

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 7, 1926 at 11:30 a.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on October 6th was dispensed with.

Telegram dated October 6th from the Chairman of the Federal Reserve Bank of Boston, advising that the Board of Directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated October 6th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the Board of Directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated October 6th from the Chairman of the Federal Reserve Bank of St. Louis, advising that the Board of Directors on that day made no change in the bank's existing schedule of rates of discount and purchase, other than to establish a minimum rate of 3 1/2% for purchases of bankers' acceptances maturing within from one to fifteen days.

Noted, with approval.

Telegram dated October 6th from the Chairman of the Federal Reserve Bank of Dallas, advising that the board of directors on that day made no

10/7/26

-2-

change in the bank's existing schedule of rates of discount and purchase.

Noted.

Report of Committee on Examinations on letter dated September 30th from the Assistant Federal Reserve Agent at New York, transmitting and recommending approval of an application of the Municipal Bank, Brooklyn, N. Y. for permission to establish branches at the corner of 5th Avenue and Fifteenth Street and at the corner of New Lots and Georgia Avenues, Brooklyn; the Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated September 28th from the Federal Reserve Agent at San Francisco, recommending approval of an application of the American Bank of San Francisco for permission to establish a branch at the corner of Seventy-third Avenue and East Fourteenth Street, Oakland; the Committee submitting a divided report, Mr. Platt recommending approval and Mr. Cunningham stating that in view of the proposed taking over of the American Bank by the Mercantile Trust Company of California, and the further fact that the application is for a de novo branch in a part of the city apparently served by ample banking facilities, he disapproves.

Upon motion by Mr. Miller, it was voted to approve the above application, Mr. Cunningham voting "no".

Report of Committee on Examinations on letter dated September 28th from the Federal Reserve Agent at San Francisco, transmitting and recommending refusal of an application of The Pacific Southwest Trust and Savings Bank, Los Angeles, for permission to take over the Montrose State Bank, Montrose, Cal. and to establish a branch in its premises; the Committee also recommending

10/7/26

-3-

refusal.

Disapproved.

The Governor then presented the following telegrams from the Chairmen of the Federal Reserve Banks of Atlanta, St. Louis and Dallas, respectively, replying to the Board's telegram of yesterday with respect to the policy of those banks concerning advances on paper secured by cotton:

"Atlanta bank is not pressing member banks to reduce their rediscounts. On the contrary we are offering to rediscount cotton secured paper to care for maturing rediscounts. Serious depression among producers of cotton and in consequence all trade in this section will be affected, this in turn will no doubt affect business throughout the whole country. Our policy is to rediscount paper secured by cotton eighty percent of market value. We have not asked for additional collateral of any member bank on previous rediscounts secured by cotton which have not matured. In few instances we have discounted cotton secured paper not fully margined to eighty percent of market value of cotton subject to offering member bank supplying the deficiency in collateral value within a reasonable time."

"Your telegram 6th. Absolutely no pressure being brought by this bank on member banks in cotton territory to lower rediscounts. Our policy concerning advances on paper secured by cotton is exactly the same as it was last year and have not asked for additional collateral on any previous rediscounts secured by cotton. We are going to have problem on account of cotton carried over, but expect to meet it on the basis of sound credit principles."

"Answering your telegram this date which was received during session of our board all members being present and immediately following a discussion of present cotton situation as it relates to credit already advanced wherein it was brought out that the Federal Reserve Bank of Dallas had the ability and had already expressed publicly a willingness to make advances on rediscounts for member banks secured by cotton insured and in the hands of the producer or by cotton stored against good warehouse receipts for a reasonable time in substitution of its present loans to member banks and also for additional amounts in the same manner. In no instance has a member bank in this district been requested by this bank to repay or reduce any advances resting on any crop production or cotton as collateral and in no instance has additional collateral been requested from any

10/7/26

-4-

"member bank on previous rediscounts secured by cotton which has not matured."

Thereupon ensued a discussion of the cotton situation during which the Governor was authorized to send a copy of the telegram from the Chairman of the Federal Reserve Bank of Dallas to Hon. Morris Sheppard, United States Senator from Texas, who several days ago wrote the Governor a personal letter on the subject of the attitude of the Federal Reserve Bank toward cotton loans.

