

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, April 23, 1928 at 12:20 p.m.

PRESENT: Governor Young  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Noell, Asst. Secretary  
Mr. McClelland, Asst. Secretary

Telegram dated April 23rd from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors of that bank today voted to establish a rediscount rate of 4 1/2% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

The Governor stated that upon receipt of the above telegram he communicated with the Federal Reserve Bank of Richmond and requested that the Chairman and Governor of the bank furnish the Board with a statement of the reasons actuating the directors in taking the action reported. He stated that he expected telegraphic reply shortly.

A detailed discussion then ensued with respect to the general credit situation and the possible effects thereon of the discount and open market policy which is being pursued by the Federal Reserve System.

During the discussion, the following telegram from the Chairman and Governor of the Richmond bank was received and read to the Board:

"The resolution adopted by our directors at their last meeting with respect to discount rate, sent to you immediately after meeting, expressed the conviction that the investment securities of the Federal Reserve System should be sold to check the unrestrained inflation of credit and directed the sale of the investment securities of this bank. The further conviction was expressed that unless this inflation was decisively checked, it would be necessary to raise the discount rate. Since that action

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"a marked increase in the employment of credit has taken place, nationally and locally, and we therefore feel that further restraint should be exercised in the way of increase in the discount rate of this bank. It is manifest that funds continue to flow from the interior to the New York market for employment on call, and we believe they are flowing from this district as well as from most other districts. Attention is very widely being diverted from business to speculation and the absorption of credit to an unexampled degree calls for the further restraint in the rise of the discount rate. While we have no direct proof of the employment of funds borrowed from us on the call market we have reason to conclude that employment in that direction has taken place in this district. We know that speculation is rampant in this district as elsewhere and that more and more funds are being absorbed for this purpose. Some of our directors who were hesitant to initiate the raise of rates at our last meeting now believe it logical in view of action taken by other Federal Reserve Banks. The amount of our bills discounted and purchased will today be about 56 million dollars and our reserve ratio is expected to be about 60."

Thereupon Mr. Platt moved approval of the re-discount rate of 4 1/2% fixed by the directors of the Federal Reserve Bank of Richmond for all classes of paper of all maturities, effective tomorrow, April 24th.

Carried.

The Governor then submitted draft of a letter to the Secretary of the Federal Advisory Council, submitting topics for discussion at the next meeting of the Council which will be held here on May 18th.

Upon motion, the letter was approved.

The meeting adjourned at 1:30 p.m.

Approved:

*Raymond*

Governor.

*Finney*

Assistant Secretary.