A special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 5, 1929 at 2:45 p.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole
Mr. Noell, Asst. Secretary
Mr. McClelland, Asst. Secretary

The Governor submitted a letter dated March 2nd from the Governor of the Federal Reserve Bank of Philadelphia, advising that unless the situation in that district should change between then and Wednesday next, he would feel obliged to recommend to his board of directors, at its regular meeting on March 6th, an increase in the discount rate of the bank to 6%; the letter pointing out that between February 20th and March 2nd the discounts of the bank rose from $90,674,000 to $110,800,000, and the reserve ratio fell from 61.3% to 56.97%. Governor Norris also transmitted a preliminary statement, prepared in the light of conditions as at the close of business March 1st, of reasons on which an increase in rate should be based.

The Governor submitted a proposed communication to Governor Norris reading as follows:

"In your letter of March 2nd you furnish local reasons only for contemplated action, and while the Board is inclined to agree with you that your reserve would be improved, the more liberal expectation would be that it would be accomplished at the expense of certain other reserve banks, thereby forcing them to take similar action. The Board, therefore, must consider your request from a national rather than a regional viewpoint, and to enable it to act judiciously, would appreciate it very much if you would give us your reasons from a national viewpoint."
A discussion of the matter then ensued, with particular reference to a statement contained in the memorandum transmitted with Governor Norris' letter that:

"We have reluctantly reached the conclusion that with an insistent demand on our member banks to make apparently safe and desirable loans at 5 3/4% or 6%, we can not hold down their demands upon us, as long as they can borrow from us at 5%.

During the discussion, the Governor was requested to inquire of Governor Norris whether this statement is meant to refer to a demand on member banks to make commercial loans.

Governor Young then left the room and communicated over the telephone with Governor Norris. Upon his return he reported that Governor Norris has since addressed another letter to the Board in which it is stated that there has been a reduction of $18,000,000 or $20,000,000 in the rediscounts of the Philadelphia bank between March 2nd and 4th, and that for this reason he will not recommend an increase in rate to his directors. He reported that with regard to the specific statement in his memorandum of March 2nd, Governor Norris advised that the demand on his member banks appeared to be for both commercial and security loans, the security loans, in his opinion being for legitimate purposes.

During the discussion which ensued, Counsel was called into the meeting and after discussion, upon motion by Mr. Miller, he was requested to report to the Board as to what powers it has under the Federal Reserve Act for the enforcement, should it become necessary, of the principles regarding the proper use of the credit facilities of the Federal Reserve System laid down in the Board's letter of February 2nd to all Federal Reserve banks.
The Governor then presented a telegram dated March 4th from the Federal Reserve Agent at San Francisco, requesting that for purposes of reorganization he be granted authority to conduct a complete credit investigation of the Yuma National Bank, Yuma, Arizona, without assessing the cost thereof against the bank; the Agent stating that he has conferred with the Chief National Bank Examiner, who has expressed a disinclination to examine the bank himself on account of a pending assessment against the shareholders.

After discussion, upon motion, it was voted that the following telegram be addressed to the Federal Reserve Agent:

"Your wire 4th. If main reason for investigation is a pending reorganization, Board believes you are justified in treating it the same as an examination of a state bank applying for membership and, therefore, waiving the cost".

The Governor then presented a letter dated February 26th from the Governor of the Federal Reserve Bank of San Francisco, who is Chairman of the Governors' Conference, expressing the opinion that the Spring Conference this year should be held earlier than usual and requesting that he be advised as to what will be the approximate date of the Conference.

Upon motion, it was voted to advise Governor Calkins that the Board also feels that the Spring Conference should be held earlier this year than usual, and would appreciate suggestions from him as to tentative dates.

In connection with the above, the Governor requested and received authority to submit as a topic for discussion at the Spring Conference the question raised in recent correspondence with the Governor of the Federal Reserve Bank of Boston as to the desirability of the establishment of higher rates of discount on member bank collateral notes secured by government obligations,
while maintaining present rates for the rediscount of eligible paper.

The question was then raised as to the status of legislation which the Board from time to time has voted to recommend to Congress and what action, if any, should be taken to bring the more important amendments to the attention of the special session of Congress.

In this connection, the Assistant Secretary presented a memorandum addressed to the Law Committee by the Board's Counsel under date of December 17, 1928, in accordance with the action of the Board on November 15th in requesting a report by the Committee, with respect to the more important amendments on which prompt action by Congress should be requested.

After discussion, upon motion, the Law Committee was requested to report to the Board as to the status of those amendments which have already been introduced, and as to steps which should be taken to have others brought to the attention of Congress through the submission of proposed bills to the appropriate Committees.

The meeting adjourned at 4:15 p.m.

Approved:

[Signature]

Raymond

Assistant Secretary.

[Signature]

Raymond

Governor.