

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, August 16, 1928 at 10:30 a.m.

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

The minutes of the meetings of the Federal Reserve Board held on August 14th and 15th were read and approved.

The Governor reported that in accordance with the instructions of the Board yesterday he invited Mr. Kenzel, Deputy Governor of the Federal Reserve Bank of New York, to come to Washington for a conference with the Board today but that Mr. Kenzel could not conveniently do so.

Mr. Miller reported a telephone conversation with Mr. Paul M. Warburg regarding the proposals under consideration by the Board for meeting any strain upon the future credit situation which may develop from the seasonal requirements of credit.

Consideration of the report and recommendations of the Open Market Investment Committee was then resumed and Messrs. Miller and James expressed themselves as being unalterably opposed to the granting of any authority to the Open Market Investment Committee for the purchase of government securities. All members of the Board, however, expressed their belief that any securities offered by foreign banks of issue should be taken over and absorbed into the System Account if they can not be resold to the market.

The Governor submitted a letter dated August 11th from Mr. Cunningham

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from which he read the following excerpt:

"Personally I feel, with the large crops now coming on that prices are bound to go lower and anything that can be done to assist in bringing a net return to the producer would be helpful. I would favor easing up on the discount rate, but would not favor easing the situation by open market purchases. A lower discount rate would be welcomed by all legitimate business interest. Easing the situation through open market purchases looks like too much effort to help big interest only, and the country would be likely to resent it."

Governor Young also presented the following telegram received by Mr. Platt this morning from Mr. Hamlin:

"Answering your telephone message I would say that I know only in a general way the report of the Committee. Feel personally that pressure should not be relaxed for sometime at least. Would, however, favor discretionary authority to Committee to buy acceptances as usual, and, in case of sudden emergency, or of conditions under which continuous pressure would injure crop moving and penalize business more than it would be of help in controlling existing tendencies, to purchase securities up to a fixed amount, but, if reasonably possible Committee should consult with Governor Young before buying securities; if not possible, the Committee should have discretionary authority to act."

The question of possible reduction in Federal Reserve bank rediscount rates, as suggested by Mr. Cunningham, was then discussed and Mr. James moved -

"That the Federal Reserve Bank of Chicago be requested to reconsider its recent action in increasing its rediscount rate from $4\frac{1}{2}\%$ to 5% , with a view of reducing said rate."

Mr. James' motion being put by the Chair was lost, the members voting as follows:

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

Governor Young then submitted a proposed letter to the Acting Chairman

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of the Open Market Investment Committee which, during the discussion which ensued, he amended to read as follows:

"The Board has reviewed carefully the report of the Open Market Investment Committee and its recommendations of August 13, and has also considered the verbal discussion which took place during the meeting, and it is in agreement with the Committee that the seasonal requirements of credit will probably develop a strain upon the future credit situation which may react unfavorably upon commerce and industry, and that if such a situation should develop, the System should take some action to relieve the strain.

The Board would not care to agree to the purchase of Government securities, except as a last resort. We understand from the discussion had with your committee that you favor easing through the bill market, if possible, and through the Government security market only if unavoidable. With this understanding, the Board approves the purchase of Government securities by the committee but limits the amount to \$100,000,000. If a situation should develop which will require reconsideration, the Board will be glad to meet the committee at any time for that purpose."

Governor Young moved approval of the letter as quoted above.

Mr. James moved, as a substitute for the Governor's motion, that the letter be approved in the following form:

"The Board has reviewed carefully the report of the Open Market Investment Committee and its recommendations of August 13, and has also considered the verbal discussion which took place during the meeting, and it is in agreement with the Committee that the seasonal requirements of credit will probably develop a strain upon the future credit situation which may react unfavorably upon commerce and industry, and that if such a situation should develop, the System should take some action to relieve the strain.

The Board would not care to agree to the purchase of Government securities, except as a last resort. We understand from the discussion had with your committee that you favor easing through the bill market, if possible, and through the government security market only if unavoidable. If a situation should develop which will require reconsideration, the Board will be glad to meet the committee at any time for that purpose."

