

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, October 8, 1926 at 10:45 a.m.

PRESENT: Vice Governor Platt
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Cumingham
 Mr. Eddy, Secretary
 Mr. McClelland, Asst. Secretary
 PRESENT ALSO: Mr. Wyatt, General Counsel

The minutes of the meetings of the Federal Reserve Board held on October 6th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on the morning of October 7th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on the afternoon of October 7th were read and approved as amended.

The Vice Governor stated that the meeting had been called for the purpose of presenting to the Board, formal notices, revised by Counsel in accordance with suggestions made at the meeting yesterday afternoon, to the Federal Reserve Bank of Atlanta and Mr. Joseph L. Campbell, Deputy Governor of the bank, advising both the bank and Mr. Campbell of the Board's action taken at the meeting yesterday morning in removing him from office as Deputy Governor of the Federal Reserve Bank of Atlanta.

Mr. Wyatt then read to the Board letters addressed to the Federal Reserve Bank of Atlanta and to Mr. Campbell which, after discussion, were amended to read as follows:

"October 8, 1926.

Federal Reserve Bank of Atlanta,
 Atlanta, Georgia.

Gentlemen:

You are hereby advised that, pursuant to the provisions of

10/8/26

-2-

"section 11 (f) of the Federal Reserve Act, the Federal Reserve Board yesterday took final action removing Mr. Joseph L. Campbell from office as Deputy Governor of the Federal Reserve Bank of Atlanta, effective November 15, 1926.

The cause of such removal is as follows:

The Federal Reserve Bank of Atlanta made a large shipment of currency to Havana, Cuba, amounting to \$26,500,000, which left Atlanta on a special train on Saturday, April 10, arrived in Key West on Sunday, April 11, and was there loaded on the Cuban Gunboat "Cuba" and taken to Havana, where it was delivered on Monday morning, April 12. Mr. Joseph L. Campbell, Deputy Governor of the Federal Reserve Bank of Atlanta personally had official charge and direction of said shipment of currency and of the party accompanying it; while in charge of said party he used intoxicating liquor and permitted other members of the party under his supervision to do likewise; he failed to keep proper records and to make a prompt and full report of the entire transaction, and was particularly negligent in not keeping a record of his expenditures and properly accounting for same; he took certain men from Key West to Havana who had no duty to perform on board the ship or in Havana and whose further participation in the trip was merely for pleasure; and he and his party were guilty of conduct unbecoming representatives of a Federal reserve bank. In the opinion of the Federal Reserve Board these facts indicate that Mr. Joseph L. Campbell lacks certain essential qualifications which are requisite and necessary for a senior officer of a Federal reserve bank.

You are advised that the Federal Reserve Board has given very careful consideration to all of the evidence submitted to it in this connection and has carefully considered the report of the committee appointed by the directors of the Federal Reserve Bank of Atlanta to investigate the charges against Mr. Campbell, together with the action of the Board of Directors of the Federal Reserve Bank of Atlanta and certain letters addressed to the Federal Reserve Board by Mr. Oscar Newton and Mr. Kettig expressing disagreement with such action.

After careful consideration of the evidence and of all these documents, the Board is of the opinion that most of the charges against Mr. Campbell are substantially true and supported by the facts.

The report of the committee appointed by the directors of the Federal Reserve Bank of Atlanta and approved by a majority of the directors does not, in the opinion of the Federal Reserve Board, disprove such charges; but on the whole it confirms the Board in its impression that both by his personal conduct on the above named expedition and by his official action in failing to account properly for the money expended in connection with said expedition, Mr. Campbell demonstrated a lack of certain qualifications which are requisite and necessary for a senior officer of a Federal reserve bank.

10/8/26

-3-

249

"By order of the Federal Reserve Board.

Walter L. Eddy,
Secretary."

"October 8,
1926.

Mr. Joseph L. Campbell,
Federal Reserve Bank of Atlanta,
Atlanta, Ga.

Sir:

You are hereby advised that, pursuant to the provisions of Section 11 (f) of the Federal Reserve Act, the Federal Reserve Board yesterday took final action removing you from office as Deputy Governor of the Federal Reserve Bank of Atlanta, effective November 15, 1926.

