

A meeting of the Federal Reserve Board was held in the Office of the Governor on Thursday February 14, 1929, at 3:00 p. m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

The reading of the minutes of the meetings of the Board held on February 12 and 13 was dispensed with.

Matter approved on initials this morning, namely, application of the Wakefield National Bank, Wakefield, Nebraska, for original stock (30 shares) in the Federal Reserve Bank of Kansas City, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Telegrams dated February 13th from the Chairman of the Federal Reserve Bank of Boston; February 13th from the Assistant Federal Reserve Agent at Philadelphia; February 13th from the Chairman of the Federal Reserve Bank of Richmond and February 14th 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.

Noted.

Memorandum dated February 12th from the Director of the Division of Research and Statistics recommending that the temporary appointment of Mrs. Mildred DeHart Murphy, stenographer in the Division, which expires on February 15th, be made permanent.

Approved.

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Letter dated February 8th from the Chairman of the Federal Reserve Bank of San Francisco advising of the appointment of Mr. D. W. Twohy, Chairman of the Old National Bank and Union Trust Company of Spokane, as a director of the Spokane Branch of the Federal Reserve Bank of San Francisco for the unexpired term of Mr. C. E. McBroom, resigned, ending December 31, 1929.

Noted.

Letter dated February 13th from the Chairman of the Federal Reserve Bank of New York, referring to the action of the Board on February 9th and advising that the board of directors of the bank has voted to fix the salary of Mr. W. W. Schneckenburger, Managing Director of the Buffalo Branch, at \$15,000 for the year 1929, and that of Mr. Carl Snyder, Statistician, at \$11,000 for the year.

Approved.

Letter dated February 9th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of the action of the board of directors of that bank in voting to increase the salaries of Mr. L. L. Magruder and Mr. H. C. Frazer, Manager and Assistant Manager of the Havana Agency, from \$6,000 to \$8,400 per annum and from \$4,200 to \$6,300 per annum, respectively, effective January 1, 1929; the letter also requesting approval of an increase from \$2,700 to \$2,820 per annum in the salary of Mr. W. E. Miller, Assistant Auditor at the New Orleans Branch, effective January 1, 1929.

The Secretary presented a telegram from Mr. James, who is in San Francisco, concurring in a recommendation by Mr. Platt, the other member of the Committee on Salaries and Expenditures, that the salaries fixed by the Atlanta directors be approved.

Upon motion, the salaries set forth above were approved, effective January 1, 1929.

Report of Committee on Examinations on letter dated February 13th from the Federal Reserve Agent at Richmond, transmitting and recommending approval of an application of the Baltimore Trust Company, Baltimore, Maryland, for permission to merge with the National Union Bank of Maryland, under the charter and title of the member trust company; the Board's Committee also recommending approval.

Noted with approval.

Letter dated February 13th from the Comptroller of the Currency, advising that he feels it would be most helpful for the Board to file a brief, as amicus curiae, in the Worcester County National Bank case now pending in the United States Supreme Court. Mr. Hamlin, Chairman of the Law Committee, stated that Mr. Vest, Assistant Counsel, has already prepared and submitted to the Law Committee a draft of such a brief, which, at the request of Mr. Baker, does not argue any point of law but is restricted to an exposition of the importance of the case to the Federal Reserve System. He stated that, while the brief is well written, he does not believe that it will add any strength to the argument of the case.

Upon motion, it was voted to request the Law Committee to consult further with the Comptroller of the Currency with regard to the filing of the brief which has been prepared.

Letter dated February 13th from the Governor of the Federal Reserve Bank of New York, transmitting copy of a letter to the Governors of those Federal reserve banks which are not represented on the Open Market Investment Committee, advising of sales of securities of about \$21,500,000 made

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from the System's Open Market Investment Account to offset gold imports received from London since the first of February; the letter to the Board also stating that while it appears that the flow of gold from London has been checked, nevertheless, it is very likely that some gold may be received from Berlin, as the Reichsbank has cabled that it is possible gold must be shipped and inquiring whether there would be some way by which the Federal Reserve Bank could make advances against gold in transit. With the above letter, there was a reply made by the Governor stating that he had already reported the information to the Board on the basis of telephone conversations, and that the Board approves the sales of Government securities and has no objection to temporary advances being made to the Reichsbank on gold in transit, although it would like to be advised as soon as the amount of such advances is known.

