

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 15, 1928, at 10:30 a.m.

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

Governor Young stated that special order of business would be further consideration of the report made by the Open Market Investment Committee at its meeting with the Board on August 13th, and the proposals submitted by Mr. Miller and Mr. James as to methods, other than the purchase of Government securities, by which the seasonal credit demands incident to the movement of crops could be met, namely, the establishment of preferential rates on paper arising out of the marketing of the current crop or on bankers' acceptances and trade bills.

Mr. James stated that he was prepared to amend his suggestion so that it would cover only new bills and acceptances drawn after a certain date.

The Governor stated that, so far as he could see, the Board was in agreement that the increased demands for credit for seasonal requirements might put a strain on the whole credit situation that would react unfavorably to business and industry, and that if such a situation should develop, some relief should be given by the System. He pointed out and the Board discussed the various operations which have been suggested.

Following the discussion, Mr. Miller moved:

"That the Board establish a new class of paper to be known as seasonal crop marketing paper, such paper

"(specifically defined in the proposed letter submitted at the meeting of the Board on August 13) to consist generally of notes, drafts and bills of exchange, the proceeds of which have been or are to be used for the orderly and systematic marketing of current crops."

He stated that should this new classification of paper be established by the Board, he proposed to move that announcement be made to the Federal Reserve banks and they be advised also that the Board will entertain proposals to establish preferential rates up to one per cent on such seasonal crop marketing paper during the current marketing season.

The motion was then put by the Chair and lost, the members voting as follows:

Governor Young, "no"
Mr. James, "no"
Mr. McIntosh, "no"
Mr. Platt, "aye"
Mr. Miller, "aye"

All of the members voting in the negative stated that they did so because they did not feel that they were sufficiently informed as to the practicability of the action proposed. Mr. Platt stated that he voted in the affirmative with some qualification.

It was suggested that the recommendation of the Open Market Investment Committee, as well as the proposals for preferential rates on commodity paper or on bankers' acceptances and trade bills, whether or not limited to new bills, might be submitted to all of the Federal Reserve Banks for their consideration. It was the consensus of opinion, however, that some affirmative action should be taken by the Board, either to approve the recommendation of the Open Market Investment Committee or to suggest some

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other definite course of action.

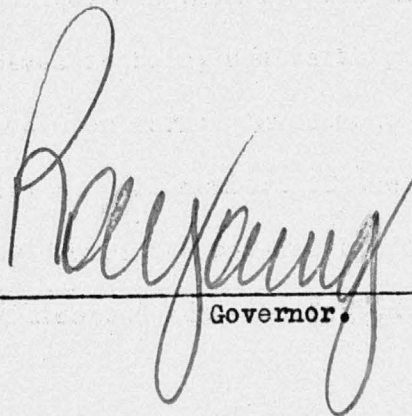
Several members of the Board felt that more information should be had regarding the status of the acceptance market and the effect reduced buying rates on new bills might have on existing bills. At the suggestion of the Board, the Governor communicated the several proposals under consideration by telephone to Mr. Paul M. Warburg, former member of the Board and former member of the Federal Advisory Council, now engaged in the acceptance business, whom he reported would take them under consideration and later advise the Board of his reaction thereto.

It was also suggested that Deputy Governor Kenzel of the Federal Reserve Bank of New York, in charge of the acceptance business of that bank, might give the Board some information which would help it in its considerations and the Governor was requested to ask Mr. Kenzel to come to Washington for the purpose of meeting with the Board tomorrow.

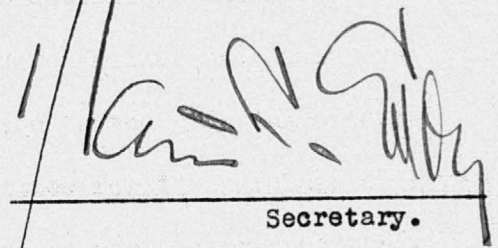
Several proposed motions and resolutions were informally presented and discussed but action was deferred until the meeting tomorrow.

The meeting adjourned at 1:10 p.m.

Approved:



 Governor.



 Secretary.