After further discussion, Mr. James' substitute motion was put by the Chair and lost, the members voting as follows:

Mr. Miller, "aye"
Mr. James, "aye"
Governor Young, "no"
Mr. Platt, "no"
Mr. McIntosh, "not voting"

Governor Young's original motion was then put to a vote and carried, the members voting as follows:

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

Telegram dated August 15th from the Chairman of the Federal Reserve Bank of Boston, 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.

Report of Executive Committee on letters dated August 15th from the Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum each for Messrs. Grady T. Witt and W. W. Pierce, National Bank Examiners assigned to the Eleventh Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated August 13th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting a list of employees for whom the directors of that bank 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 has

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exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on District #11 recommending the appointment of Mr. John M. Bennett as a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for the unexpired term of Mr. F. E. Scobey, resigned, ending December 31, 1930.

Upon motion, Mr. Bennett was appointed a director of the San Antonio Branch for the unexpired term ending December 31, 1930.

Letter dated August 13th from the Chairman of the Federal Reserve Bank of Atlanta, transmitting copy of a resolution adopted by the board of directors of that bank at its meeting on August 10th, that, subject to the approval of the Federal Reserve Board, the period of operation of the revolving currency fund at Miami, Fla. be extended six months from October 2, 1928, and that the officers of the bank be authorized and empowered to renew the agreement on behalf of the Federal Reserve Bank of Atlanta with the First National Bank of Miami, Fla. to act as custodian for a fund of \$1,500,000 in Miami for an additional period of six months from October 2, 1928, to be secured by the deposit of United States government obligations at their face value to the extent of 110% of the amount of currency on hand.

After discussion, upon motion, it was voted to approve the continuance of the Miami revolving currency fund until January 1, 1929 and to advise the Federal Reserve Bank of Atlanta that if the emergency which requires the maintenance of this fund extends beyond January 1, 1929, and at that time it is desired to further extend the operation of the fund, the Board will feel justified in designating Miami as a reserve city under Section 11 (e) of the Federal Reserve Act.

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On this motion, Mr. James requested to be recorded as voting "No" and Mr. Miller as "Not voting".

Mr. James made the following statement:

"I voted 'No' on the proposal to renew the Revolving Fund at Miami, as I did when the Fund was first established, because as I see it the whole plan is equivalent to lending the First National Bank between a half million and a million dollars without interest (Reports of examination show vault cash at First National Bank of Miami September 28, 1926 - \$1,025,031.61 and on June 15, 1928 - \$272,120.18).

If the Fund is to be continued, then, in my opinion, Miami should be designated as a Reserve City in order to preserve equity in the service to member banks."

Matter approved on initials on August 14th, namely, telegram dated August 14th from the Governor of the Federal Reserve Bank of Minneapolis recommending approval of a proposal of the Metals Bank and Trust Company, Butte, Montana, to purchase the assets and assume the deposit liability of W. A. Clark & Brother, Bankers.

Formally approved.

Memorandum from Counsel dated August 13th, submitting draft of reply to letter dated July 19th from the Deputy Governor of the Federal Reserve Bank of New York, stating that an interior bank desires to deposit 100,000 pounds Sterling in the London branch of a New York City bank with an agreement that the deposit will be repaid at the end of ninety days in dollars at a rate of exchange already determined, and inquiring whether such a deposit may be considered as a balance due from a bank and, therefore, deductible from balances due to banks in calculating required reserves; the proposed reply stating that the deposit in question can not properly be deducted from balances due to banks since it is not immediately payable and is a foreign currency balance, not payable in dollars until the end

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of ninety days.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated August 13th, submitting draft of reply to letter dated July 17th from the Assistant Federal Reserve Agent at Kansas City, inquiring whether the liability created by a member bank short in its reserve which purchases Federal Reserve exchange from another bank having a temporary excess and issues its cashier's check therefor should be treated as "money borrowed" or as "Cashier's checks outstanding"; the proposed reply stating that the liability should be classified as "money borrowed".

