

A special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 21, 1929 at 3:30 p.m.

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

The Governor presented the following memorandum just delivered by the Federal Advisory Council, which was adopted by the Council following its regular meeting with the Board today, with two dissenting votes:

"The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board expressed in its statement of February 5, 1929, that 'an excessive amount of the country's credit has been absorbed in speculative security loans.' The policy pursued by the Federal Reserve Board has had a beneficial effect due largely to the loyal co-operation of the banks of the country. The efforts in this direction should be continued. The Council notes, however, that while the total amount of Federal Reserve credit being used has been reduced, 'the amount of the country's credit absorbed in speculative security loans' has not been substantially lowered.

Therefore, the Council recommends to the Federal Reserve Board that it now grant permission to raise the rediscount rates to six per cent to those Federal reserve banks requesting it, thus bringing the rediscount rates into closer relation with generally prevailing commercial money rates. The Council believes that improvement in financial conditions and a consequent reduction of the rate structure will thereby be brought about more quickly, thus best safeguarding commerce, industry, and agriculture."

He reported advice from the President of the Federal Advisory Council that the Council has no objection to the memorandum being given publicity if in the discretion of the Board it should be made public.

Considerable discussion ensued, following which Mr. Miller moved that the following statement be given to the press, for release in the morning papers

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tomorrow, May 22nd:

"The Federal Advisory Council at a regular meeting with the Federal Reserve Board on Tuesday, May 21st, delivered the following memorandum of its views on the credit situation, which it authorized the Federal Reserve Board to release:

'The Federal Advisory Council has reviewed carefully the credit situation. It continues to agree with the view of the Federal Reserve Board expressed in its statement of February 5, 1929, that "an excessive amount of the country's credit has been absorbed in speculative security loans." The policy pursued by the Federal Reserve Board has had a beneficial effect due largely to the loyal cooperation of the banks of the country. The efforts in this direction should be continued. The Council notes, however, that while the total amount of Federal Reserve credit being used has been reduced, "the amount of the country's credit absorbed in speculative security loans" has not been substantially lowered.

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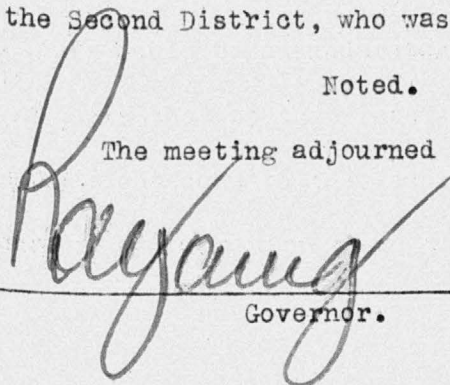
Mr. Miller's motion being put by the Chair was carried, Governor Young voting "no".

For the record, Governor Young presented a telegram from the Governor of the Federal Reserve Bank of New York advising of the appointment of Mr. Paul M. Warburg as substitute for Mr. William C. Potter, member of the Federal Advisory Council from the Second District, who was unable to attend the Council meeting.

Noted.

The meeting adjourned at 4:30 p.m.

Approved:


Governor.


Assistant Secretary.