The cause of such removal is as follows:

The Federal Reserve Bank of Atlanta made a large shipment of currency to Havana, Cuba, amounting to \$26,500,000, which left Atlanta on a special train on Saturday, April 10, arrived in Key West on Sunday, April 11, and was there loaded on the Cuban Gunboat "Cuba" and taken to Havana, where it was delivered on Monday morning, April 12. As Deputy Governor of the Federal Reserve Bank of Atlanta, you personally had official charge and direction of said shipment of currency and of the party accompanying it; while in charge of said party you used intoxicating liquor and permitted other members of the party who were under your supervision to do likewise; you failed to keep proper records and to make a prompt and full report of the entire transaction, and you were particularly negligent in failing to keep a record of your expenditures and to account properly for same; you took certain men from Key West to Havana who had no duty to perform on board the ship or in Havana and whose further participation in the trip was merely for pleasure; and you and your party were guilty of conduct unbecoming representatives of a Federal reserve bank. In the opinion of the Federal Reserve Board these facts indicate that you lack certain essential qualifications which are requisite and necessary for a senior officer of a Federal reserve bank.

By order of the Federal Reserve Board.

Walter L. Eddy,
Secretary. "

10/8/26

-4-

Mr. James then moved approval of the above letters submitted by Counsel as amended by the Board, and that the Secretary be ordered to transmit them through the Federal Reserve Agent at Atlanta to Mr. Campbell and the Federal Reserve Bank.

Mr. James' motion being put by the Chair was carried, Mr. Hanlin not voting.

Counsel then read to the Board a form of letter addressed to the Federal Reserve Agent at Atlanta and transmitting the above formal notices to Mr. Campbell and the Federal Reserve Bank of Atlanta, as follows:

"October 8, 1926.

Mr. Oscar Newton,
Federal Reserve Agent,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. Newton:

There are enclosed herewith two letters, one addressed to the Federal Reserve Bank of Atlanta and the other addressed to Mr. Joseph L. Campbell, both of which are self-explanatory.

In your capacity as Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta and the official representative of the Federal Reserve Board at the Federal Reserve Bank of Atlanta, you are requested to present to Mr. Joseph L. Campbell personally the letter addressed to him and to advise the Federal Reserve Board when this has been done.

In your capacity as Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta and the official representative of the Federal Reserve Board at the Federal Reserve Bank of Atlanta, you are requested to deliver to the Federal Reserve Bank of Atlanta the letter addressed to the Federal Reserve Bank of Atlanta and to cause such letter to be read to the Board of Directors of the Federal Reserve Bank of Atlanta at its next regular or special meeting. When this has been done please notify the Federal Reserve Board of the fact.

By order of the Federal Reserve Board.

Walter L. Eddy,
Secretary. "

Enclosures.

10/8/26

-5-

Upon motion by Mr. James, the above letter was approved.

Mr. James read to the Board the following letter addressed to him by the Secretary of Commerce under this date:

"Apropos of our conversation last evening, our representatives in the South telegraphed me that an influential group concerned in the cotton situation are calling a meeting at New Orleans on Monday or Tuesday to consider ways and means in the present cotton situation. I understand that this meeting is to represent all the different branches concerned for preliminary discussion. They are anxious that the heads of the Dallas and Atlanta Reserve Banks should accept invitations to this meeting and that some important official of the Federal Reserve Board itself should be present.

The latter question is one on which I have no suggestion to make but I thought perhaps the Board could see its way to advise the heads of the Dallas and Atlanta banks that it would be glad to have them attend."

He then submitted and moved adoption of the following resolutions:

"WHEREAS, having been informally advised by the Secretary of Commerce that for the purpose of discussing ways and means for meeting the financial crisis in the cotton growing territory that has come about through the recent drastic decline in the price of cotton, an important meeting of cotton producers, cotton merchants, bankers and public officials would be held in New Orleans on Monday, October 11, 1926, and that in all probability the Governors of the Federal Reserve Banks of Atlanta and Dallas would be asked to attend,

BE IT RESOLVED, that in the event the Governors or Chairmen of any of the Federal Reserve banks be invited to attend the meeting referred to, the Federal Reserve Board will not only interpose no objection to the acceptance of such invitation but will approve of so doing;

BE IT FURTHER RESOLVED, that the Federal Reserve Board being in full sympathy with the purposes of the meeting as outlined by the Secretary of Commerce, shall immediately transmit these resolutions by wire to the Federal Reserve banks of Atlanta, Dallas, Richmond and St. Louis."

