

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 27, 1929 at 11:00 a.m.

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

PRESENT ALSO: Governor McDougal of the Federal Reserve Bank of Chicago.

Governor McDougal reviewed the credit situation in the Seventh Federal Reserve District as it stood at the time of the meeting of the board of directors of his bank last Friday and he read, with some comment, a memorandum which he presented to his directors outlining the situation and recommending an increase in the discount rate of the bank from 5% to 6%. Since that time, he stated, the liquidation of security loans by member banks in Chicago has enabled them to reduce their rediscounts at the Federal Reserve Bank of Chicago in the amount of about \$50,000,000, the total rediscounts of the bank at close of business last night being approximately \$187,000,000 against \$237,000,000 on March 20th and its reserve ratio about 68% as compared with 60% a week ago. He pointed out that of the borrowings on March 20th approximately \$190,000,000 or 80% was by eleven member banks - four in Chicago, five in Detroit and two in Milwaukee. Before coming to Washington, he stated, he went to Detroit and met with the board of directors of the Branch there pointing out the continuous borrowing of the member banks in question and reviewing the situation as a whole for the information of the Branch directors. He was assured, he stated, that efforts will be made by the member banks, two of which are represented on the Branch board, to reduce their rediscounts at

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the Federal Reserve Bank.

Governor McDougal stated, however, that in view of the situation in Chicago, particularly in connection with the withdrawal of deposits incident to the personal tax assessment on April 1st and the failure to levy the usual real estate taxes with which city and county warrants which are held by the banks could be retired, the directors of his bank adjourned their meeting last Friday until tomorrow and will probably take action to increase the discount rate of the bank. He stated that should this be done it would be preferable to have the Board act definitely in either approving or disapproving the rate, rather than to hold it under review. He expressed the opinion of his directors that every reasonable effort has been made by the bank to cooperate in the policy outlined by the Board in its letter of February 2nd, and that a rate increase is now necessary.

Governor McDougal was advised that the cooperation which has been received by the Federal Reserve banks in dealing with the present credit situation, including that during the past week by member banks in his District, is having good results and that more can be accomplished without an increase in rates at this time.

After a general discussion, Governor McDougal left the meeting.

Governor Young was called from the room, and upon his return, reported advice received from the Governor of the Federal Reserve Bank of Boston over the telephone that the board of directors of that bank has voted to establish a rediscount rate of 6% on all classes of paper of all maturities, effective the first business day following that on which approved by the Board. Their action will be formally submitted, the Governor stated, in a

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letter which is being addressed to the Board by the Chairman of the bank. Governor Harding advised him, he stated, that immediate action is not requested by the Boston directors, who will be satisfied for the Board to take their action under review. Governor Harding advised him, he stated, that his directors took this means of expressing their position to the Board and that he will be glad to discuss the matter fully with the members of the Board when he comes to Washington on Monday to attend the Governors' Conference.

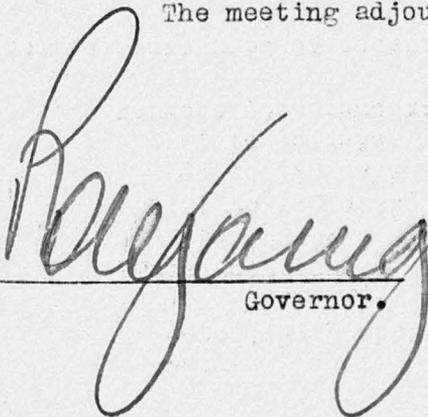
Mr. Platt moved that the rate of 6% established by the board of directors of the Boston bank on all classes of paper of all maturities be approved, effective tomorrow, March 28th.

Mr. Hamlin moved, as a substitute, that the Federal Reserve Bank of Boston be advised that the Federal Reserve Board has received the advice that the directors of that bank have established a rediscount rate of 6%, and that the Board is taking the matter under review and during the interim has determined the rate of the bank to be 5%.

Mr. Hamlin's substitute motion, being put by the Chair, was carried, Mr. Platt voting "no".

The meeting adjourned at 1:05 p.m.

Approved:

  
Governor.

  
Assistant Secretary.