

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 26, 1928, at 3:00 p.m.

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

The Governor presented telegram dated January 25th from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors on that date, by unanimous telegraphic vote, established a rediscount rate of 4% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

Mr. Miller moved that the Board approve the rediscount rate of 4% established by the directors of the Federal Reserve Bank of Richmond, such rate to be effective at the opening of business tomorrow, January 27th.

Mr. Cunningham submitted the following resolution and moved its adoption, as a substitute for Mr. Miller's motion:

"BE IT RESOLVED, that it is the sense of the Federal Reserve Board with the thought of avoiding so far as possible the necessity for any general increase in the discount rates of the System, which might have a tendency to penalize business, that the executive officers of the Federal Reserve banks be and are hereby directed to analyze closely the loans, discounts, and investment portfolios of banks borrowing from them while said banks are carrying investments in so-called brokers' loans with a view that they be restricted in the use of Federal Reserve credit according to the intent of the Federal Reserve Act."

At this point, the Secretary of the Treasury entered the meeting and took the chair.

1/26/28

-2-

A detailed discussion ensued of the resolution submitted by Mr. Cunningham following which it was agreed, by unanimous consent, that the resolution be made special order of business for consideration at one of the Board's regular meetings next week, the exact date to be fixed by the Governor in consultation with the Chairman.

After further discussion, Mr. Miller's original motion was put by the Chair and the roll being called was carried, the members voting as follows:

The Chairman, "aye"  
 Governor Young, "aye"  
 Mr. Platt, "aye"  
 Mr. Hamlin, "aye"  
 Mr. Miller, "aye"  
 Mr. McIntosh, "aye"  
 Mr. Cunningham, "no"

Mr. Cunningham submitted the following statement in explanation of his vote:

"The data at hand shows that the rediscounts in the System are but seasonal; there is no evidence of over-production in staple lines, nor is there any indication of undue increase in inventories; the credit supply is ample; and the discount rate of  $3\frac{1}{2}$  per cent offers encouragement and assistance to business which has shown some improvement since the turn of the year; imports of gold have practically offset exports of gold since the first of the year; brokers' loans are still unusually large, but there is no indication that they are in any way restrictive to the credit requirements of agriculture, business and commerce.

"It has been stated by competent authorities on Federal Reserve policy that the use of Federal Reserve credit for speculative or investment purposes is precluded by specific provisions of the Federal Reserve Act. It therefore becomes the duty of the Federal Reserve Board to use the power which it undoubtedly has under the provisions of the Federal Reserve Act, to restrict the use of Federal Reserve credit for such purposes. I feel that increases in the discount rate for the purpose of restricting stock market activities should

1/26/28

-3-

only be resorted to when other means within the power of the Board have failed to accomplish the objective. I am not in favor of penalizing agriculture and business because of the indiscreet use of credit for investments in brokers' loans; therefore, I vote "no".

The Governor then presented a telegram dated January 26th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

The Chairman and Mr. McIntosh then left the meeting.

The minutes of the meeting of the Federal Reserve Board held on January 25th were read and approved.

Report of Committee on Salaries and Expenditures on letter dated January 24th from the Federal Reserve Agent at St. Louis, requesting approval of the action of the Executive Committee of that bank in voting to extend for thirty days from January 28th, with full pay, leave of absence on account of illness previously granted Mr. Charles Jolley, teller in the Money Department; the Board's Committee recommending approval of the salary payment involved.

Approved.

REPORT OF STANDING COMMITTEE:

Dated, January 23rd, Recommending approval of the application of Mr. Jesse Van Valkenburg for permission to serve at the same time as director of the Third-Northwestern National Bank, Minneapolis, Minn., as director of the Marquette National Bank, Minneapolis, Minn., and as director of the Chicago-Lake State Bank, Minneapolis, Minn.

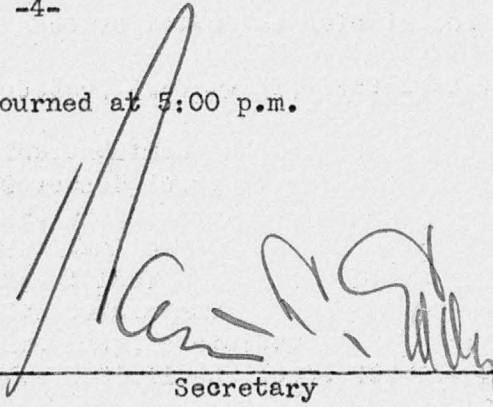
Recommendation approved.



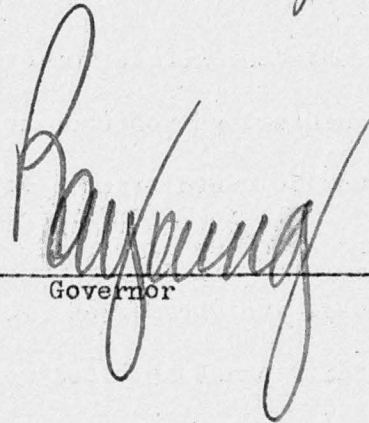
1/26/28

-4-

The meeting adjourned at 5:00 p.m.

  
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 Secretary

Approved:

  
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 Governor