misinterpreting the Board's announcements, the Governor be authorized in his discretion to issue a statement to the press setting forth briefly the position taken by the Board with reference to credit control along the lines of the Governor's address at the conference of the Class "A" directors of Federal Reserve Banks held May 18, 1920.

Letter dated August 25th from the Chairman, Federal

Reserve Bank of Richmond, acknowledging receipt of the Board's telegram with reference to that Bank rediscounting for the Merchants National Bank of Raleigh, North Carolina, paper taken by the latter institution from non-member banks.

Noted.

Memorandum dated August 26th from Assistant Secretary of the Treasury Gilbert, advising that he had conferred with Mr. Norman H. Davis, Under-Secretary of State, and that Mr. Davis had stated to him definitely that for the present at least, the State Department wishes to have nothing further done on the proposal to lift the restrictions on foreign exchange transactions with Soviet Russia.

Noted.

(At this point the Chairman joined the meeting)

The various statements criticizing the Board's policy with reference to credit control were brought to the attention of the Chairman, and he stated that he was in favor of the Board's motion referred to above, authorizing the Governor to make a statement in behalf of the Board, setting forth the Board's policies.

Applications of the following banks for authority to accept drafts and bills of exchange up to 100% of their capital and surplus, under the provisions of Section 13:

-6-

The First National Bank, Los Angeles, Cal.
Dallas National Bank, Dallas, Texas.

Approved.

Memorandum dated August 24th from the Comptroller of the Currency, submitting reports of examination of the International Banking Corporation and five European branches of the National City Bank, all of recent dates, made by Examiner Norris.

Ordered circulated.

The Comptroller of the Currency reported to the Board a brief summary of replies received by him in response to a questionnaire recently sent by his office to National banks of New York City on the subject of rates on loans to customers. Mr. Williams stated that he thought it would be beneficial to the general situation, and would also be a relief to holders of Liberty bonds who are complaining of the serious shrinkage which has taken place in this premier security, if the Federal Reserve Banks should put into effect without further delay a 4-1/2% interest rate to apply to loans on Liberty bonds made prior to the time when the reduced rate should become effective, along lines discussed some weeks ago in connection with the request of the Federal Reserve Bank of Dallas for a special rate based upon original subscriptions to Liberty bonds.

-7-

Mr. Williams further stated that he thought the time was very near when the Board should revise and reduce from 7% to 6% the discount rates in New York and the other districts where the 7% rate now exists. He said he thought that the credit situation could be adequately controlled by the exercise of wisdom and judgment by the officers of the Federal Reserve Banks with a 6% rate, and that in his opinion the continuance of the 7% rate was harmful for many reasons. He called attention to the drastic liquidation which has already taken place in the past six or eight months in leading commodities including cotton, wheat, corn, rice, silk, wool, leather, etc., the shrinkage in some cases amounting to over 50%. He also stated that prices of standard securities, including United States Government bonds, high class railroad bonds and shares, and other securities, had this summer reached the lowest level they had touched in a half century, and expressed the view that such additional liquidation as is needed could be brought about without the exaction of interest rates as high as those which have prevailed.

The Governor stated that in his opinion it would not be desirable to consider a reduction of discount rates until after the moving of crops was well over.

-8-

Similar opinions were expressed by the other Members of the Board present.

The Governor submitted for the approval of the Board, draft of telegram to Deputy Governor Peple of the Federal Reserve Bank of Richmond, in reply to telegram from Mr. Peple inquiring as to the Board's opinion regarding the eligibility of a draft drawn by a cotton grower and accepted by the cotton factor to whom the grower ships his cotton to be sold for the grower's account, provided that the proceeds of the draft have been, or are to be used, by the grower for an agricultural purpose.

Approved.

(At this point Mr. McLean, Member, Mr. Elliott, Member, and Mr. Stellwagen, Secretary, of the Railway Loan Advisory Committee to the Board, joined the meeting)

Mr. McLean reported that the Committee was in receipt of a recommendation of the Interstate Commerce Commission that a loan of \$19,000,000 be granted to the Great Northern Railway Company under the provisions of Section 210 of the Transportation Act of 1920, under various conditions which would make it necessary for the Secretary of the Treasury to be responsible for the execution, providing he approved the loan, recommending that the above recommendation be returned to the Interstate

-9-

Commerce Commission with request that these conditions be not made a part of the Secretary's approval. Mr. McLean also suggested that in view of the urgent necessity for this loan being approved by August 31st, and since the Federal Reserve Board would probably not meet again prior to that time, that the Governor of the Board be authorized to recommend approval of the loan to the Secretary of the Treasury, providing the Interstate Commerce Commission transmits its usual certificate to the effect that such loan be made without conditions, and that the security for said loan has been prescribed by that Commission, as required by law.

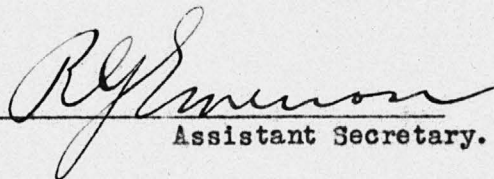
Approved.

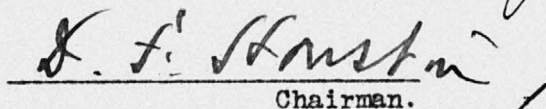
Mr. McLean stated that the work in the office of the Secretary of the Committee was extremely heavy at the present time in connection with the large number of loans to be made around the first of September, and recommended the employment of two additional stenographers for the Secretary for a temporary period.

Referred to the Governor with power.

At 1-15 P.M., the meeting adjourned.

Approved:


Assistant Secretary.


Chairman.

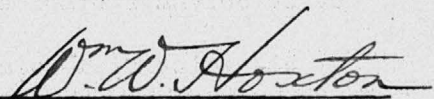
724 ¹/₂

Mr. R. G. Emerson, Assistant Secretary of the Federal Reserve Board at the time of the meeting of the Board, August 26, 1920, advised Acting Governor Case of the Federal Reserve Bank of New York under date of August 26, 1920:

"Confirming my telegram to you today, I take pleasure in advising you that the Federal Reserve Board at its meeting today approved increases in salaries of employes of the Federal Reserve Bank of New York and its Buffalo Branch, effective September 1, 1920, as recommended in your letter of August 25th."

The letter from Acting Governor Case containing the above mentioned increases is on file in the File Room of the Federal Reserve Board and marked "Approved at Board Meeting August 26th, 1920, RGE".

The above action is not recorded in the minutes of the meeting of August 26, 1920. Evidence afforded by the documents on file in connection with the case indicates that the action was undoubtedly taken and that Mr. Emerson, who acted as Secretary, inadvertently omitted to make reference to the action in the minutes.


Secretary.

Date: October 4, 1921.