

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 14, 1929 at 11:15 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on June 10th were read and approved.

The minutes of the meetings of the Federal Reserve Board held on June 11th and 12th were read and approved, as amended.

Letter dated June 6th (13th) from the Secretary of the Federal Reserve Bank of New York, telegram dated June 13th from the Chairman of the Federal Reserve Bank of Richmond and telegram dated June 12th from the Federal Reserve Bank of Dallas, all advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated June 13th from the Assistant Federal Reserve Agent at Richmond, advising that Mr. Charles H. Wyatt, recently designated as Acting Assistant Federal Reserve Agent at the Baltimore Branch, has been ordered by his physician to give up work for several weeks and recommending that Mr. William B. Elliott, Assistant Manager of the Baltimore Clearing House Association, be appointed to succeed Mr. Wyatt as Acting Assistant Federal Reserve Agent at the Branch for a temporary period with salary at the rate of \$50 per month.

Upon motion, Mr. Elliott's temporary designation as Acting Assistant Federal Reserve Agent was approved.

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Memorandum dated June 13th from the Chief of the Division of Bank Operations, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of May and for the five months' period ending May 31st.

Ordered circulated.

Letter dated June 12th from the Deputy Governor of the Federal Reserve Bank of New York, replying to letter addressed to him by the Governor in accordance with the action taken at the meeting of the Board on June 10th, inquiring whether Federal reserve banks in making temporary sales of securities to other Federal Reserve banks should not report them as a contingent liability; the Deputy Governor expressing the opinion that the securities should not be so reported, inasmuch as they are sometimes purchased outright by the Open Market Investment Committee and on other occasions are taken over temporarily with the understanding that the selling bank may later reacquire them provided they have not, in the meantime, been otherwise disposed of by the committee - the obligation, if any, of the selling bank being so indefinite as to make it unnecessary for that bank to show a contingent liability in respect to these transactions. In the letter it was also stated that even though the liability were more definite than it is, there is doubt as to whether it would be necessary or desirable for the selling bank to show a contingent liability for the reason that the matter is one of inter-bank relationship.

Noted.

Letter dated June 11th from the Deputy Governor of the Federal Reserve Bank of New York, with respect to the status of the Open Market Investment Account and conditions in the government securities and bill markets; the

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Deputy Governor stating that there have been two changes in the account since his last letter to the Board - the sale of \$3,000,000 of Treasury bonds recently taken over from the Federal Reserve Bank of Kansas City and the repurchase by the Federal Reserve Bank of St. Louis of \$2,125,000 of securities which were temporarily held for that bank in the System Account.

Noted.

At this point, the Comptroller of the Currency joined the meeting.

The Governor then advised of the receipt of an opinion of Messrs. Murray, Aldrich and Webb, counsel to the Equitable Trust Company of New York, contrary to the opinion rendered by the Board's Counsel that the Equitable Trust Company may not since February 25, 1927, the date of the enactment of the McFadden Act, lawfully establish a branch in a foreign country and continue to hold stock in the Federal Reserve Bank of New York, and further, that the Equitable Trust Company may not lawfully acquire a branch established since February 25, 1927 by a national bank and retain stock in the Federal Reserve bank. He submitted draft of a letter to the Secretary of the Treasury requesting him to sign and forward one to the Attorney General of the United States, asking for an opinion on the questions; the letter to the Attorney General transmitting copies of the opinions rendered by Counsel for the Board and the Equitable Trust Company.

Upon motion, the letters submitted by the Governor were approved.

At Mr. Hamlin's request, the Law Committee was authorized to furnish the Attorney General, if it desires, with an expression of the Committee's personal views on the questions regarding which his opinion is being asked.

The Governor and Mr. Cunningham then reported their meeting yesterday with

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the board of directors of the Federal Reserve Bank of New York at which the letter approved by the Board at the meeting on June 12th was presented in person. The Governor stated that the Board' proposal was not well received by certain of the directors of the New York bank, not because of the program suggested but because of question as to the Board's authority in the premises. He explained the circumstances which prompted him personally to withdraw the Board's letter, after it had been read to the directors. After discussion, it was the majority opinion of the Board that the letter should be dispatched to the Chairman of the New York bank for presentation to his directors.