The Secretary then stated that he had received a telephone call this morning from Governor Crissinger who had been advised by Mr. James last night

10/8/26

-6-

of his telephone conversation with Secretary Hoover. The Secretary reported that the Governor had stated he had given considerable thought to Mr. Hoover's suggestion and had reached the conclusion that it might be better not to have the Board approve the suggestion that the Governors of the Federal Reserve banks attend the proposed conference in New Orleans as he thought they might be put in embarrassing positions in replying to questions that might be put to them as to the policies of the Federal Reserve banks in certain contingencies. The Secretary stated that the Governor had suggested that the Board might instead furnish Mr. Hoover with one or all of the telegrams received from the Federal Reserve Banks of Richmond, Atlanta, St. Louis and Dallas as to their present policy with respect to loans on cotton which could be read at the Conference, as expressive of the policy of the Federal Reserve System, by a representative of Secretary Hoover or anyone else interested.

Following the discussion, Mr. Miller moved as a substitute for Mr. James' motion that the following telegram be addressed to the Chairmen of the Federal Reserve Banks of Richmond, Atlanta, St. Louis and Dallas:

"Board has been advised that an important meeting will be held in New Orleans on Monday or Tuesday, October 11th or 12th, for the purpose of discussing ways and means for meeting the serious situation in cotton growing territory that has come about through the recent drastic decline in price of cotton, and that in all probability invitation will be extended to your bank to be represented. Board recently has been giving much consideration to cotton situation. It assumes that you are informed as to meeting called for New Orleans and in order not to delay action Board has instructed me to advise that it will approve of your bank being represented in the event you are invited to send a representative. It is believed by Board that the attitude of your own and other reserve banks in cotton districts, as developed in replies to Board's telegram of October 6th to you and other banks, if explained at the meeting will be a helpful factor."

10/8/26

-7-

Mr. Miller's substitute motion being put by the Chair was unanimously carried.

Mr. Cunningham, on behalf of the Committee on District #7 then reported on the matter referred to the Committee at the meeting on September 29th, namely, a letter dated September 23rd from the Federal Reserve Agent at Chicago advising that in accordance with the desire of the Executive Committee of the bank he had arranged to attend the convention of the American Bankers' Association which is being held in Los Angeles this week. Mr. Cunningham submitted a letter from the Governor of the Federal Reserve Bank of Chicago, advising that the expenses of Mr. Heath's trip, as well as those of Mr. Blair, Deputy Governor, are being paid by the Federal Reserve bank and setting forth the reasons for the Federal Reserve Bank of Chicago desiring to be represented at the convention.

Mr. Cunningham moved that the above letter be referred to the Board's Committee on Salaries and Expenditures.

Following a discussion, Mr. James moved as a substitute for Mr. Cunningham's motion that the Board interpose no objection to the action of the Federal Reserve Bank of Chicago in defraying the expenses of Mr. Heath's attendance at the convention as the representative of the bank, but that it refer to the forthcoming Conference of Governors and Federal Reserve Agents the question of limitations on Federal Reserve bank representation at bankers' conventions.

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

The Secretary then reported that in accordance with the instructions of the Board yesterday he had talked over the telephone with the Chairman of the Federal Reserve Bank of Richmond, with regard to the wording of his

10/8/26

-8-

telegram of October 6th, with reference to loans on cotton in which it was stated that there has been no pressure on bankers to lower the "rediscount rate" of the Federal Reserve Bank, whereas the Board's telegram of October 6th had referred to a lowering of rediscounts. The Secretary stated the Board's telegram had been misunderstood and he presented a revised telegram from the Chairman of the Richmond bank as follows:

"Your wire Wednesday considered carefully at our Board meeting yesterday. We have brought no pressure directly or indirectly upon bankers in cotton territory to lower their loans against cotton. We now have no loans on this year's cotton crop. We have had no occasion to call for additional collateral on cotton loans already made. Our policy has always been to lend freely on cotton, calling it to the attention of member banks when loans are not adequately secured. Generally speaking we think loans on cotton should be made on a basis of not more than eighty per cent of market value. We cannot safely change our policy of requiring periodical liquidation from member banks but those banks already borrowing heavily from us will be permitted to liquidate present indebtedness by the substitution of cotton paper. Our Board has no objection to your publishing this if you desire."

Noted.

REPORTS OF STANDING COMMITTEES:

Dated, October 8th, Recommending a change in stock at a Federal Reserve Bank, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 1:15 p.m.

Approved:

Edmund Platt
Vice-Governor.

Secretary.