A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 7, 1929, at 11:00 a.m.

PRESENT: Governor Young
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole
Mr. McClelland, Assistant Secretary

PRESENT ALSO: Governor Harding, Federal Reserve Bank of Boston.
Governor Harrison, Federal Reserve Bank of New York.
Governor Norris, Federal Reserve Bank of Philadelphia.
Governor Fancher, Federal Reserve Bank of Cleveland.
Governor Seay, Federal Reserve Bank of Richmond.
Governor Black, Federal Reserve Bank of Atlanta.
Deputy Governor McKay, Federal Reserve Bank of Chicago.
Governor Martin, Federal Reserve Bank of St. Louis.
Governor Geery, Federal Reserve Bank of Minneapolis,
Governor Bailey, Federal Reserve Bank of Kansas City.
Governor Talley, Federal Réserve Bank of Dallas.
Governor Calkins, Federal Reserve Bank of San Francisco.

Mr. H. F. Strater, Acting Secretary for Governors.
Dr. Goldenweiser, Director of the Division of Reasearch and Statistics.

The Governor advised the conference of discussions during the past several days regarding the present credit situation and possible courses of System policy in dealing with the Fall credit requirements. He stated that the following suggestions have been made on which the Board would like to have the views of the Governors as to effects in their districts, as well as any other suggestions they might care to make.

1. That the System do nothing, taking care of seasonal requirements through rediscounts or purchases of bills as offered.

2. That the System ease the situation by reducing the bill rate to a point where it will accumulate bills and, at least, maintain rediscounts where they are.

3. That the System ease the situation through the purchase of Government securities if it feels that the acquisition of bills is not proceeding or will not proceed quickly enough.

4. That the System lower the bill rate, accumulate bills, and also purchase Government securities, raising the rediscount rate, not at the moment, but later if the open market operations should invite speculative demand for credit to any great extent.

5. That the System raise the rediscount rate in the larger centers, simultaneously reducing the bill rate and possibly going so far as to buy some Government securities, thus building up the bill portfolio and reducing the large line of rediscounts.

The Governors of the several Federal reserve banks expressed their individual opinions as to the plan which most appealed to them, and the effects of that plan in their respective districts.

All of the Governors, except Governor Harrison of the Federal Reserve Bank of New York, reported that their banks would not favor an increase in their own rates of discount because such action would have the effect of raising the level of commercial rates in the face of the seasonal requirements. All except three, however, Messrs. Seay, McKay and Martin, were of the opinion that some action should be taken, if it could be safely, to ease the situation in connection with the Fall credit requirements.

A general discussion as to the best System policy then ensued.

At 1:30 p.m. the meeting recessed and reconvened at 2:45 p.m.

The discussion at the morning session having hinged upon the question of an increase in the rediscount rate of the Federal Reserve Bank of New York, with a simultaneous reduction in the minimum buying rate for acceptances, the various Governors were requested to express themselves on that point.

Eight of the Governors, namely, Messrs. Harding, Harrison, Norris, Fancher, Geery, Bailey, Talley and Calkins, expressed themselves as favoring such action by the New York Bank, while Governors Seay, Black and Martin opposed it, and Deputy Governor McKay of Chicago, did not express himself.

On the question whether an increase in the discount rate of the New York Bank would force a rate increase in their own districts, nine of the Governors expressed the opinion, that except for unforeseen developments, their banks could maintain existing rates of five per cent, at least for some time, with the understanding that the increase in the rate of the Federal Reserve Bank of New York would be accompanied by a reduction in the bill rate and purchases of acceptances.

Governor Black of the Federal Reserve Bank of Atlanta, Deputy Governor McKay of the Federal Reserve Bank of Chicago, and Governor Martin of the Federal Reserve Bank of St. Louis, expressed the opinion that the effect of an increase in the New York rate in their districts would be to force a prompt increase in the rates of their own banks.

Mr. Hamlin expressed himself as favoring an increase in the rate of the New York Bank as part of a program of ease, while Messrs. James and Cunningham expressed opposition to any rate increase.

Mr. Miller stated that he was disposed to go along with the program provided there is a firm undertaking by the other reserve banks that they will hold to their present rates unless there should be unusual developments not now foreseen. He expressed the opinion that a six per cent rate could be justified in New York, but when it became the governing factor in the fixing of the discount rates in other districts, to him it had insurmountable objections.

At 5:15 the meeting adjourned with the understanding that separate meetings of the Board and the Governors would be held at 10:00 o'clock tomorrow morning to be followed by a joint meeting.

E. M. McClelland
Assistant Secretary.

Approved: Roy Young
Governor.