A meeting of the Federal Reserve Board was held in the office of the Governor on Monday, August 13, 1928 at 11:00 a.m.

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

Letter dated August 9th from the Secretary of the Federal Reserve Bank of New York, telegram dated August 10th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated August 10th from the Chairman of the Federal Reserve Bank of Atlanta and telegram dated August 9th from the Chairman of the Federal Reserve Bank of Kansas City, all advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated August 9th from the Chairman of the Federal Reserve Bank of Chicago, advising that on July 11th when the rediscount rate of the bank was increased from 4 1/2% to 5% a similar increase was made in the bank's rate for purchases of government securities under resale agreement.

Without objection, noted with approval.

Reports of Committee on Salaries and Expenditures on letters dated August 7th and August 9th from the Chairman of the Federal Reserve Banks of Dallas and Richmond, respectively, transmitting lists of employees for whom the directors of the banks approved leaves of absence with pay on account of illness during the month of July, where the total of such absences since January 1, 1928 exceeds thirty days; the Board's Committee recommending
approval of the salary payments involved.

Approved.

Letter dated August 10th from the Chairman of the Federal Reserve Bank of New York, advising that, if agreeable to the Board, he would like a leave of absence from September 12th to October 12th to enable him to attend the Fall meeting of the General Council of the Reichsbank.

Approved.

Letter dated August 9th from the Assistant Federal Reserve Agent at New York, advising of a proposed merger of the Bank of United States, a member bank, and the Cosmopolitan Bank, a non-member, both of New York City.

Noted.

Letter dated August 9th from the Federal Reserve Agent at Richmond, advising that the Front Royal National Bank, Front Royal, Va. has had an average deficiency in reserves for each reserve computation period during six consecutive months; the Agent stating that the office of the Comptroller of the Currency is, in his opinion, doing as much as can be done to rehabilitate the bank and recommending that the Board take no action beyond calling the attention of the Comptroller to his letter.

Upon motion, the recommendation of the Federal Reserve Agent was approved.

Letter dated August 11th from the Chairman of the Federal Reserve Bank of Atlanta, transmitting certified copy of a resolution adopted by the board of directors at its meeting on August 10th, requesting that the Federal Reserve Board permit the Federal Reserve Bank of Atlanta and its Branches at Birmingham, Jacksonville, Nashville and New Orleans to discontinue
the collection of noncash items.

Discussion then ensued during which the Governor expressed the opinion that the resolution of the Atlanta directors should not be taken up for consideration except at a meeting of the full Board and he suggested that in the meantime a letter be addressed to the Chairman of the bank, inquiring whether the resolution intentionally covered all noncash items, or whether the bank intends to continue the handling of coupons.

Upon motion, the suggestion of the Governor was approved and action on the above matter was deferred accordingly.

The minutes of the meeting of the Federal Reserve Board held on July 30th were read and approved.

The minutes of the meetings of the Executive Committee held on August 3rd and 9th were read and, upon motion, the actions recorded therein were ratified.

Mr. Platt referred to the resolution adopted by the Board at its meeting on July 18th, authorizing the executive officer of the Board, for a period of thirty days, to approve a rediscount rate of 5 per cent established by any Federal Reserve bank.

Upon motion by him, it was voted that the authority in question be effective until revoked by the Board.

Mr. Miller then submitted, and the Secretary read, a proposed circular letter to all Federal Reserve banks on the subject "Special rates on seasonal crop marketing paper"; the letter defining seasonal crop marketing paper and advising that the Federal Reserve Board stands ready to approve a rediscount rate on such paper of from 1/2 of one per cent to one per cent below the rate
on other classes of paper, with a view of adjusting the present rate structure so as to facilitate seasonal accommodation to commerce and business.

Discussion then ensued during which Mr. James stated that he is in hearty sympathy with the result sought to be accomplished by Mr. Miller's suggestion but that in lieu thereof he wished to suggest that this result could be better obtained if the Board would advise the Federal Reserve banks that it stands ready to approve buying rates for bankers acceptances and trade bills, regardless of origin, from one-half of one per cent to one per cent below the rate for other classes of paper. Mr. James stated his belief that that should be the method of action by the Federal Reserve System.

Following the discussion, it was voted that the suggestions of Mr. Miller and Mr. James be discussed with the Open Market Investment Committee which is now in session.

The Governor left the room and upon his return stated that he had submitted the two suggestions to the Committee and that the Committee would like to meet with the Board this afternoon.

At 12:20 p.m. the meeting recessed, and reconvened in the Board room at 2:30 p.m., the same members being present as attended the morning session and, in addition, Messrs. Harding, Harrison, Norris, Fancher and McKay, members of the Open Market Investment Committee, Mr. Burgess, Acting Secretary of the Committee, Mr. Goldenweiser, Director of the Board's Division of Research and Statistics and Mr. Smead, Chief of the Division of Bank Operations.