The above letter and reply having been circulated among the members of the Board, were noted.

Memorandum from Counsel dated February 12th on letter dated February 7th from the Federal Reserve Agent at Atlanta, advising that the board of directors of the bank has voted to approve a payment of \$1,500 to Mr. Ralph J. Schwarz of New Orleans, as attorney's fees for services rendered the New Orleans Branch in accordance with a memorandum enclosed with the letter; Counsel stating that in view of the many legal services rendered the Branch, the bill seems reasonable and he recommended that it be approved by the Board.

Upon motion, the payment was approved.

Report of Committee on Examinations on letter dated January 31st, signed by the Governor and Assistant Federal Reserve Agent of the Federal Reserve Bank of St. Louis, advising that in accordance with the action of

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the Board on August 29, 1928, the continued hearing of the Lawrence County Bank, Walnut Ridge, Arkansas, to show cause why it should not forfeit membership in the Federal Reserve System, was held in the Federal Reserve Agent's office on January 29, 1929; the letter recommending, for reasons stated therein, that the hearing before the Federal Reserve Agent at St. Louis be again continued until Tuesday, December 17, 1929, at ten o'clock a. m., upon condition that the bank effect a reduction of about \$50,000 in the liabilities of directors, officers and their interests by March 15, 1929, furnishing the Federal Reserve Bank with a statement at that time showing the progress made, which will be verified, and also a monthly report thereafter.

After discussion, upon recommendation of the Committee on Examinations, it was voted that the Board's hearing in the above case be postponed until eleven o'clock on the morning of December 27, 1929, and that the member bank be advised that if it wishes to waive its right to appear before the Board on that date, it may appear before the Federal Reserve Agent in his office at the Federal Reserve Bank at St. Louis, at ten o'clock on the morning of Tuesday, December 17, 1929.

The Governor then stated that he talked over the telephone this morning with the Governor of the Federal Reserve Bank of New York, who advised him that bill rates are again being advanced by dealers in New York City, and that it will probably be necessary for the New York Bank to make some increase in its buying rates. He stated that Governor Harrison referred to a hardening of rates outside of New York City and the general expansion of credit, among other things, as reasons for considering an increase in discount rates. The Governor stated that he referred to the fact that the Federal Advisory Council is in session today and the Board expects to discuss the credit situation with the Council tomorrow.

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He then referred to a telephone conversation with the Governor of the Federal Reserve Bank of Philadelphia, who advised him that the directors of that bank have talked over the situation and are inclined to defer any rate action until the effect of the Board's recent statement can be ascertained.

Governor Fancher of the Federal Reserve Bank of Cleveland, the Governor stated, has advised him that his directors see no occasion for an increase in the rate of that bank at this time, although they might find it necessary to take action in the event of increases by nearby banks.

The Governor stated that Mr. Pole, being unable to attend the meeting today, had advised that, although he has not been able to give the matter a great deal of consideration, his first thought is that sufficient time should be given to ascertain the effect of the Board's statement before any rate action is taken.

He then submitted the following telegram addressed to him by Mr. James from San Francisco this morning:

"Meeting here yesterday and today most satisfactory. Attendance fine and interest and participation in program by all present most gratifying. Boards recent announcement has hearty approval and belief here is that it will be effective in this district. Rates were discussed and meeting was of the unanimous opinion that nothing in the district warrants any raise but recognized the possibility of a change being forced upon this bank by action in other districts. Visiting officers and directors discussed business conditions and prospects candidly and fully and on the whole I gather the district is in mighty good shape. Don't know when I have met with more representative crowd. Am highly pleased at attitude of officers and directors at head office."

He also advised that letters have been received from the Chairman of the Federal Reserve Bank of San Francisco, dated February 9th, and from the Chairman of the Federal Reserve Bank of Dallas, dated February 11th, replying to the Board's letter of February 2nd, with regard to the improper

use of the credit facilities of the Federal Reserve System by member banks, which have been placed in circulation.

Mr. Miller then submitted a new draft of a proposed reply to Senate Resolution 323, copies of which he stated were previously distributed among the members of the Board. Suggestions for changes in the draft were made during a general discussion of the letter which ensued.

