A meeting of the Federal Reserve Board was held in the office of the
Federal Reserve Board on Thursday, October 24, 1929 at 11:15 a.m.

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

Dr. Goldenweiser, Director of the Division of Research and Statistics,
appeared before the Board in accordance with an arrangement made at the meeting
on October 16th, and presented to the Board verbally a statement of the problem
confronting the Federal Reserve System as he sees it. Dr. Goldenweiser did not
discuss the prospects for the immediate future but stated among other things that
the System should be more definitely guided by long time trends than by seasonal
or other brief developments predetermining its actions upon its primary function as
he sees it of providing a flow of bank credit adequate to meet legitimate demands,
ordinarily at reasonable rates. He referred to the fact that international, as
well as domestic developments, must be taken into consideration and that, in view
of the world wide shortage of capital, the influence of foreign markets on the
United States may be expected for some years to come to be in the direction of
firm money. He expressed the opinion that in order to insure control of the
growth of credit, revision of the reserve requirements of member banks is neces-
sary and also some action for insuring equivalent reserve requirements for non-
member banks. He stressed the importance to the System of seeing to it that mem-
ber banks should not be in debt at the Federal Reserve banks in the amounts which
have prevailed during the past year or more. He pointed out that the credit
structure of the country has been built up on the basis of enormous additions
to the gold supply, and that the System should consider the desirability of
purchases of bills or securities at opportune times to offset gold losses, in preference to having such losses covered by member bank discounting. A large volume of indebtedness for a long period works against the valuable tradition against continuous borrowing by banks and exerts a permanent pressure on credit conditions.

Discussion regarding the present situation then ensued, during which the Governor reported information received from New York regarding recent market developments. He stated that dealers' rates on acceptances have been reduced one-eighth percent and consideration is being given by the Federal Reserve Bank of New York to a reduction in its buying rate. He stated that some of the directors of the New York bank, who meet today, are in favor of a reduction in the discount rate of the bank. Some consideration will also be given at their meeting to the purchase of a limited amount of government securities since the holdings of the System are expected to show a reduction for the week due to a decrease in repurchase agreements. The Governor suggested that the meeting recess until further word is received from the Federal Reserve Bank of New York as to action which may be taken by the board of directors of the bank.

Before recess, however, he presented draft of a letter addressed to the Governors of all Federal Reserve banks outlining a request made by the Undersecretary of the Treasury that orders be filed with the Bureau of Engraving and Printing for additional Federal Reserve notes to be printed and delivered during the current fiscal year, ending June 30, 1930, in order that undesirable developments in the labor situation at the Bureau, due to insufficiency of its appropriations for the year, may be avoided; the letter requesting advice as to whether the banks are willing to render the assistance needed by the Bureau.
and if so, which of the following propositions submitted by the Undersecretary of the Treasury they would prefer to participate in: (1) The placing of an order for the delivery of 5,000,000 additional sheets of notes at a cost to the Federal Reserve banks of $447,500.00; (2) The establishment of a revolving fund at the Bureau sufficient to provide for the processing of approximately a three months' supply of notes (based upon an estimated year's requirements of 17,000,000 sheets) at a cost to the Federal Reserve banks of $241,738.75, together with an order for the delivery of 2,950,000 additional sheets of completed notes, at a cost of $264,025.00; a total of $505,763.75.

After discussion, upon motion, the proposed letter was approved after elimination of a statement that the Board is inclined to recommend that the Federal Reserve banks render the assistance needed and feels that the second proposition above referred to is preferable.

At 1:10 p.m., the meeting recessed and reconvened at 3:45 p.m., the same members being present as attended the morning session and, in addition, the Comptroller of the Currency and the Secretary of the Treasury who presided.

The Governor stated that he had received advice from the Federal Reserve Bank of New York that although both Governor Harrison and Chairman McGarrah advised against it at this time, the directors of that bank voted to establish a rediscount rate of 5 1/2%, with the understanding, however, that their action is predicated upon approval or disapproval by the Federal Reserve Board today. He stated that the action was taken by a vote of four to three and that Governor Harrison advised him that no expression was obtained from the two directors who did not attend the meeting. The Governor stated that he had talked with Mr. Hamlin over the telephone and was advised that while Mr. Hamlin would not object to approving a reduction in the New York rate if recommended with more unanimity,
if he were present at the meeting today he would be inclined to disapprove it.

During the discussion, the Governor was called to the telephone and talked with Chairman McGarrah of the New York bank, who advised him that it was the impression of the majority of the directors present at their meeting that the whole credit structure needed a reduction in the rate and some of them expressed the view that the present is an opportune time to take some action along that line.

After further discussion, the Governor moved that the Federal Reserve Bank of New York be advised that the Board has received the advice of the action of the directors of the bank in voting to establish a rediscount rate of 5 1/2% with the understanding, however, that their action is predicated upon approval of disapproval by the Federal Reserve Board today and that, considering the present an inopportune time to change the rate of the bank, the Board disapproves the action of the directors and has determined the rate of the bank to be 6%.

Governor Young's motion, being put by the Chair, was unanimously carried.

The Governor then presented the following telegram dated October 24th from the Deputy Governor of the Federal Reserve Bank of New York:

"Bill market today experienced investment demand in fairly substantial volume and in excess of new bills offered in market. This demand upon depleted portfolios caused general further reduction by dealers of their bid and asked rates for all maturities. All but one dealer now bidding 5 1/2% for 90's and offering at 4 7/8%. Indorsed bills cannot be bought better than 4 3/4%. In these circumstances we have reduced our minimum effective buying rate on maturities up to 90 days by 1/8% to 5% with none offered. Expect to await developments and crystalization of open market conditions before making further adjustments."

After discussion, Mr. Platt moved approval of the minimum effective buying rate of 5% established by the Federal Reserve Bank of New York on maturities from 1 to 90 days.
Mr. Platt's motion, being put by the Chair, was carried, Mr. Cunningham voting "no".

Mr. Cunningham stated that he voted "no" not because he is opposed to the change made by the New York bank, but because of the procedure in effect and as a predicate for requesting review of that procedure in the near future.

The Assistant Secretary also presented telegrams dated October 24th from the Governor of the Federal Reserve Bank of Boston and the Governor of the Federal Reserve Bank of St. Louis, advising of the establishment today of a rate of 5% for purchases of bankers acceptances maturing within ninety days.

Approved, Mr. Cunningham voting "no".

The meeting adjourned at 4:45 p.m.

Approved:

[Signature]

Governor.

[Signature]

Assistant Secretary.