

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, July 13, 1927, at 12:15 p.m.

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

The minutes of the meeting of the Federal Reserve Board held on July 6th were read and approved as amended.

Report of Committee on Salaries and Expenditures, dated July 11th, on letter dated July 8th from the Federal Reserve Agent at Dallas, requesting approval of the action of the board of directors of that bank in granting to Mr. S. L. Brown, an employee of the Fiscal Agency Department, a leave of absence on account of illness, with full pay, for the period from June 25 to July 31, inclusive; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures dated July 11th, on letter dated July 8th from the Federal Reserve Agent at Dallas, requesting approval of the action of the board of directors of that bank in granting to Bob Weems, porter, a leave of absence on account of illness, with full pay, for the period from June 23 to July 15, inclusive; the committee recommending approval.

Approved.

The Secretary reported that in accordance with instructions he had discussed informally with Assistant Secretary White of the State Department, the proposed communication from the Board to the Secretary of State on the

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subject of the Cuban Agency and the tax imposed on its operations by the Cuban Government, which he had submitted to the Executive Committee at its meeting yesterday, and that he had been advised by the Assistant Secretary of State that the letter was in a form satisfactory to the State Department.

Upon motion of Mr. Hamlin, the form of letter was approved and ordered signed and transmitted to the State Department.

The Governor then called attention to the action taken by the Board on June 20th in postponing until July 13th publication in its weekly statement of the condition of Federal Reserve banks of bills bought by Federal Reserve banks in the open market in form so as to show separately those bills which have been bought and are payable in dollars and those which have been bought and are payable in foreign currencies. The Secretary was called upon to read the record of the Board's action in ordering the publication of bills purchased by the reserve banks, segregated as to those payable in dollars and those payable in foreign currencies.

Following the reading and after discussion of the subject, Mr. James moved that the Board reconsider its actions of December 3rd and 23rd, 1926, February 23, 1927, and June 20, 1927, on this subject.

Carried.

Mr. James then moved that the action taken by the Board on December 23, 1926, in voting to show in its weekly statement of the condition of Federal Reserve banks under the caption "Bills bought in the open market" separate items for foreign and domestic bills, be revoked, and that the said statement be continued in form as at present, all purchases of bills made at home or abroad, whether payable in dollars or foreign currencies, to be shown in a consolidated total under the caption "Bills bought in the open market", and

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that the maturities of all bills purchased, whether at home or abroad, be shown in the statement without reference to the currencies in which they are payable.

Mr. James' motion, being put by the Chair, was carried, the members voting as follows:

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

Mr. Cunningham thereupon announced that he intended to leave Washington at the end of the week for his vacation, to be absent for a period of approximately one month, and that he desired to submit the following statement for inclusion in the record:

"Realizing that the question of a credit policy by the Federal Reserve Banks may come up for discussion and consideration during my absence, I desire in this memorandum to present my views relative to such policies so far as can be discerned at this time:

"First. In the absence of any material change in existing credit conditions between this date and August 15th, 1927, I would favor a reduction in the discount rate of the Federal Reserve Banks on or about August 15, 1927. I believe such action would have a very stimulating effect on the marketing of crops and on general business activities during the fall season, without giving undue encouragement or added impetus to stock market activities.

"Second. I do not favor additional Open Market purchases by the Open Market Committee unless or until it has been fully demonstrated that the reduction in the discount rate has not created the ease in the credit situation that was expected."

Dr. Miller stated that if there was any change in the credit situation which would require his presence in Washington, he would be ready to return at any time if given ample notice in advance of the date on which his presence might be required. He stated that the situation is not clear to him as to future discount policy of the Federal Reserve banks, and that he did not believe it would clear itself prior to the

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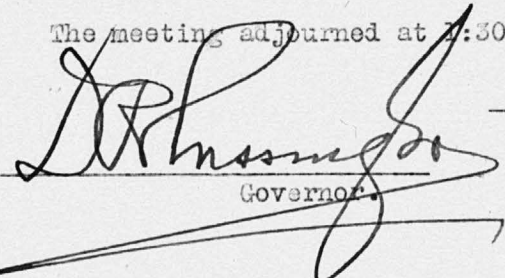
next meeting of the Federal Advisory Council, at which time he believed the whole subject should be laid before the Council for discussion and an expression of the Council's views. He stated that if it should appear desirable for the Federal Reserve banks to take any action to ease a credit situation, he would be distinctly adverse to their doing so by further purchases of open market securities, and in his opinion, action to ease a situation should be through a reduction of the rediscount rate. Dr. Miller also stated that he thought it very uncertain at this time as to what the discount policy of the Federal Reserve banks should be for the closing months of the year, and that in no event should action with respect to the discount rates be taken unless for very convincing reasons. He further stated that if a call to ease the present situation should come up in the near future, he would be inclined to vote in the negative.

The minutes of the meeting of the Executive Committee held on July 12th were read and the actions recorded therein were ratified.

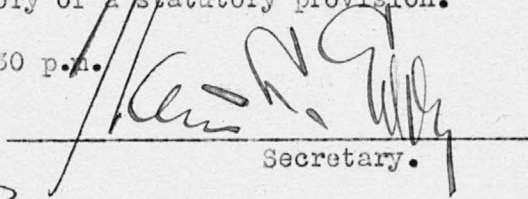
Governor Crissinger referred to the action of the Executive Committee on July 12th in voting to instruct the Board's Counsel to prepare and submit to the Board in due course a regulation such as contemplated by the Board's action of July 6th in voting that the purchase and sale of bills of exchange and acceptances, made abroad as well as at home are subject to its regulations and approval. He stated that if he had been present he would have voted against requiring the subject of the motion being referred to Counsel for the preparation of a formal regulation or ruling, as he felt that the resolution was merely declaratory of a statutory provision.

The meeting adjourned at 2:30 p.m.

Approved:



 Governor.



 Secretary.