At about four o'clock the discussion was interrupted when the Governor was called to the telephone and received a message from the Governor of the Federal Reserve Bank of New York that the directors of that bank, then in session, had unanimously voted to establish a rediscount rate of 6%. The Governor was also advised that the New York directors would remain in session until advised of the action of the Board.

After considerable discussion, it was moved "That the Governor be instructed to call Governor Harrison and advise him that the Board has received the verbal advice that the directors of the Federal Reserve Bank of New York have established a rediscount rate of 6%, and that the Board will hold the matter for review, and during the interim, has determined that the rate be 5%."

This motion, being put by the Chair, was carried, the members voting as follows:

Governor Young "aye"
Mr. Hamlin "aye"
Mr. Miller "aye"
Mr. Cunningham "aye"
Mr. Platt "no"

The Governor stated that he voted "aye", not because he is opposed to an increase in rate at this time, but solely to support the majority action of the Board taken at the meeting on February 5th in issuing a public statement with regard to the credit situation.

The Board's action was at once communicated to the Governor of the New York bank over the telephone by Governor Young.

There was discussion in which the viewpoints of the various members of the Board were expressed. The Governor was requested

to make a memorandum of the points brought out.

(Secretary's Note: The memorandum prepared by the Governor, in accordance with the above request, follows:

"In taking the action that the Board did in disapproving the request for a rate raise from the Federal Reserve Bank of New York, the Board took the following into consideration:

(1) On February 2nd the Board despatched letters to all of the Federal reserve banks making inquiry as to what method of procedure was followed by the various banks to stop the seepage of Federal reserve credit into the speculative credit market. Replies have not been received from some of the banks, including New York, but those that have been received seem to indicate approval of the Board's letter in a spirit of cooperation for beneficial results.

(2) Sufficient time has not elapsed to determine the effect of the Board's public statement of February 7th.

(3) The Board has made inquiries of nearby reserve banks and from the expressions received from their officers, feel that their directors believe that the present is not the opportune time to initiate a program for the increase of rates, but prefer to wait to see the effects of the Board's statement.

(4) While the import movement of gold from England has apparently stopped temporarily, the advices of the New York Bank indicate that gold will be coming in shortly from other foreign countries; a movement which is undesirable.

(5) Before consenting to a rate raising program to correct the present situation, the Board would like to know to what limits the reserve banks are prepared to go in event of the initial rate raise not being effective.

(6) The Federal Advisory Council is in session at the moment, and inasmuch as the law specifically provides for their making recommendations in reference to discount rates, and under the present conditions they will probably do so, the Board thoroughly realizes the complications of the present situation and believes as a matter of courtesy, and in compliance with the law, it should have the benefit of the views of the Council before proceeding on a rate raising program.

(7) The New York Bank through its Governor has furnished the Board with statistics and figures as a reason for raising the rate, but no other information. The Board feels that there should be reasons other than figures.")

Governor Young was again called on the telephone by Governor Harrison of the Federal Reserve Bank of New York, who advised him that, because of the seriousness of the situation in New York, the directors of that bank would prefer to have their proposal either approved or disapproved by the Board and not held in abeyance.

The request made by Governor Harrison was considered by the Board and it was the consensus of opinion that there was no occasion for reconsideration of the Board's action. This fact

was communicated to Governor Harrison over the telephone by Governor Young.

Within a short time, Governor Harrison again telephoned and advised that the action of the directors of the New York bank was definitely in the form of a resolution to establish a 6% rate subject to either approval or disapproval by the Board today.

The discussion brought out the general opinion of the Board that rates of rediscount at a Federal reserve bank can only be established, under the law, "Subject to review and determination by the Federal Reserve Board" and cannot be established subject to immediate approval or disapproval by the Federal Reserve Board. It was still the opinion of the Board that no change in its action should be made, Mr. Platt dissenting.

This information was conveyed to Governor Harrison by Governor Young. Governor Young then advised the Board that Governor Harrison stated that a large group of reporters were at the New York Bank waiting the result of the directors' meeting, and that under the circumstances, the directors would have to consider making an announcement that a rate of 6% was established by them, but was not approved by the Federal Reserve Board. At the suggestion of the Board, Governor Young advised Governor Harrison that any such announcement would have to be made on the sole responsibility of the New York directors, and called attention to the provisions of the Board's letter of August 22, 1924 (X-4140) on the subject- "Rules and regulations governing announcements of rate changes" that "Any information of any kind with respect to any rate change shall not be published until the Federal reserve bank in question shall have been advised that such change has been approved by the Federal Reserve Board."