The Governor also read to the Board the following further telegram received from the Chairman of the Federal Reserve Bank of Dallas:

"Supplementing my night letter sixth would Board consider it advisable at this time in connection with present cotton situation for this bank to publicly state through the press its willingness and ability to advance funds to member banks for the purpose of orderly marketing on rediscounts offered secured by chattel mortgage on cotton in hands of producer fully insured or on warehouse receipts against cotton stored and insured for reasonable time. If so how much per bale, and what character of publicity would you advise. Kindly wire answer."

Thereupon, ensued a discussion as to the advisability of the issuance of a public statement, either by the Federal Reserve Board or the Federal Reserve banks, during which it was decided to defer action.

The Governor stated that the next matter to come before the Board would be the question of what decision should be reached by it in the matter of the charges preferred by the Board against Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta.

At the suggestion of Mr. Miller, Mr. Wyatt, the Board's General Counsel, was sent for and entered the meeting.

At this point, Mr. McIntosh entered the meeting.

The Board then proceeded with the consideration of the special order,

10/7/26

-5-

namely, the action to be taken by the Board in connection with its proceedings against Mr. Joseph L. Campbell, pursuant to the Board's resolution of June 9, 1926, citing Mr. Campbell to appear before the Federal Reserve Board to show cause why he should not be removed from office as Deputy Governor of the Federal Reserve Bank of Atlanta. The Board had before it the entire record on this matter, including:

- (1) The report, findings of fact and recommendations of the special committee appointed by the Board on May 1, 1926, to investigate a "recent run" on American and other banks in Havana and other parts of Cuba, and to report on the same, including the assistance rendered by the Federal Reserve Banks of Boston and Atlanta, through their respective agencies in Havana in meeting the situation and all circumstances connected with the shipment of currency by the Federal Reserve System to Havana;
- (2) Certain additional information obtained by Mr. James during his visit to Atlanta on May 28th to June 2nd and through subsequent correspondence with Mr. Newton and certain officers of the Federal Reserve Bank of Atlanta;
- (3) Certain additional information obtained during the examination of the Federal Reserve Bank of Atlanta conducted by the Board's examiners commencing at the close of business on July 10, 1926;
- (4) The record of the conference held in Washington on June 16, 1926 between the Federal Reserve Board and Messrs. Black, Melvin and Ware, constituting a special committee appointed by the board of directors of the Federal Reserve Bank of Atlanta to investigate circumstances in connection with the shipment of currency made by that bank to its Havana Agency on April 10, 1926;
- (5) Stenographic record of the hearing held by the Federal Reserve Board on September 9th-10th, 1926, at which Mr. Campbell was present, was represented by Counsel and produced evidence and made statements in his own behalf, which hearing was also attended by the above mentioned committee of directors of the Federal Reserve Bank of Atlanta;
- (6) Report made by the committee of directors of the Federal Reserve Bank of Atlanta, together with stenographic record of a meeting of the committee, and signed statements of Messrs. Campbell and Rich, which were made part of the committee's records, all of which were transmitted to the Board in a letter from the Secretary of the board of

10/7/26

-6-

directors of the Federal Reserve Bank of Atlanta under date of September 24th, in which letter the Secretary of the bank advised the Federal Reserve Board that at a meeting of the board of directors of the bank on that date the report of the committee was approved, Mr. Newton voting in the negative and Messrs. Simon and Kettig being absent.

(7) Letters from the Federal Reserve Agent at Atlanta and Mr. W. H. Kettig, director of the bank, explaining their reasons for not concurring in the action of the board of directors of the Federal Reserve Bank in approving the report of the committee appointed by the directors.

Mr. Hamlin submitted and moved adoption of the following:

"The Federal Reserve Board has duly considered the evidence before it in the matter of the charges against Deputy Governor Campbell of the Federal Reserve Bank of Atlanta, including the report of the Committee of the Atlanta Bank which was duly approved by a majority of the Board of Directors of that Bank.

The principal charges against Mr. Campbell were intoxication and general inefficiency as shown particularly by the manner of rendering his account of expenditures incurred on the journey to and from Havana.

