

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 18, 1928 at 10:00 a.m.

PRESENT: The Chairman  
 Mr. Platt  
 Mr. Hamlin  
 Mr. Miller  
 Mr. James  
 Mr. Noell, Asst. Secretary  
 Mr. McClelland, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on April 9th and 11th were read and approved.

The minutes of the meetings of the Executive Committee held on April 13th and 17th were read and upon motion the actions recorded therein were ratified.

Letter dated April 16th from the Chairman of the Federal Reserve Bank of Kansas City, advising of the establishment on April 13th of the following rates for purchases of bankers acceptances:

1 to 30 days	-	3 5/8%
31 to 120 days	-	3 3/4%
121 to 180 days	-	4%

Without objection, noted with approval.

Telegram dated April 17th from the Chairman of the Federal Reserve Bank of San Francisco, advising of approval by the Executive Committee of the following schedule of rates for purchases of bankers acceptances, made effective on April 12th:

1 to 30 days	-	3 5/8%
31 to 120 days	-	3 3/4%
Repurchase	-	3 3/4%

Without objection, noted with approval.

Report of Committee on Salaries and Expenditures on letter dated April 16th from the Deputy Governor of the Federal Reserve Bank of New York,

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submitting list of employees for whom the directors of that bank approved leaves of absence with pay on account of illness during the month of March, where the total of such absences since January 1, 1928 has exceeded thirty days; the Board's Committee recommending approval of the salary payments authorized by the New York directors.

Approved.

The Vice Governor stated that special order of business for this meeting was consideration of the telegram received yesterday from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors on that date voted unanimously to establish a rediscount rate of 4 1/2% on all classes of paper of all maturities.

For the information of the Board, in connection with the consideration of the above matter, the Vice Governor read a letter addressed to him under date of April 17th by the Deputy Governor of the Federal Reserve Bank of New York, advising of sales of securities from the System account since April 11th amounting to \$47,370,000, reducing the account at close of business April 18th to \$201,000,000; the Deputy Governor advising that an aggregate of \$92,000,000 is being taken from the market this week including, in addition to the securities sold, \$20,000,000 of acceptances being turned over to a foreign correspondent in exchange for \$20,000,000 of June 15th Treasury certificates for sale to the Treasury today and the earmarking of \$25,000,000 of gold for account of the Bank of France.

Discussion then ensued of the necessity and advisability of action by the Board on the proposed increase in the rediscount rate of the Boston bank in the light of the substantial open market operations reported in the letter read by the Vice

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Governor. Some members of the Board expressed the opinion that the influence of the open market operations, and the psychological effect of the sales of securities, when made public in the weekly statement which will be released to the press tomorrow, may make unnecessary any immediate increase in Federal Reserve discount rates. They expressed the opinion that the System, in any event, should take no action relating to rates until it is demonstrated that control of the money market cannot be obtained through further liquidation of the securities in the System account. Other members expressed the opinion that if any increase in rate should be necessary the more promptly the change is made the better.

During the discussion, Mr. Hamlin moved that the Board approve the rediscount rate of 4 1/2% established by the directors of the Federal Reserve Bank of Boston for all classes of paper of all maturities, effective Friday, April 20th.

After further discussion of the matter the Board recessed at 12:30 p.m.

At 3:00 p.m. the Board reconvened the same members being present as attended the morning session.

Mr. Miller reported that during the recess he communicated over the telephone with Deputy Governor Case of the Federal Reserve Bank of New York. He stated that he discussed with Mr. Case the effect of the open market operations reported in his letter of April 17th and that Mr. Case stated he was quite disappointed at the results which have been obtained. He stated further that Mr. Case informed him the directors of the New York bank have been constantly considering the situation and feel that it is getting out of the control of the Federal Reserve bank, largely because of money coming into the New York market from the outside, presumably attracted by the high call rate, the evidence particularly at the opening of the week indicating a large flow of new money from the Boston district. Mr. Miller stated that before his conversation with Mr. Case he was inclined to agree with the view which he

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understands is held by Mr. James, that no action should be taken looking to an increase in Federal Reserve bank discount rates while the System has available another instrument for meeting the situation, namely, further sales of securities from the open market account. He stated, however, that since talking with Mr. Case he has reached the conclusion that security sales will not have the desired effect and that he is, therefore, prepared to vote in favor of the action of the directors of the Federal Reserve Bank of Boston.

Following the discussion of the matters reported by Mr. Miller, the Chair called for a vote on the following motion made by Mr. Hamlin during the morning session:

"That the Board approve the rediscount rate of 4 1/2% established by the directors of the Federal Reserve Bank of Boston for all classes of paper of all maturities, effective Friday, April 20th."

A vote being taken on Mr. Hamlin's motion, it was carried, Mr. James voting "no".

Mr. James submitted the following statement:

"While sharing the desire to check the inflationary tendency of the stock market and the flow of Federal reserve credit in that direction, I am strongly of the opinion that the security holdings of the Federal Reserve System should be substantially reduced, if not entirely disposed of, prior to making any increase in discount rates.

I, therefore, vote "no" on the proposal of the directors of the Federal Reserve Bank of Boston to increase the discount rate at that bank today."

REPORTS OF STANDING COMMITTEES:

Dated, April 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

The meeting adjourned at 3:30 p.m.

Approved:

A. C. Miller  
Chairman.

J. Wallace  
Assistant Secretary.