Upon the conclusion of Governor Young's telephone conversation with Governor Harrison, Mr. Cunningham moved that the following letter be addressed to the Chairman of the Federal Reserve Bank of New York:

"This will confirm the action taken by the Federal Reserve Board upon receipt of advice, transmitted over the telephone, of the action of the directors of the Federal Reserve Bank of New York in voting to establish a rediscount rate of 6%, as follows:

'Voted that the Governor be instructed to call Governor Harrison and advise him "that the Board has received the verbal advice that the directors of the Federal Reserve Bank of New York have established a rediscount rate of 6%, and that

"the Board will hold the matter for review, and during the interim, has determined that the rate be 5%.""

After discussion, Mr. Cunningham's motion, being put by the chair, was carried.

At this point the Governor received a memorandum from his Secretary advising that a representative of the Associated Press just called and stated - "That word is out in New York that the New York Bank held a long meeting and raised the rate, and that they are now still in session waiting the O. K. of the Federal Reserve Board."

Shortly after, Governor Young was called to the telephone by Mr. McGarrah, Chairman of the Board of Directors of the New York Bank, and following the conversation advised the Board that Mr. McGarrah stated to him that three of the directors present in New York feel that they can not leave the meeting with the information that they have voted to raise the rate and the Board has the matter under review. He stated that Mr. McGarrah had thrown out the suggestion that the directors of the bank could rescind their action and leave the matter as it is.

During the discussion which followed, it was suggested that the Governor advise Mr. McGarrah that the members of the Board present have agreed informally that they will take no action to change the rediscount rate of the Federal Reserve Bank of New York before the next regular meeting date of the directors of that bank, to wit: next Thursday, unless advised in the interim that there is no objection to the Board acting earlier should it so desire.

The Governor again resumed conversation with the New York bank and talked with Mr. Mitchell whom he advised of the informal agreement of the members of the Board.

Shortly after, the Governor was again called to the telephone and during the course of a conversation with Mr. McGarrah requested that the Board be advised of the exact form of the resolution passed by the New York directors.

The following resolution was given to him and repeated to the Board's Secretary:

"Voted to establish a rate of 6%, subject to review and determination of the Federal Reserve Board, but with the understanding that its action is predicated upon approval or disapproval by the Federal Reserve Board today, feeling that, in the

"present circumstances, it would be unwise to hold the matter in abeyance."

Governor Young then suggested to the Board that it adopt a resolution along the following lines:

"That in view of the incomplete report of the rediscount rate action taken by the directors of the Federal Reserve Bank of New York, as furnished over the telephone by the Federal Reserve Bank of New York, and in view of the fact that the Board now has the resolution before it as passed by the New York directors, it is moved that the previous action of the Federal Reserve Board in reference to the rediscount rate of the Federal Reserve Bank of New York be reconsidered, and that the Board disapprove the action of the directors of the Federal Reserve Bank of New York and determine the rate of that bank to be five per cent."

During the discussion which ensued, the Governor again talked with Governor Harrison and reported to the Board that he had asked Governor Harrison to inquire of his directors whether the informal agreement reached by members of the Board was satisfactory to them. Governor Young stated that Governor Harrison replied to the effect that the agreement was not considered satisfactory and that Governor Harrison stated that the directors felt that they had laid their resolution before the Board and asked the Board to act upon it.

Governor Young then moved that the Board adopt the resolution suggested by him as quoted above.

Mr. Cunningham moved, as a substitute, that the Board inform the New York directors that the matter of their recommendation is before it for review and determination and will have consideration at the earliest possible moment.

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

Governor Young "no"
Mr. Platt "no"
Mr. Hamlin "no"
Mr. Cunningham "aye"
Mr. Miller "not voting"

It was then suggested that the resolution submitted by the Governor be put in the form of two separate motions; one for reconsideration of the previous action of the Board and the other for disapproval of the rate established by the New York directors.

