

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, November 6, 1925, at 11:20 a.m.

PRESENT: Governor Crissinger
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Eddy, Secretary.

The Governor stated he had called the meeting for the purpose of considering the recommendation of the directors of the Federal Reserve Bank of Boston, transmitted to the Board by telegram from the Chairman on September 23rd, that the rediscount rate of that Bank be fixed at 4%, which recommendation the Board voted at its meeting on September 23rd to table. He stated that he called the matter up for consideration at this time in view of the information with regard to the general business and financial situation developed by the Board during meetings held with the Open Market Investment Committee for the Federal Reserve System and with the Federal Reserve Agents and Governors during their recent conferences. Mr. Cunningham then submitted and moved adoption of the following resolutions:

"Resolved, that an advance in the discount rate of the Federal Reserve Bank of New York from its present rate of three and one-half per cent ($3\frac{1}{2}\%$) to four per cent (4%), effective at the opening of business Thursday morning, November 12th, is hereby approved.

Resolved further, if the foregoing resolution should be favorably acted upon by the Federal Reserve Board, the Governor of the Board is requested to communicate to the Federal Reserve Bank of New York the substance of the resolution for such action as they may deem necessary prior to its effectiveness."

Thereupon followed a discussion of the relation of the rediscount rates of the Federal reserve banks to the general money market, following which Dr. Miller stated that -

"It is clear from what has been said here this morning that the Board is going to take some action increasing discount rates. With Mr. Cunningham's resolution seeking an increase in the rate at New York before the Board, and with Mr. James' statement of intention to offer a resolution approving increase of the rate at Boston, the question to be settled is whether Boston or New York is indicated as the more appropriate place for taking action.

In my opinion the most appropriate place for rate action at this juncture is New York. That was my opinion last September when I sought to bring about action in New York; that is my opinion today.

Two things are especially striking in the recent past and present credit situation: one is the unprecedented volume of the country's floating credit supply; the other is the immense proportion of that supply put into the call market in New York City. The Federal Reserve System has a very grave responsibility not to do anything which may aggravate the situation and not to omit to do anything it reasonably can to keep it from getting unhealthy. I agree with Mr. Cunningham that New York is the place where action should be taken to be effective. If we are going to raise the signal for psychological purposes, let us raise it where it will be seen and understood, where it has been expected by the market for weeks, and where it will be properly interpreted by the greatest number of people. My judgment is that that place is not Boston at this time, but New York.

Therefore, with both resolutions before the Board I shall vote for Mr. Cunningham's resolution if he will consent to bring it into regular form, and I would prefer if he would reframe his resolution as one expressing the Board's opinion that the New York rate should be increased and requesting an expression of views and a recommendation on the question of discount rate from the New York Bank. If, however, Mr. Cunningham is unwilling to go this far in the amendment of his resolution, I will still vote for it. If his resolution carries, I shall not vote in favor of taking the Boston resolution off the table. Being now on the table by vote of the Board taken last September, it will do no harm, in my opinion, if the resolution continues to lie there until it may be seen what effects follow the increase of the rate in New York. If, however, Mr. Cunningham's resolution fails, I will vote to take the Boston resolution off the table and in favor of an increase in the Boston rate to 4 per cent, as the next best thing that can be done."

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Mr. Cunningham stated that he was prepared to revise and move adoption of his resolutions as follows:

"Resolved, that the Federal Reserve Board, in the exercise of it's power of review and determination of Federal reserve bank discount rates, hereby fixes a rediscount rate of four per cent (4%) for the Federal Reserve Bank of New York, effective at the opening of business Thursday morning, November 12th.

Resolved further, if the foregoing resolution should be favorably acted upon by the Federal Reserve Board, the Governor of the Board is requested to communicate to the Federal Reserve Bank of New York the substance of the resolution for such action as they may deem necessary prior to its effectiveness."

Mr. Cunningham's motion to adopt the resolutions as revised, being put by the chair was lost, the members voting as follows:

Governor Crissinger, "no"
Mr. Hamlin, "no"
Mr. James, "no"
Mr. Miller, "aye"
Mr. Cunningham, "aye"

Mr. James then moved that the Board reconsider its action of September 23rd, in voting to lay on the table the recommendation of the board of directors of the Federal Reserve Bank of Boston that the rediscount rate of that bank be increased from $3\frac{1}{2}$ per cent to 4 per cent.

Mr. James' motion being put by the Chair, was unanimously carried.

Mr. James then moved that the Board approve the recommendation of the board of directors of the Boston bank that the rediscount rate be increased to 4 per cent.

Mr. James' motion being put by the Chair, was carried, Mr. Cunningham voting "no".

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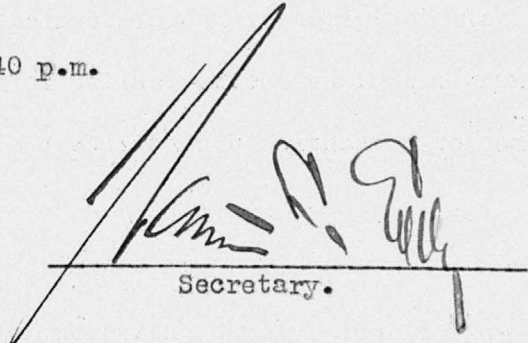
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The Secretary reported that he had advised Mr. Platt over the telephone that at the meeting today consideration would be given to the recommendation of the directors of the Federal Reserve Bank of Boston that the rediscount rate of that bank be increased to 4% and that Mr. Platt had requested him to state to the Board that he (Mr. Platt) is in favor of approving the recommendation of the directors of the Boston Bank and that if it were possible for him to be present at the meeting he would so vote.

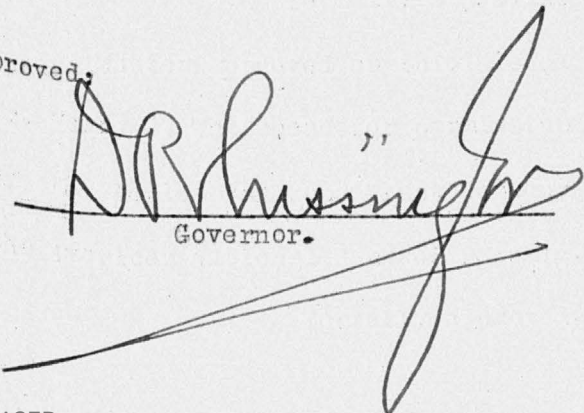
After discussion as to the effective date of the above change, during which the Secretary endeavored to communicate with the Governor of the Boston bank over the telephone but was unsuccessful, Mr. Hamlin moved that the rediscount rate of 4% be made effective Tuesday, November 10, 1925, and that announcement thereof be made at the close of business on Monday, November 9th.

Mr. Hamlin's motion being put by the Chair, was unanimously carried.

The meeting adjourned at 12:40 p.m.


Secretary.

Approved:


Governor.