

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 11, 1928 at 11:00 o'clock a. m.

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

Messrs. Henry B. Wilcox and Waldo Newcomer appeared before the Board and on behalf of the Baltimore Clearing House Association extended an invitation to the members of the Board to attend a dinner to be given by the Association on Wednesday, October 17th, the evening preceding the formal opening of the new Baltimore Branch Bank building. They stated that the directors of the Federal Reserve Bank of Richmond and its Branches are also being invited and expressed the hope that all members of the Board will be able to accept. The Governor and Mr. James explained that they are leaving tomorrow evening for an absence of about ten days, but Messrs. Platt, Hamlin and McIntosh accepted the invitation.

Messrs. Wilcox and Newcomer and Mr. McIntosh then left the meeting.

The Governor then invited Dr. Goldenweiser and Mr. Parry, Director and Assistant Director of the Division of Research and Statistics, into the room for a discussion of the statistical reporting service being carried on by the Board. He stated that he did so because of objections raised by Mr. James to certain statements which the Board is releasing to the press and at his request Mr. James outlined his objections. He referred particularly to a statement entitled "Retail Trade in the United States in September, 1928" prepared for release a day or two ago from which he read the following:

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"Sales of mail order houses were 24 per cent larger than in September last year, and those of five-and-ten-cent chain stores were 12 per cent larger. The changes in the volume of business of these firms reflect in part an increase in the number of retail outlets which are being placed in operation each month."

He stated that he wished to be recorded as opposing publication of statements of this kind which in his opinion are misleading. He stated his personal knowledge that the increased business of so-called mail order houses is not altogether of a mail order character, but is due very largely to the fact that the firms have greatly increased their capitalization and opened numerous retail stores in various cities of the country in competition with existing retail establishments which suffer a loss of business thereby. He stated that from the Board's statement he believes the public would get an incorrect impression that there is a general increase in retail business over the country.

The Governor called attention to the qualifying statement contained in the paragraph, namely, "The changes in the volume of business of these firms reflect in part an increase in the number of retail outlets which are being placed in operation each month." He stated that this qualification is entirely satisfactory to him and in his opinion would prevent any erroneous impression on the part of the public.

Mr. Goldenweiser stated that letters have been prepared to the mail order houses which report to the Board requesting them to advise as to the number of stores in operation, for publication along with information as to the volume of business conducted by them.

Mr. James moved discontinuance of the publication of the Board's monthly statement of retail trade in the United States.

Mr. James' motion was put by the Chair and lost, Mr. James voting "aye".

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Mr. Hamlin then moved that the statement be continued but that in the current release the paragraph above quoted be amplified by the addition of the following:

"And therefore are not an accurate indicator of the gross purchases of the public in the absence of data as to the number of stores."

Mr. Hamlin's motion was put by the Chair and lost, Messrs. Hamlin and James voting "aye".

After further discussion, Dr. Miller moved that the Director of the Division of Research and Statistics prepare for insertion in the November issue of the Federal Reserve Bulletin a paragraph explaining the basis of the retail trade statistics gathered and published by the Board, including what it is proposed to do by way of reorganizing the method of reporting the data, due to the shift that is going on in retail trade, particularly in the business of so-called mail order houses, as a result of which the caption "Mail order Business" exaggerates the business done by the so-called mail order houses.

Carried

Telegram dated October 10th 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.

Reports of Committee on Salaries and Expenditures on letters dated October 8th from the Chairman of the Federal Reserve Bank of Philadelphia and October 6th from the Chairman of the Federal Reserve Bank of St. Louis, transmitting lists of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of September, where the total absences since January 1, 1928 have exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated October 5th from the Secretary of the Federal Reserve Bank of Cleveland, requesting approval of the action of the board of directors of that bank in voting to increase from \$3,500 to \$6,000 the fund established, with the approval of the Board, for the purpose of making advances to needy employees of the bank; the Board's Committee recommending approval.

Approved.

Letter dated October 9th from the Assistant Federal Reserve Agent at New York, advising of a contemplated merger of the Seventh National Bank of New York with the Municipal Bank and Trust Company of Brooklyn; the Assistant Agent advising that the merger will give the Municipal Bank and Trust Company three additional offices in the Borough of Manhattan.