Upon motion, the proposed letter was approved.

Letter dated August 9th from the Director of Field Survey of the Personnel Classification Board, referring to a nation-wide study of salaries paid by commercial institutions to persons holding positions analagous to those in Federal employ to be made in connection with a report which the Personnel Classification Board has been directed to submit to Congress, with recommendation, embodying a classification of the positions of all Federal employees outside the District of Columbia; the letter requesting the cooperation of the Board and Federal Reserve banks in securing data both from the Federal Reserve banks and from their members.

Upon motion, the Secretary of the Board was directed to transmit a copy of the letter to each Federal Reserve bank with the request that the cooperation requested by the Personnel Classification Board be given.

Memorandum from Counsel dated August 6th with further reference to the Clayton Act application of Messrs. Ben Mays and Joe Ledbetter, involving the Grand National Bank of St. Louis and the First National Bank of

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Clayton, Mo., which was disapproved by the Board on June 20, 1928 and later, at the request of Mr. Ledbetter, resubmitted to the Federal Reserve Agent at St. Louis; Counsel stating that a letter received from the Federal Reserve Agent advises that he has not changed his recommendation on the applications.

Upon recommendation of the Law Committee, it was voted to advise the applicants that the Board cannot reconsider its previous action.

Mr. James then referred to the question of Open Market operations of the Federal Reserve System and moved that at an early meeting of the Board, at which the full membership is present, consideration be given to the advisability of having all Federal Reserve banks represented on the Open Market Investment Committee.

Mr. James' motion being put by the Chair was carried.

Mr. Miller then gave notice that when consideration is given to the question of having all banks represented on the Open Market Investment Committee, as provided in Mr. James' resolution, he will move that all meetings of the Committee be conducted under the supervision of the Federal Reserve Board, with the Governor of the Board presiding as Chairman of the meeting.

REPORTS OF STANDING COMMITTEES:

Dated, August 15th, 16th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, August 15th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 13th, Recommending approval of the application of Mr. L. T. Crowley for permission to serve at the same time as director of the Bank of Wisconsin of Madison, Wis., and as director of the First National Bank of Madison, Wis.

Recommendation approved.

Dated, August 13th, Recommending approval of the application of Mr. P. B. Knox for permission to serve at the same time as director of the First National Bank, Madison, Wis., and as director of the Bank of Wisconsin, Madison, Wis.

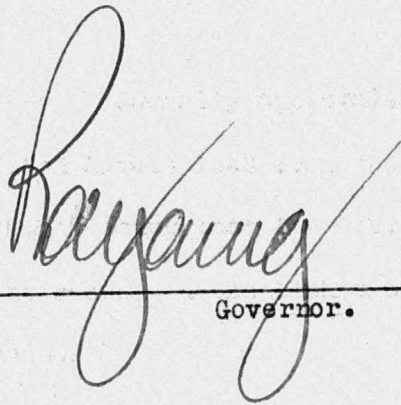
Recommendation approved.

Dated, August 11th, Recommending approval of the application of Mr. William H. Taylor for permission to serve at the same time as director of the Northern Trust Company, Philadelphia, Pa. and as director of the Central National Bank, Philadelphia, Pa.

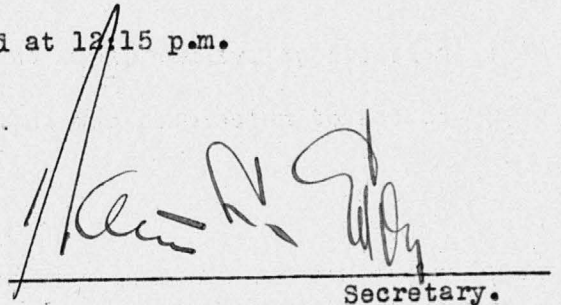
Recommendation approved.

The meeting adjourned at 12:15 p.m.

Approved:



 Governor.



 Secretary.