

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 19, 1926 at 10:30 a.m.

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

PRESENT ALSO: Mr. Eugene Meyer

Mr. Meyer, who is chairman of a special committee appointed by the President to devise, if possible, some plan for relief of the cotton growers in the South, stated that he thought the Board might be interested in learning of the cotton situation in the light of information already secured by his committee and a plan considered by the committee which would withhold from the market, for a period of eighteen to twenty months, a portion of this year's cotton crop. He stated the plan contemplated the organization of associations with private capital in the cotton growing section which would be eligible as borrowers from Federal Intermediate Credit Banks, which banks in turn would refinance themselves by the sale of their debentures. He stated further that loans might be made to these associations on the basis of 75% or 80% of the market price of the cotton. Some thought was given to the issuance of certificates against the cotton properly stored, which certificates would be negotiable and might be purchased by spinners for the difference between the amount loaned on the cotton and the prevailing price for spot cotton; the plan providing for the presentation of these certificates by the spinners at any time and delivery of the cotton to them upon payment of the amount borrowed by the associations from the Intermediate Credit Banks. The object to be accomplished by the issuance

10/19/26

-2-

of the certificates would be to enable spinners to buy at the present low market their requirements for the next eighteen or twenty months.

Following the discussion, Mr. Meyer left the room and Mr. McIntosh also retired from the room.

The Governor stated that Mr. Harrison, Deputy Governor of the Federal Reserve Bank of New York, wished to appear before the Board to present a new development in connection with the proposed Belgian credit approved by the Board on October 5th and Mr. Harrison was called into the room.

The Secretary of the Treasury joined the meeting and took the Chair.

Mr. Harrison stated that the matter which he wished to present to the Board was a misunderstanding which had developed among the banks of issue participating in the proposed Belgian credit as to the minimum rate to be charged the National Bank of Belgium on any advances made or bills purchased under the proposed credit. He stated that the understanding of the Federal Reserve Bank of New York had been that the rate on such purchases was to be one percent above the rediscount rate of the Federal Reserve bank with a minimum of five percent, but that other banks of issue participating in the credit understood the rate was to be one percent in excess of a minimum rediscount rate of five percent. He advised that this matter had been considered by the board of directors of the New York bank at their last meeting and that they had voted that the minimum rate to be charged by the Federal Reserve Bank of New York should be six percent rather than five percent, as originally approved, and he stated to the Board the circumstances which influenced his directors in this action. In answer to an inquiry, he stated that approval of the higher rate was not essential to the consummation of the

10/19/26

-3-

plan for extending the credit. Mr. Harrison then referred to the action of the Board on October 5th in connection with its approval of Federal Reserve bank participation in the credit, in suggesting a review of the provision for a commission of one-half of one percent per annum on the entire amount of the credit, the Board having stated its belief that a commission is not called for in connection with the purchase of prime bills by the Federal Reserve System endorsed by a central bank. He stated that the directors had thoroughly reconsidered the matter in the light of the Board's suggestion and had unanimously voted that the commission should be charged, with the understanding that it would not be collected or, if collected, would be rebated, until such time as the credit extended by the Federal Reserve bank to the Bank of England, without commission, had expired and that if this latter credit was renewed the Federal Reserve bank should charge a commission on it also.

Following a general discussion, Mr. Platt moved that the minimum rate for the purchase of bills by the Federal Reserve Bank of New York in agreement with other central banks from the National Bank of Belgium be left to the determination of the directors of the Federal Reserve Bank of New York, with the understanding that it is not to be above 6%.

Mr. Platt's motion being put by the Chair was lost, the members voting as follows:

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

Thereupon ensued a further discussion during which the Chairman



10/19/26

-4-

stated that he could not see any advantage in the Federal Reserve System, as a part of the program for Belgian stabilization, extending a credit to the National Bank of Belgium at a rate too far below the Belgian rate or less than the rate to be charged by other central banks participating in the arrangement.

Mr. Platt then moved that the recommendation of the directors of the Federal Reserve Bank of New York that bills to be purchased under the agreement with other central banks from the National Bank of Belgium, approved by the Board on October 5th in accordance with Chairman Jay's cablegram presented to the Board on the same date, be purchased at a minimum rate of 6% instead of 5% be approved.

Mr. Platt's motion being put by the Chair was lost the members voting as follows:

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

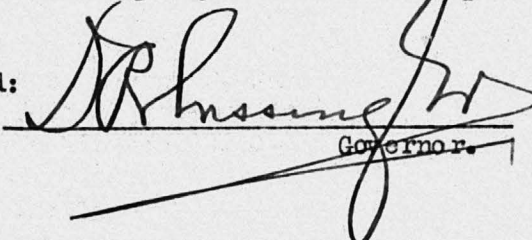
The Chairman and Mr. Harrison then left the meeting.

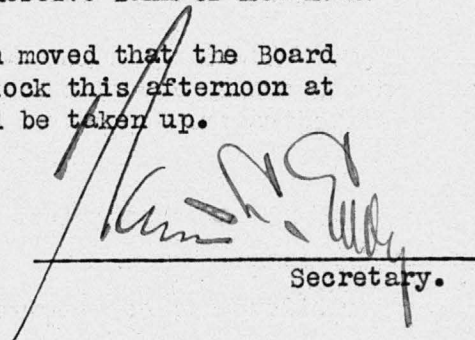
Governor Crissinger stated that a special order had been fixed for today's meeting, namely, the question of action to be taken by the Board in the case of Mr. J. A. McCrary, Director of the Federal Reserve Bank of Atlanta.

After discussion, Mr. Hamlin moved that the Board adjourn to meet again at 3:30 o'clock this afternoon at which time the special order would be taken up.

The meeting adjourned at 12:45 p.m.

Approved:

  
 Governor.

  
 Secretary.