

Upon call of the Governor, a special meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, June 1, 1929 at 11:15 a.m.

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

The Governor stated that he called the meeting for the purpose of submitting to the Board the following letter dated May 31st from the Chairman of the board of directors of the Federal Reserve Bank of New York, prepared as a result of deliberations at the meeting of the board of directors held on Wednesday, May 29th:

"It is the belief of the directors of this bank that the Federal Reserve Board policy of seeking the control of credit without an increase in the discount rate and otherwise as generally understood, has created much uncertainty throughout the country, and that the bringing of the Federal Reserve Board and this bank into harmony with respect to a program which will remove uncertainty is essential to the restoration of confidence and the development of a situation where a relaxation of credit in the interest of the country as a whole may be more quickly permitted. They believe that at the moment the agreement upon a mutually satisfactory program is far more important than the discount rate.

For months the directors of this bank have voted a rate which they have regarded as one that would be a more effective rate and that would more quickly make lower rates possible. Their action has been disapproved by the Federal Reserve Board. In view of recent changes in the business and credit situation, we believe that a rate change now without a mutually satisfactory program might only aggravate existing tendencies.

With this in view, and in the interest of trade, industry, and agriculture, we believe that it may soon be necessary

(1) To establish a less restrictive discount policy in order that member banks may more freely borrow for the proper conduct of their business.

"(2) To correct the widely understood intimation of the Federal Reserve Board that collateral loans are not a proper function of legitimate banking.

(3) To be prepared to increase the Federal Reserve bank portfolios if and when any real need of doing so becomes apparent.

These steps may be necessary in order to restore business confidence, permit of the reopening of a bond market, and to make funds more freely available to finance our export trade, especially in agricultural products at the time of crop movement.

Whether all this can safely be done without a firm rate control policy we are prepared to discuss, but a longer discussion as to the discount rate without a real understanding regarding a future program we regard as futile. Our directors, therefore, refrain from rate action in the hope that a general policy in which both we and the Board can concur may be quickly determined."

The Governor suggested the desirability of having a conference with the New York directors and expressed the opinion that at such conference the members of the Board should be prepared to explain their views as to a System program, and at the same time ask the directors to outline any plans they may have in mind.

After discussion regarding the suggestion of the Governor, it was, upon motion, voted that an invitation be extended to the board of directors of the Federal Reserve Bank of New York to have a conference with the Federal Reserve Board in Washington at as early a date as may be convenient to them or, should it be impracticable for the New York directors to come to Washington as a board, to appoint a committee for the purpose of meeting with the Federal Reserve Board.

A further detailed discussion ensued with respect to the policy which, in the opinion of the members of the Board, should be adopted by the Federal Reserve System during the coming months.

It was agreed that a further discussion of future policy should be had at a meeting on Monday.

During the above discussion, the Governor presented a letter dated May 22nd addressed to the Secretary of the Treasury by the President of the Union Trust Company of Cleveland, which institution was mentioned in

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the Board's letter of May 3rd to the Federal Reserve Bank of Cleveland, requesting further and fuller cooperation in the Board's policy of preventing the misuse of the discount facilities of the Federal Reserve System; the letter transmitting copy of a communication to the Chairman of the Cleveland bank on the subject.

At the suggestion of the Governor, the above letter was ordered circulated before being formally considered by the Board.

The meeting adjourned at 1:00 p.m.

*C. W. McCalland*  
Assistant Secretary.

Approved:

*A. W. Mellon*  
Chairman.

*OK Paul*