The Governor then stated that the following letter signed by the Governor of the bank, under date of June 12th, setting forth the views of the directors, was handed to him for presentation to the Board:

"Our directors have considered with interest the report of the discussion which some of them had with the Federal Reserve Board on June 5, relative to a possible program to handle present and prospective credit problems.

In the face of conditions as they now appear, it seems likely

- (a) That there will be an increase in security borrowing throughout the country between now and the early part of July.
- (b) That there will be a large readjustment of credit over July 1 by reason of interest, dividend and currency requirements and by reason of window dressing, that may create a heavy strain upon the banks in financial centers, especially in New York.
- (c) That there will be an increase in agricultural borrowing as the summer advances.

With these facts in mind the directors, as they now view the situation, believe in a general way

- (a) That there will be a necessity for an increase in the rediscounts by member banks in this district and that member banks must be permitted to borrow from the Federal Reserve Bank for the proper conduct of their business, regardless of the fact that they may have substantial amounts of collateral loans outstanding.

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- "(b) That if rediscounts required by the conditions above referred to become so large as to cause an undue credit strain then the Federal Reserve Bank might well be prepared, if necessary, to give temporary relief through open market operations in bills, government securities, or both, as the occasion warrants.
- (c) That if for any reason, whether through the release of additional Federal reserve credit through re-discounts, or through possible later open market operations, or for any other reason, there should be renewed evidence of an excessive demand for credit, due to speculation in securities or to speculation in land, building, trade inventories, or commodities, then the remedy of increased discount rates should be applied promptly and vigorously in the interest of sound banking and the ultimate ease of credit.
- (d) That any such rate increase or increases, if required should of course be made only with the expectation that rates will be reduced as promptly as conditions permit.

Our directors feel that it is difficult, if not impossible, definitely to lay out any very specific credit program much in advance inasmuch as such a program might necessarily have to be changed in accordance with conditions as they develop. They believe, however, that if the above steps, designed to take care of mid-year and seasonal needs, are taken without the protection of a higher discount rate, such as they have felt would have been desirable in order more quickly and safely to permit of relaxation in credit conditions, the System must then be prepared to resort to immediate rate action in the event of the possibilities pointed out above.

This letter will in substance confirm what I told you on the telephone on June 10, 1929, concerning the views of our directors."

A general discussion ensued regarding the proposals of the Board and the New York directors, but no action was taken.

The Governor stated that during his visit to New York he learned that the buying rate of the bank on 30-day bills is considered to be somewhat out of line with the market, but that inasmuch as the New York bank is not getting many bills and has no objection to accumulating some, no action has been taken to change the rate.

He also reported a telephone inquiry by the Chairman of the Federal Reserve

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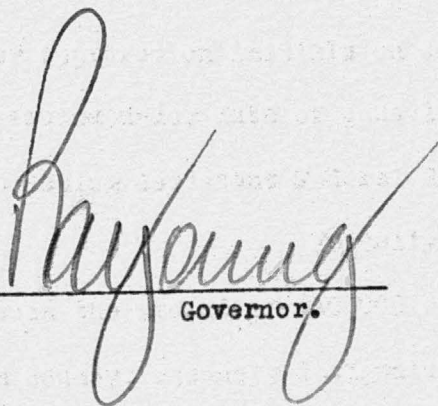
Bank of Boston as to whether it would be agreeable to the Board if the directors of that bank rescinded their previous action in voting to establish a rediscount rate of 6%, and left the matter to their Executive Committee. He said that he advised Mr. Curtiss he did not believe the Board would have any objection.

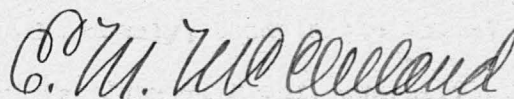
REPORTS OF STANDING COMMITTEES:

- Dated, June 13th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, June 12th, Recommending action on applications for fiduciary powers  
13th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, June 11th, Recommending approval of the application of Mr. Nathan O. Vosburgh for permission to serve at the same time as director of the West Side National Bank, Denver, Colorado and as officer of the Denver National Bank, Denver, Colo.  
Approved.

The meeting adjourned at 1:00 o'clock.

Approved:

  
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Governor.

  
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Assistant Secretary.