

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 19, 1926, at 3:30 p.m.

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

PRESENT ALSO:

Mr. James stated to the Board that the President had appointed him as an additional member of his Committee to study the cotton situation and suggest methods of relief. He presented the following letter and enclosure, addressed to him by the President, formally advising of the appointment, and requested an expression of the views of the members of the Board as to the propriety of his serving on the Committee and at the same time serving as a member of the Board.

"The White House
 Washington

October 19, 1926.

My dear Mr. James : -

I enclose for your information the original statement issued from the White House regarding the appointment of a committee to study the cotton situation and suggest methods of relief.

It is, I think, desirable that the scope of the committee should be broadened and I am therefore appointing you as an additional member. This letter will serve as your authorization to act as a member of the committee.

Very truly yours,

Hon. George R. James,
 Federal Reserve Board,
 Washington, D. C.

(Signed) Calvin Coolidge

Encl."

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"The President has appointed Eugene Meyer, Managing Director of the War Finance Corporation; Andrew W. Mellon, Secretary of the Treasury; William M. Jardine, Secretary of Agriculture; and Herbert Hoover, Secretary of Commerce, a Committee to cooperate with those engaged in the production, marketing and use of cotton, to investigate the present market condition of cotton and render such desirable assistance as can be given by the Government to the efforts already being made in the South through the financial institutions, cooperative organizations and Federal Intermediate Credit Banks and otherwise. Mr. Meyer through his connection with the War Finance Corporation has had a large experience in dealing with situations of a kindred nature and has been requested by the President to act as Chairman in charge of field activities. Secretary Mellon through his connection with the Federal Reserve Bank System, Farm Loan Banks and Intermediate Credit Banks, will be able to advise about the securing of credits which can undoubtedly be done through ordinary banking methods. Secretary Jardine and Secretary Hoover will be in a position to furnish information as to the production, warehousing, marketing and use at home and abroad of the present cotton supply.

The White House,
October 9, 1926."

After discussion, Mr. Miller moved that the Board express its gratification at the President's selection of Mr. James to be a member of his Cotton Committee, and that every facility be given Mr. James for the performance of his duties and any leave of absence that may be necessary.

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

The Governor stated that the meeting had been called for the purpose of considering the special order fixed for today, namely, the action to be taken by the Board in the case of Mr. J. A. McCrary, director of the Federal Reserve Bank of Atlanta, in the light of the report, dated June 5th, submitted at the meeting of the Board on June 30, 1926, by Mr. James as a special committee appointed by the Board on May 20th to investigate the conduct of Mr. McCrary with a view to determining whether or not he should be eliminated from the

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Federal Reserve System, and the report of Mr. Howard E. Rank, special accountant of the Department of Justice, who was temporarily designated as an assistant examiner of the Federal Reserve Board to assist in the examination of the Federal Reserve Bank of Atlanta made as at the close of business July 10, 1926, which report was transmitted to the Board by the Assistant Attorney General under date of August 18th.

Mr. James suggested that if it was the consensus of opinion of the Federal Reserve Board that Mr. McCrary is not a proper man to be a director of the Federal Reserve Bank of Atlanta and lacks qualifications deemed necessary for the position, particularly in view of what transpired in connection with the shipment of currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10, 1926, the Board would be justified in asking Mr. McCrary for his resignation, and that if Mr. McCrary declined to resign it would be in order for the Board to take definite action and remove him.

Thereupon ensued a discussion of this suggestion, during which members of the Board expressed their individual opinions with respect to the advisability of requesting Mr. McCrary's resignation. Following the discussion, Mr. James submitted the following resolutions:

"WHEREAS the Federal Reserve Board has considered the report made by its special investigating committee, and also the report submitted through the Department of Justice, regarding the alleged conduct of Mr. J. A. McCrary, director of the Federal Reserve Bank of Atlanta, and

"WHEREAS it appears to the Federal Reserve Board that the facts are established

(1) that Mr. McCrary was a member of the party which accompanied the shipment of currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10th, and without authorization of any kind took a business associate along as his guest,

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"(2) that during the course of the trip it was shown that the officer in charge and other members of the party indulged in the use of intoxicating liquor and that Mr. McCrary made no effort whatsoever to prevent the use of liquor, but on the contrary, he himself partook of the libations, and

(3) that subsequent to the investigation made in Atlanta by the Board's Special Committee, Mr. McCrary returned to the Federal Reserve Bank of Atlanta a certain sum of money presumably for the purpose of eliminating any criticism as to the expense involved;

"THEREFORE BE IT RESOLVED that it is the sense of the Federal Reserve Board that Mr. J. A. McCrary lacks certain qualifications which are deemed requisite and necessary for a director of a Federal reserve bank, and

"BE IT FURTHER RESOLVED that the Federal Reserve Board through its presiding officer request Mr. J. A. McCrary to resign as a director of the Federal Reserve Bank of Atlanta."