The Board finds that the report of Mr. James, acting as a Committee of investigation, assisted by Mr. Wyatt and Mr. Herson, fully justified its action in calling upon Mr. Campbell to show cause why he should not be removed. The final decision of the Board, as hereinafter set forth, rests in part upon the changes in the testimony of Mr. Rich given before the Atlanta Committee and upon new evidence not given before Mr. James' Committee.

The evidence is uncontradicted that Mr. Campbell carried intoxicating liquor with him onto the Cuban gunboat, that he gave this to other members of his party, and that on his own admission, he took two drinks while on board. The Board unhesitatingly condemns this action on the part of Mr. Campbell, but fails to find evidence to prove that he was, in fact, intoxicated or incapacitated for duty during the journey.

The Board, under the Federal Reserve Act, was not bound to have a formal hearing in this matter, but, in its discretion, ordered such a hearing. It therefore renders its decision upon the evidence before it.

The Board is of the opinion, however, that there was drunkenness on the gunboat "Cuba", but the evidence does not show clearly whether it was on the part of members of the Federal Reserve Bank party, or on the part of other members on board of the gunboat, or from what source the liquor was obtained.

Under the circumstances, the Board has decided that the evidence rendered is insufficient to warrant it in exercising its

10/7/26

-7-

"power of removal of Mr. Campbell, but will let the matter rest upon its criticism of his general conduct as above set forth, in bringing liquor upon the gunboat and distributing it.

The Board finds also that Mr. Campbell was unbusiness-like, inefficient, and also evasive in the accounts rendered by him for money expended upon the journey, although there was no evidence that the amount was not, in fact, expended by him. In view of the emergency conditions surrounding the journey, the Board will let this phase of the matter rest with the suggestion that the Board of Directors of the Federal Reserve Bank of Atlanta take the necessary action so that this improper method of accounting will not be repeated."

Thereupon, ensued a discussion during which the Governor stated that in view of the importance of the matter under consideration he felt that the action of the Board should be unanimous and that a communication of censure might accomplish the same purpose as would be accomplished by direct action removing Mr. Campbell.

Mr. Miller stated that he also felt it was very desirable that action by the Board in this matter should be unanimous and suggested a form of communication to the Atlanta bank which in substance would acknowledge receipt of the report of the directors' committee and advice of the action of the board of directors on the report, as well as the advice of reasons given by the Federal Reserve Agent for not concurring in the action of the directors, and would express the view of the Board that the committee's report does not invalidate the substance of the charges made against Mr. Campbell by the Board, but on the whole confirms the Board in its impression that both Mr. Campbell's personal conduct on the expedition and his official action with reference to his accounts, indicate a lack of those qualifications necessary in an officer of a Federal Reserve Bank. Mr. Miller suggested also that the communication might contain a statement to the effect that the Board

10/7/26

-8-

is disturbed to find that a majority of the directors of the Federal Reserve Bank of Atlanta do not take the same view.

Mr. James thereupon made the following statement and offered the following motion as a substitute for Mr. Hamlin's motion:

"The Board having received the report of the Special Committee appointed by the directors of the Federal Reserve Bank of Atlanta to investigate circumstances in connection with the shipment of currency made by the bank to its Havana Agency on April 10th, and advice of the action of the majority of the directors of that bank in approving the report, as well as advice of the reasons given by the Federal Reserve Agent for casting the only dissenting vote to this action, I am of the opinion that the report of the Special Committee of directors does not invalidate the substance of the charges that the Board filed against and communicated to Mr. Joseph L. Campbell, Deputy Governor of the bank, under date of June 9th, in accordance with the resolution adopted by the Board on that date, but on the whole confirms the impression reached by the Board at that time that both his personal conduct while in charge of the currency shipment to Cuba and his official acts with reference to accounting for funds expended in connection therewith, indicate a lack of those qualifications which are requisite and necessary for a senior officer of a Federal Reserve Bank.

"I, therefore, move that the Board confirm its action of May 20th in voting 'that Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta, be eliminated from the Federal Reserve System' and that he now be removed effective November 15, 1926."

Mr. Miller stated that he still felt that the Board should seek unanimity of action in the matter under consideration and stated that with this in view he desired to suggest for consideration and discussion the advisability of a resolution to the effect that the Federal Reserve Bank of Atlanta be informed that the Board has considered the report of the special directors' committee and the action of the board of directors on the report, as well as the reasons given by the Federal Reserve Agent for not concurring in the action of the

10/7/26

-9-

other directors, and has reached the conclusion that Mr. Campbell should not be continued in the service of the Federal Reserve Bank of Atlanta, but that before proceeding further the Board desires an expression of opinion from the Federal Reserve Bank as to whether it has any course of action to suggest as an alternative to the one that the Board has under consideration, namely, Mr. Campbell's removal.

