A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, February 21, 1929 at 11:45 a.m.

PRESENT: The Chairman
Governor Young
Mr. Hamlin
Mr. Miller
Mr. Cunningham
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Dr. Goldenweiser, Director of the Division of Research and Statistics.

While awaiting the arrival of the Chairman, the Governor reported that during his visit to New York on Monday and Tuesday he discussed the matter of the discount rate of the Federal Reserve Bank of New York with one or two of the directors of that bank. Upon inquiry as to what the attitude of the Board would be should the directors again vote to increase the rate, Governor Young stated that he replied that although he could not speak officially, his personal opinion was that such action would not meet with the approval of the majority of the Board.

He also stated that Governor Harrison advised him over the telephone that he had discussed the question of procedure in the matter of direct action in dealing with member banks in the Second District with Mr. William C. Potter, member of the Federal Advisory Council from that District who, as a result of the discussion, seemed to have changed his mind as to the advisability of calling member banks in for group conferences and to be of the opinion that it would be better to deal with the member banks individually.

He also stated that he was informed by Governor Harrison that draft of a reply to the Board's letter of February 2nd has been prepared and will be submitted to the board of directors of the bank at its meeting today.
He also stated that while in New York he met and talked briefly with Governor McDougal of the Federal Reserve Bank of Chicago who stated he had discussed the situation in the Seventh District with Mr. Wetmore, member of the Federal Advisory Council, and with some directors, and is contemplating calling in member banks in Chicago as quickly as possible, instead of issuing a circular letter. The same procedure, he stated, would probably be followed with respect to member banks in Detroit, Milwaukee and other centers.

At this point, the Chairman joined the meeting and further consideration was given to the Board’s Annual Report of the Year 1928, now in galley proof form. During the discussion, Dr. Goldenweiser submitted a proposed revision of portions of the paragraphs on "Position of Reserve Banks in the Banking Structure" and "Banking Policy and Credit Policy", which were discussed and amended at the meeting yesterday.

At the conclusion of the discussion, it was voted to approve the report, as amended, for page proof.

The Chairman then left the meeting and the other members, as an Executive Committee, discussed with Governor Norris of the Federal Reserve Bank of Philadelphia the matter of requests which have been received by that bank for the establishment, at other points in the District, of revolving currency funds such as are maintained in Scranton and Johnstown, Pa. Governor Norris reviewed briefly the results of the operation of the fund at Scranton. He was informed that the Board considers the matter of the establishment of such currency depots as one which raises a question of System policy, as the establishment of such depots could doubtless be justified in hundreds of cities throughout the country as easily as in the cities in the Third District which either have or are petitioning for such depots.
It was suggested to Governor Norris that he should discuss at the next Governors' Conference the question of the advisability of the establishment of such revolving funds or depots as a System policy.

Governor Norris then discussed with the members of the Board the credit situation in the Third District and stated that the directors of his bank are reluctant to increase their rate except as a last resort, realizing that such action would probably have harmful effects on business. He stated that they feel the public statement issued by the Board has had good results and that still further good can be done by cooperation between the Federal Reserve bank and its member banks, as suggested by the Federal Advisory Council.

The meeting adjourned at 1:20 p.m.

Approved:

[Signature]

Chairman.