Mr. Harrison, Acting Chairman of the Committee, presented a memorandum on credit conditions dated August 13th which had been submitted to and considered by the Committee.
He then reported that the Committee had considered briefly the suggestions made at the meeting of the Board this morning by Mr. Miller and Mr. James for the establishment of preferential rates on "Seasonal crop marketing paper" and bankers acceptances and trade bills, respectively. He stated that the Committee, with the exception of Governor Harding, felt that preferential rates on special classes of paper would probably not accomplish what is desired and that the Committee feels that the question whether the season's crops can be moved expeditiously and reasonably involves the bigger question of the whole credit structure and will have to be dealt with through open market operations rather than through preferential rates on commodity paper. He expressed the opinion of the Committee that to reduce the bill rates would undoubtedly result in the dumping of a vast volume of acceptances on the Federal Reserve banks, which though it might have the effect of easing the credit situation would undo the work of many years in developing a bill market. He then presented the report of the Committee as follows:

"The policy recommended by the committee in most of its meetings since January, has been to check or prevent unduly rapid or unnecessary increase in the volume of bank credit. While the total volume of loans and investments of reporting member banks is now considerably above what it was at the low point in February, nevertheless, it is approximately $300,000,000 below the high point of May, and there is evidence that member banks are making continued efforts to reduce their borrowings at Federal Reserve Banks.

The Committee does not believe that conditions necessitate an immediate purchase of securities by the System. It is of the opinion, however, that as pointed out at its last meeting, an extended period of high money rates and heavy pressure resulting from large borrowings by member banks would not be wholesome and that there are some indications that with the approaching fall demands for credit it may soon be possible or necessary to take
"steps looking toward the reduction, or at least the avoidance of the necessity of any substantial increase in the volume of member bank discounts. With these facts in view and realizing that if and when the time arrives undue delay may be hurtful to the situation, the Committee recommends that it should be the policy of the System to purchase securities whenever that should become necessary to avoid undue credit stringency.

The Committee would expect to take such steps as may be needed to carry out this policy, if approved, believing, however, that it might be advisable to have another meeting of the Committee to review the effect of any steps that may be taken in pursuance of this policy."

A detailed discussion of the report ensued, during which Mr. Harrison stressed the fact that the Committee's recommendation for the purchase of securities is intended to cover only an emergency situation and that securities would be purchased only as a last resort if a dangerously tight money situation should arise despite efforts to prevent such a situation through purchases of acceptances, exchange operations and otherwise.

Upon inquiry by the Governor, the other members of the Committee confirmed Mr. Harrison's statement that their recommendation contemplated purchases of government securities only as a last resort in an emergency situation.

REPORTS OF STANDING COMMITTEES:

Dated, August 10th, 11th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, August 9th, 13th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, August 7th, Recommending approval of the application of Mr. William F. Garcelon for permission to serve at the same time as director of the United States Trust Company, Boston, Mass., and as director of the Newton National Bank, Newton, Mass. Recommendation approved.

Dated, August 7th, Recommending approval of the application of Mr. Wynant D. Vanderpool for permission to serve at the same time as director of the National Newark and Essex Banking Company, Newark, N. J., and as officer and director of the Morristown Trust Company, Morristown, N. J. Recommendation approved.
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 7th, Recommending approval of the application of Mr. Albert Graham for permission to serve at the same time as director of the First National Bank, Crafton, Pa., and as officer and director of the West End Savings Bank and Trust Company, Pittsburgh, Pa.

Recommendation approved.

Dated, August 9th, Recommending approval of the application of Mr. Tom M. Girdler for permission to serve at the same time as director of the Union National Bank, Pittsburgh, Pa., and as trustee of the Equitable Trust Company of New York, New York.

Recommendation approved.

Dated, August 9th, Recommending approval of the application of Mr. T. C. Erwin for permission to serve at the same time as director and officer of the Citizens and Southern National Bank, Savannah, Ga., and as director of the First National Bank, Marietta, Ga.

Recommendation approved.

Dated, August 10th, Recommending approval of the application of Mr. T. A. Wright, Jr., for permission to serve at the same time as director of the City National Bank, Knoxville, Tenn., as director of the First National Bank of Rockwood, Tenn., and as director of the Bankers Trust Company, Knoxville, Tenn.

Recommendation approved.

Dated, August 10th, Recommending approval of the application of Mr. S. D. Dimmick for permission to serve at the same time as director of the First National Bank, Nanticoke, Pa., and as director of the Dime Bank-Lincoln Trust Company, Scranton, Pa.

Recommendation approved.

The meeting adjourned at 4:45 p.m.

Approved:

[Signature]

Governor