

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 30, 1928 at 11:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on October 26th were read and approved.

Telegram dated October 26th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Board of Directors at its meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated October 30th from the Secretary's office calling attention to the fact that the temporary appointment of Charles G. Trescott as messenger expires at the close of business November 3, 1928.

Upon motion, the appointment was made permanent at a salary of \$900 per annum.

Report of Executive Committee on letter dated October 29th from the Comptroller of the Currency, recommending approval of a salary of \$5,000 per annum for National Bank Examiner Henry R. Tull, assigned to the Fourth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated October 26th from the Secretary of the Federal Reserve Bank of Chicago, trans-

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mitting list of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the period September 28th to October 25th, where the total of such absences since January 1, 1928 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Memorandum dated October 26th from the Director of the Division of Research and Statistics, approved by the Committee on Research and Statistics, referring to the instructions of the Board at its meeting on October 11th and recommending that the table in the Federal Reserve Bulletin showing sales of mail order houses carry the following footnote, with reference both from the title of the table and from the figures - "It is to be noted that the two largest of the reporting mail order houses have been establishing throughout the country during recent years an increasing number of branch stores in which sales are made over the counter. Changes in the volume of sales by these firms, therefore, no longer measure changes in sales through the mail".

Upon motion, the recommendation was approved.

The Board then considered the proposed letter to the President of the Federal Advisory Council, submitted by Mr. Miller at the meeting on October 26th, requesting consideration at the next meeting of the Council of the question of the relation of the Federal Reserve System and the call loan market.

A general and detailed discussion ensued during which several changes in the proposed letter were suggested by members of the Board and accepted by Mr. Miller.

Mr. James, during the course of the discussion, requested to be recorded as objecting to consideration of the question referred to at the present time.

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At the conclusion of the discussion, it was voted that copies of the letter, in the following amended form, be furnished to each member of the Board and that it be brought up for further consideration at the meeting tomorrow.

"Credit developments and money market movements during the last year have been the subject of widespread public interest. Particular attention has been drawn to the behavior of the call loan market and call loan rates; and the connection and responsibility of the Federal Reserve System in the situation.

The present seems to afford a peculiarly opportune time for a thorough-going consideration by the Council of these matters and the Board therefore proposes as a subject for consideration at the next conference of the Federal Advisory Council with the Board the topic -

'The relation of the Federal Reserve System and the call loan market.'

In this connection, it is further suggested that the following subjects be given careful consideration:

- (1) The relation of Federal reserve discount rates and call loan rates.
- (2) The effect of open market operations and buying rates of the Federal Reserve System on the call loan market.
- (3) The relation of call loan rates to other money rates.
- (4) The proper function and use to be made of banking investments in call loans.
- (5) What responsibility in the opinion of the Council has the Federal Reserve System in the matter of the call loan market and by what methods of policy, control, management or operation may that responsibility be effectively discharged with a minimum of interference with the free play of industrial or commercial credit?"

A general discussion then ensued with respect to the Committee report, submitted at the meeting on October 26th, of a suggested revision of the Open Market Investment procedure of the Federal Reserve System, but the matter was put over without action until the meeting of the Board on Thursday.

Mr. Platt then reported an official conversation with Mr. Young, economist

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of the State Department, during which he was advised that the United States government will be represented at a conference on economic statistics to be held under the auspices of the League of Nations on November 26, 1928, and that the representative of the government, Mr. Durand of the Department of Commerce, would like to be accompanied by some representative of the Board's Division of Research and Statistics, preferably Mr. Woodlief Thomas, who has charge of the Board's domestic business statistics. He also reported that Mr. Young expressed the opinion that the Department of State will have no objection to a representative of the Board attending the Conference.

The Governor presented a memorandum on the subject addressed to him by the Director of the Division of Research and Statistics, referring to previous correspondence between the Board and the Department of State, and submitting draft of a proposed letter to the Secretary of State, inquiring formally whether it is agreeable to the Department to have a member of the Board's staff attend the conference.

After discussion, Mr. Hamlin moved that the Governor of the Board be given power to act in the matter, after consultation and agreement with the Chairman of the Board.

Mr. James moved, as a substitute for Mr. Hamlin's motion, that it is sense of the Federal Reserve Board that a representative of the Board should not be sent to the Conference.

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

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

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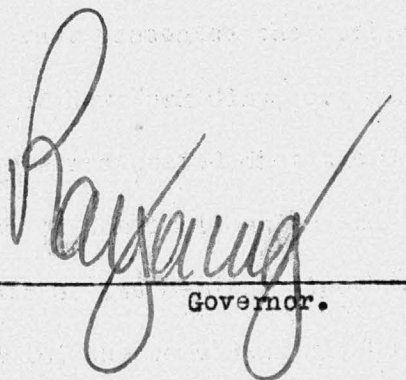
Mr. Hamlin's original motion was then put to a vote and carried, Messrs. James and Cunningham not voting.

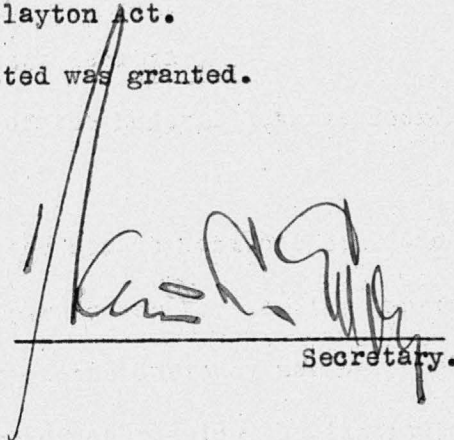
Mr. Hamlin then requested that the Board's Law Committee be authorized to go to New York for the purpose of conferring with the Federal Reserve Agent there with respect to a proper definition of the term "public interest" within the meaning of the recent amendment to the Clayton Act.

Upon motion, the authority requested was granted.

The meeting adjourned at 1:00 p.m.

Approved:



Governor.

Secretary.