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The Governor stated that this suggestion was agreeable to him, and he thereupon put the two motions, as follows:

"In view of the incomplete report of the rediscount rate action taken by the directors of the Federal Reserve Bank of New York, as furnished over the telephone by the Federal Reserve Bank of New York, and in view of the fact that the Board now has the resolution before it as passed by the New York directors, it is moved that the previous action of the Federal Reserve Board in reference to the rediscount rate of the Federal Reserve Bank of New York be reconsidered, to wit; "that the Board will hold the matter for review, and during the interim, has determined that the rate be 5%."

After discussion, the roll being called, the above motion was carried, the members voting as follows:

Governor Young "aye"
Mr. Platt "aye"
Mr. Hamlin "aye"
Mr. Cunningham "no"
Mr. Miller "no"

"Moved that the Federal Reserve Board disapprove the action of the directors of the Federal Reserve Bank of New York and determine the rate of that bank to be 5%."

After discussion, the roll being called, the above motion was carried, all members voting "aye".

Mr. Platt stated that he voted "aye" in order to get the matter settled tonight, but believed the Board should approve the rate increase voted by the New York directors who were in a better position in his opinion to know what its effect would be both on speculation and on business than the members of the Board in Washington.

The above action was immediately communicated to the Federal Reserve Bank of New York over the telephone by the Governor.

The meeting adjourned at 7:00 o'clock p. m.

REPORTS OF STANDING COMMITTEES:

Dated, February 12th, Recommending changes in stock at Federal Reserve Banks
13th, as set forth in the Auxiliary Minute Book of this date.
14th, Recommendations approved.

REPORTS OF STANDING COMMITTEES: (Continued)

- Dated, February 12th, 13th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, February 13th, Recommending approval of the application of Mr. Julius E. Schroeder for permission to serve at the same time as director and officer of the Atlantic National Bank, Charleston, S. C., and as director and officer of the Citizens and Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. Frank Burbidge for permission to serve at the same time as director of the Atlantic National Bank, Charleston, S. C., and as director of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. Jac. D. Lesemann for permission to serve at the same time as director and officer of the Atlantic National Bank, Charleston, S. C., and as director and officer of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. James Conner for permission to serve at the same time as director and officer of the Atlantic National Bank, Charleston, S. C., and as director and officer of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. C. B. Schachte for permission to serve at the same time as director of the Atlantic National Bank, Charleston, S. C., and as director of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. A. E. Bird for permission to serve at the same time as director and officer of the Atlantic National Bank, Charleston, S. C., and as director and officer of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.
- Dated, February 13th, Recommending approval of the application of Mr. M. Rutledge Rivers for permission to serve at the same time as director of the Atlantic National Bank, Charleston, S. C., and as director of the Citizens & Southern Bank of South Carolina, Charleston, S. C.
Approved.

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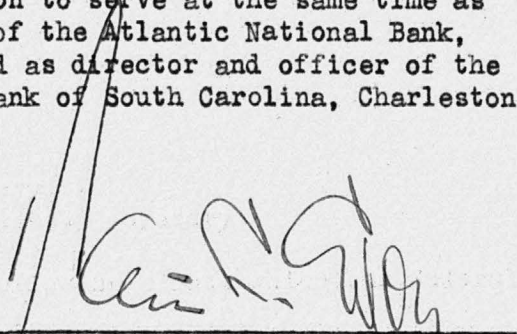
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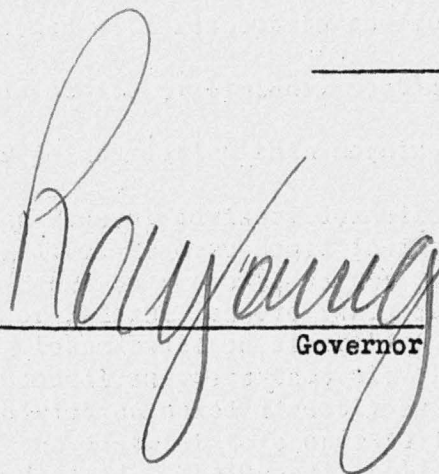
REPORTS OF STANDING COMMITTEES: (Continued)

Dated, February 13th, Recommending approval of the application of Mr. Henry Schachte for permission to serve at the same time as director and officer of the Atlantic National Bank, Charleston, S. C., and as director and officer of the Citizens & Southern Bank of South Carolina, Charleston, S. C.

Approved.


Secretary

Approved:


Governor