Following a discussion of the above resolutions, Mr. Hamlin moved as a substitute that the reports of the Board's Special committee and the special accountant of the Department of Justice be laid on the table, to be called up at any time on one week's notice.

Mr. Hamlin's substitute 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"
 Mr. McIntosh, "aye"

Thereupon ensued a further discussion of Mr. James' resolutions, during which Mr. Miller suggested as a possible alternative that Mr. McCrary be invited to appear before the Board on a date to be fixed by the Governor, after consultation with him, to be heard in connection with his alleged misconduct as a director of the Federal Reserve Bank of Atlanta and more particularly in relation to certain incidents in connection with the shipment of

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currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10th.

Mr. James stated that action along this line would be satisfactory to him.

However, Mr. Cunningham moved, as a substitute for Mr. James' resolutions, the following:

"WHEREAS the Federal Reserve Board has considered the report made by its special investigating committee, and also the report submitted through the Department of Justice, regarding the alleged conduct of Mr. J. A. McCrary, director of the Federal Reserve Bank of Atlanta,

"RESOLVED that in the opinion of the Federal Reserve Board there is not sufficient evidence in these reports to warrant the elimination by the Federal Reserve Board of Mr. McCrary as a director of the Federal Reserve Bank of Atlanta.

After discussion, Mr. Cunningham's substitute motion was put by the Chair and carried, the members voting as follows:

Governor Crissinger, "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "aye"
 Mr. Cunningham, "aye"
 Mr. James, "no"
 Mr. Miller, "not voting"
 Mr. McIntosh, "not voting"

Thereupon ensued a further discussion, following which Mr. Miller moved that Mr. J. A. McCrary, director of the Federal Reserve Bank of Atlanta, be invited before the Federal Reserve Board, on a date to be fixed by the Governor, in connection with certain inquiries which the Board desires to make regarding his conduct as a director of the Federal Reserve Bank of Atlanta, and more particularly, his recent conduct in connection with the shipment of currency made by the Federal Reserve Bank of Atlanta to its Havana Agency on April 10, 1926.

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

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

At this point, Mr. McIntosh left the meeting.

Mr. James then moved that the question of the consolidation and future operation of the Cuban agencies of the Federal Reserve Banks of Boston and Atlanta, as recommended in the report of the Special committee submitted at the meeting on May 20, 1926, be brought up as special order of business on Tuesday, October 26th, and that notice be given to the Federal Reserve Banks of Boston and Atlanta, and to the Atlanta Clearing House Association that a hearing will be held on that day.

Thereupon followed a discussion during which the Governor called attention to the action of the Federal Advisory Council, at its meeting on September 17th, in voting that in its opinion there should be only one agency in Cuba, the Federal Reserve Bank which is to maintain this agency to be selected with due regard to the operation and movement of commerce and trade.


Mr. Hamlin then moved as a substitute for Mr. James' motion that the question of the consolidation and future operation of the Cuban agencies of the Federal Reserve Banks of Boston and Atlanta, as recommended in the report of the special committee submitted at the meeting on May 20, 1926, be brought up as special order of business on Thursday, November 11th, and that notice

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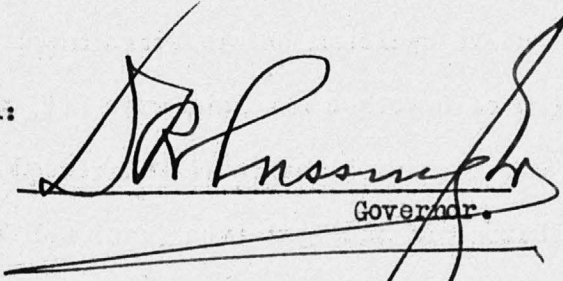
be given to the Federal Reserve Banks of Boston, New York, Philadelphia and Atlanta, the Atlanta Clearing House Association, and any other interested parties that a hearing will be held on that day.

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

The meeting adjourned at 5:45 p.m.


Secretary.

Approved:


Governor.