

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 7, 1929 at 11:15 a.m.

PRESENT: Vice Governor Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Cunningham  
Mr. McClelland, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on May 3rd and 4th were read and approved.

Letter dated May 2nd from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of buying rates, but quoting the following resolution adopted by the directors with respect to the discount rate of the bank:

"VOTED subject to review and determination of the Federal Reserve Board, to establish a rate of six percent for all rediscounts and advances, effective from the opening of business May 3, 1929 and until further notice and superseding the existing rate but with the understanding that this action of the board of directors of this bank is predicated upon approval or disapproval by the Federal Reserve Board today."

Noted.

Telegram dated May 3rd from the Deputy Governor of the Federal Reserve Bank of New York, advising of an advance in dealers rates on thirty and sixty day bills but advising that it is believed the condition leading to such increase is temporary and the minimum rates of the Federal Reserve bank are not being changed.

Noted.

Memorandum dated May 3rd from the Chief of the Division of Bank Operations,

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submitting and recommending acceptance of the resignation of Miss M. Virginia Greene as comptometer operator in the Division, effective at the close of business May 27th.

Accepted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Philadelphia, St. Louis and Dallas, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of April, where the total of such absences since January 1, 1929 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated April 27th from the Deputy Governor of the Federal Reserve Bank of New York, submitting recommendations, effective May 1, 1929, for the promotion in grade of two employees of the bank to positions where the grade is in excess of \$2,500 per annum, for the establishment of a new position and for a change in assignment of one employee where no promotion in grade is involved; the Board's Committee advising that the proposed changes are in accordance with the salary plan in effect at the bank and recommending that they be approved by the Board.

Approved.

Report of Committee on Examinations on memorandum dated May 3rd from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Wibaux, Montana, for permission to reduce its capital stock from \$75,000 to \$50,000; the Board's Committee also recommending

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approval.

Approved.

Letter dated May 3rd from the Federal Reserve Agent at Boston, advising that the Old Colony Associates of Boston, an affiliation of the Old Colony Trust Company, have acquired the controlling interest in the Stoughton Trust Company of Stoughton, Massachusetts, a nonmember bank.

Noted.

Letter dated May 4th from the Assistant Federal Reserve Agent at New York, advising that the merger of the Bank of Commerce in New York and the Guaranty Trust Company of New York, would be effective at noon on that date and the merged bank would begin business on Monday morning, May 6th, as the Guaranty Trust Company of New York.

Noted.

Report of Committee on Examinations on letter dated April 26th from the Assistant Federal Reserve Agent at St. Louis, recommending approval of the exercise of trust powers, under authority granted by the Commissioner of Finance of Missouri, by the University City Bank and Trust Company, University City, Mo., which was recently admitted to membership in the System as the Bank of University City; the Board's Committee also recommending approval.

Approved.

Memorandum dated May 4th from the Comptroller of the Currency, with reference to application for permission to exercise trust powers filed on behalf of the proposed Union National Bank and Trust Company of Lincoln, Nebraska; the Comptroller advising that the application to organize the bank

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has been disapproved and recommendation as to its application for trust powers is, therefore, unnecessary.

Noted, no action being required.

Letter dated May 3rd from the Assistant Federal Reserve Agent at St. Louis, transmitting correspondence with reference to the condition of the Farmers and Traders Bank, Iberia, Mo.; the letter recommending that with the removal of \$12,000 in undesirable assets, the promised attention to the bank's affairs and its improved condition, no action be taken to discontinue its membership.

In accordance with the above recommendation, it was voted to take no action regarding the membership of the bank named.

Memorandum dated May 6th from the Board's General Counsel, submitting letter addressed to him by Honorable Newton D. Baker, with reference to his suggested fee of \$5,000 for consultation regarding the opinion rendered in Counsel's memorandum of March 7th on the subject of the power of the Board to enforce the principles regarding the proper use of the credit facilities of the Federal Reserve System laid down in the Board's letter of February 2, 1929; Mr. Baker suggesting that the employment be "for consultations and opinions upon the powers of the Board" and that the fee be fixed at \$5,000, with the understanding that it be adjusted to a more reasonable figure if the work turns out to justify it and with the further understanding that the suggested figure does not include litigations arising out of the questions considered. A discussion ensued during which some members of the Board expressed the opinion that the Board will not require much more in the way of services by Mr. Baker in this matter and that its immediate requirements should be made known to him and his fee definitely fixed and paid on that basis. It was suggested

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that it might suffice if Mr. Baker were to accept the Board's minute entry of the statements made by him at the meeting on May 3rd, or file a brief written statement of his concurrence in the opinion of the Board's General Counsel dated March 7th, without the filing of a formal opinion.