Mr. Platt stated that he was not prepared to say whether or not he would vote in the affirmative on such a resolution and Mr. Hamlin stated that he would not vote for it.

Mr. Miller thereupon seconded the substitute motion offered by Mr. James, which being put by the chair, was carried, the members voting as follows:

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

Counsel was instructed to prepare for submission to the Board the necessary documents in connection with the issue of the Board's formal order of removal, setting forth the causes for such removal.

The suggestion was then made and concurred in by all members of the Board that the Governor be authorized to communicate with Mr. Campbell over the telephone and advise him informally of the Board's action, in order that he might be afforded an opportunity to resign as Deputy Governor of the Federal Reserve Bank of Atlanta prior to the issue of the Board's formal order removing him as an officer of the bank in accordance with the action taken at this meeting.

10/7/26

-10-

Mr. James then moved that there be made special order for a meeting to be held on Tuesday, October 19th, the matter of action to be taken by the Board in the case of Mr. J. A. McCrary, director of the Federal Reserve Bank of Atlanta.

Carried.

REPORTS OF STANDING COMMITTEES:

Dated, October 5th, Recommending approval of the application of Mr. Adolph Bame to serve at the same time as Director of the West Side National Bank, Chicago, Ill., and as Director of the Lawrence Avenue National Bank, Chicago, Ill.

Approved.

Dated, October 5th, Recommending approval of the application of Mr. Charles W. Silver to serve at the same time as Director of the West Side National Bank, Chicago, Ill., and as Director of the Lawrence Avenue National Bank, Chicago, Ill.

Approved.

Dated, October 5th, Recommending approval of the application of Mr. Edward R. Litsinger to serve at the same time as Officer and Director of the West Side National Bank, Chicago, Ill., as Officer and Director of the South West Trust and Savings Bank, Chicago, Ill., and as Officer and Director of the Lawrence Avenue National Bank, Chicago, Ill.

Approved.

Dated, October 5th, Recommending approval of the application of Mr. Herman Elenbogen to serve at the same time as Officer and Director of the West Side National Bank, Chicago, Ill., and as Officer and Director of the Lawrence Avenue National Bank, Chicago, Ill.

Approved.

Dated, October 5th, Recommending approval of the application of Mr. Leo S. Maremont to serve at the same time as Director of the West Side National Bank, Chicago, Ill., and as Director of the Lawrence Avenue National Bank, Chicago, Ill.

Approved.

Dated, October 6th, Recommending approval of the application of Mr. Arthur W. Thompson to serve at the same time as Director of the Philadelphia-Girard National Bank, Philadelphia, Pa., as Director of the Girard Trust Company, Philadelphia, Pa., and as Director of the Union Trust Company, Pittsburgh, Pa.

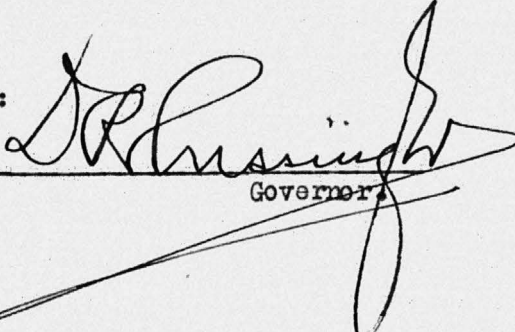
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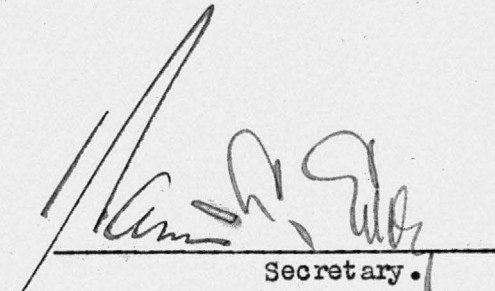
10/7/26

-11-

The meeting adjourned at 1:30 p.m.

Approved:


Governor


Secretary.