Noted.

Memorandum dated October 10th from the Secretary, advising that the Assistant Federal Reserve Agent at New York, who is handling the investigation requested by the Board of the organizers of the proposed Federal International Investment Trust, advised over the telephone yesterday that Mr. Franklin D. Roosevelt, who was to be the active head of the corporation, has withdrawn because of his nomination as Governor of the State of New York; the Secretary advising that it has not yet been decided who will head the corporation and that the organizers have been informed that until this is determined, and the Board is advised, no action can be taken on the organization certificate and articles of association which are before the Board for approval.

Noted.

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Memorandum from Counsel dated October 5th, with regard to letter dated October 3rd from the Organization Committee of the proposed Federal International Investment Trust, submitting a circular or prospectus for use in connection with the sale of stock in the Corporation; Counsel calling attention to a statement contained in the prospectus describing the corporation as "An International Trade Clearing House chartered and supervised by the Federal Reserve Board." The Secretary read to the Board a memorandum from Mr. Hamlin, Chairman of the Law Committee, expressing the opinion that the statement is somewhat deceptive even though it may be a fair description of what the corporation intends to be.

After discussion, upon motion, the Governor was requested to communicate with the Organization Committee of the corporation, along the lines of Mr. Hamlin's memorandum.

The minutes of the meeting of the Federal Reserve Board held on October 10th were then read and approved.

The Secretary then referred to the fact that the group classifications governing in elections of Class A and B Directors of the Federal Reserve Banks have been unchanged since 1918 and stated that in several of the Federal Reserve Districts the groupings are out of balance. He suggested that the question of reclassification be taken up by letter with the Chairmen of the Federal Reserve banks and discussed at their forthcoming Conference.

Upon motion, the suggestion of the Secretary was approved.

The Governor then referred to the resolutions on the subject of the examination of state member banks adopted by the Board on October 9th and amended at the meeting yesterday. He presented and read to the Board draft of a memorandum setting forth rules and regulations with respect to

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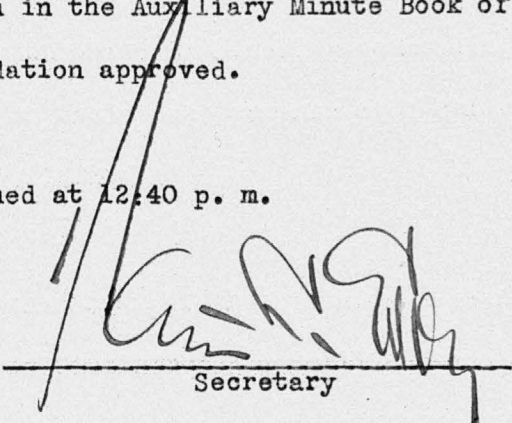
the examination of state member banks, together with draft of a proposed letter to all Federal Reserve Agents advising of the rules and regulations and setting forth a general procedure to be followed out in making them effective. An informal discussion ensued during which various members of the Board commented upon particular provisions of the memorandum and letter. The Governor stated that he did not request immediate action and that, after some amendment in line with the discussion, he will furnish copies of the memorandum and letter to each member of the Board for his information, with the understanding that the subject will be brought up for formal consideration upon the return of Mr. James and himself from their visit to the Southwest, which will be about October 20th.

REPORTS OF STANDING COMMITTEES:

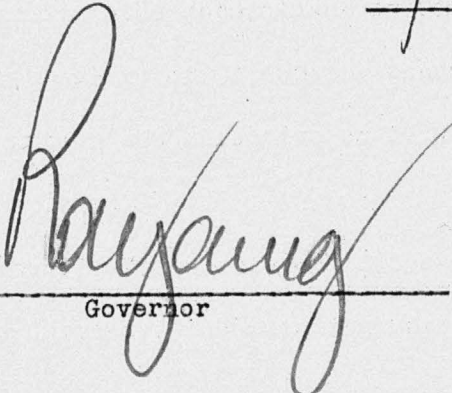
Dated, October 8th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 12:40 p. m.


Secretary

Approved:


Governor