Mr. Miller moved that the portion of the minutes of the meeting on May 3rd which refers to the statements made by Mr. Baker, be transmitted to him with an inquiry as to whether they are a fair statement of his position.

Carried.

Mr. Cunningham then moved that Mr. Hamlin, Chairman of the Law Committee, prepare and submit to the Board draft of an appropriate letter to Mr. Baker.

Carried.

The Vice Governor then submitted letters addressed to him under date of May 3rd and 6th by the Governor of the Federal Reserve Bank of Philadelphia, referring to the letter which the Board addressed to the directors of that bank under date of April 16th; the letters pointing out a considerable improvement in the situation in the Third Federal Reserve District, which has been effected since the enactment recently of a Pennsylvania statute authorizing interest rates in excess of 6% on security loans.

Noted.

Mr. James then stated that he is leaving Washington Thursday afternoon for an absence of about ten days, during which he will visit the Federal Reserve Bank of Atlanta at the request of the Chairman of the Board of Directors of that bank and will also attend the meeting of the directors of the Federal Reserve Bank of St. Louis on May 15th.

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The Vice Governor then brought to the attention of the Board correspondence which he has had with the Governor, in San Francisco, regarding the letters recently addressed to nine of the Federal Reserve banks. Communications presented by the Vice Governor are quoted below:

Letter to Governor Young from Vice Governor Platt, April 27, 1929:

"Nothing has happened since I wrote you after the New York rate was turned down on Thursday, excepting that Dr. Miller is proposing to get out another letter to the Federal reserve banks which is to contain a list of the 37 or so banks which are said to be borrowing as much as \$5,000,000 from some Federal reserve banks and loaning to brokers at the same time. One of these banks, by the way, is the bank of which Mr. W. W. Smith of St. Louis, a member of the Federal Advisory Council, is the president. Something was said about these 37 banks by Mr. James at the Council meeting, and Mr. Smith immediately came back with an explanation which seemed entirely satisfactory to Mr. James. He pointed out that his bank had no loans to brokers except time loans made before the first of January, that the bank had lost very heavily in deposits and was paying up the Federal reserve as fast as its loans to brokers matured. I am inclined to think that at least 25 of the 37 will present an almost equally good case. I may add that Dr. Goldenweiser told me a day or two ago that he had looked into the records of the famous 37 and had found that most of them were not by any means as continuous borrowers as had been assumed. Anyway the result of our action has been to raise continuously the rates charged by banks to their commercial customers, and so far as getting down to a more normal basis is concerned, we have made no progress at all. I haven't a spare copy of Dr. Miller's letter but I presume Mr. Carpenter has sent you one as it was put in circulation and is to be adopted at a later meeting. \*\*\*\*\*"

Telegram to Vice Governor Platt from Governor Young, May 6, 1929:

"I am bitterly opposed to any such intimidation and coercion as proposed by one of my colleagues and outlined in your letter April 27th. I want to be so recorded I will appreciate it if you will see that a copy of this telegram gets to every member of the Board. Intended to leave here Tuesday but unless there is urgent need of my immediate return I will stay over and sit in with San Francisco directors on Thursday."

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Telegram to Governor Young from Vice Governor Platt, May 6, 1929:

"Letters somewhat modified from form referred to April 27 have been sent to Philadelphia, New York, Boston, Chicago, Richmond, Cleveland, Atlanta, St. Louis and San Francisco. They are nearly alike, each containing list of banks. The San Francisco letter mailed May 2nd should arrive today and you can form opinion and telegraph me. Am sending copies of New York and Philadelphia letters air mail but do not think necessary to cut short your visit."

Telegram to Vice Governor Platt from Governor Young, May 6, 1929:

"I have read letter May 2nd to Newton mentioned in your wire of today and strongly urge that it be withdrawn by telegraph for the following reasons. Four banks that you mention are only borrowing thirty seven million which is a very modest amount in comparison with their total deposits of over billion dollars. One that in Board's opinion was apparently chief offender has dropped from thirty million to nine and one half million and Board cannot expect the impossible. I have seen sufficient evidence so far in California to learn (1) that there is a demand upon California banks from savings depositors to invest in securities (2) that corporations and others are continuing to withdraw to lend on call (3) that direct action used elsewhere has prompted many concerns that borrow nationally to use lines in California that have not been used for four or five years or to increase lines that were modest. Total net deposits of San Francisco have declined approximately one hundred million dollars and that combined with demand for legitimate loans has produced unusual situation. With the seasonal requirements that will come later there is every reason to believe that these banks will increase their borrowings rather than decrease them. I have consistently backed Board in its policy of February 6th frequently when it was extremely difficult from my point of view but it seems to me that if that policy in the opinion of the Board has been productive of such unsatisfactory results that the Board now feels that it must again reprimand nine of the reserve banks such a nagging program is inadvisable. Therefore, if the Board feels that more should be done it should at least follow market rates for money."

After discussion, with respect to the telegram from the Governor last quoted above it was, upon motion, voted to reply thereto, as follows:

"Your telegram. Board is not of opinion that progress of its policy has been, to quote your language, productive of such unsatisfactory results that it must reprimand nine of the Federal reserve banks. On the contrary, Board feels that good results have already been obtained. Board's letter points out that some member banks apparently have not come into line with Board's policy and asks Federal reserve banks to report, after personal conference, why more complete cooperation may not be expected. It will be open to these banks under Board's letter to explain fully their difficulties and Board will give careful consideration to any reasons given by them. By direction of Federal Reserve Board."

REPORTS OF STANDING COMMITTEES:

- Dated, May 4th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.  
6th, set forth in the Auxiliary Minute Book of this date.  
7th, Recommendations approved.
- Dated, May 3rd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
7th, Recommendations approved.
- Dated, May 4th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, May 3rd, Recommending approval of the application of Mr. Henry H. Holmes for permission to serve at the same time as director of the First National Bank of Jersey City, N. J., and as director of the Greenville Banking and Trust Company, Jersey City, N. J.  
Approved.
- Dated, May 3rd, Recommending approval of the application of Mr. A. J. Peters for permission to serve at the same time as director of the American National Bank, Okmulgee, Okla., and as officer and director of the Security National Bank of Oklahoma City, Okla.  
Approved.
- Dated, May 4th, Recommending approval of the application of Mr. Robert C. Graham for permission to serve at the same time as director of the Citizens National Bank, Evansville, Indiana and as director of the Peoples National Bank and Trust Company, Washington, Ind.  
Approved.
- Dated, May 6th, Recommending approval of the application of Mr. Harry C. Stevenson for permission to serve at the same time as director of the First National Bank and Trust Company, Rochester, N. Y. and as director of the Morris Plan Company of Rochester, N. Y.  
Approved.
- Dated, May 6th, Recommending approval of the application of Mr. Henry H. Stebbins, Jr. for permission to serve at the same time as director of the First National Bank and Trust Company, Rochester, N. Y., and as director of the Morris Plan Company, Rochester, N. Y.  
Approved.



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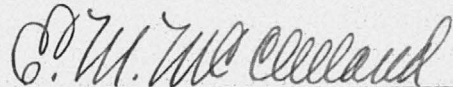
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, May 6th, Recommending approval of the application of Mr. S. Rae Hickok for permission to serve at the same time as director of the Morris Plan Company, Rochester, N. Y., and as director of the First National Bank and Trust Company, Rochester, N.Y.  
Approved.

Dated, May 6th, Recommending approval of the application of Mr. Emil N. Sorgenfrei for permission to serve at the same time as director of the Fordham National Bank, New York, N. Y., and as director of the Port Morris Bank, New York, N. Y.  
Approved.

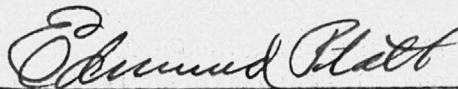
Dated, May 7th, Recommending approval of the application of Mr. Lewis Cass Ledyard, Jr., for permission to serve at the same time as trustee of the United States Trust Company of New York, N. Y., and as director of the National Park Bank, New York, N. Y.  
Approved.

The meeting adjourned at 12:45 p.m.



Assistant Secretary.

Approved:



Vice Governor.