

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 30, 1930 at 12:00 o'clock noon.

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

The Governor stated that the directors of the Federal Reserve Bank of New York meet today and he, therefore, requested that the Board consider, in the light of the report submitted yesterday by the Open Market Policy Conference, the request of the New York bank that the Board reduce to $3\frac{1}{2}\%$ the minimum buying rate established for the purchase of bankers acceptances by the bank. He stated that if the minimum rate is reduced the bank will undoubtedly establish an effective rate of $3\frac{7}{8}\%$ today which, in his opinion, will result in easing the credit situation, to which he personally is not opposed. He stated, however, that his impression from the discussions yesterday is that the recommendation of the Open Market Conference was approved by the Governors on different premises - two definitely being in favor of an easing program and the others in favor of preventing any hardening due to a run off in the System bill portfolio or the increased spring demands for credit."

The Chairman stated that he thought the System's position should be to keep credit from hardening and that it would be a good thing to take care of the spring demand by some easing policy.

Mr. Miller submitted a proposed letter regarding the recommendation of the Open Market Policy Conference, reading as follows:

"The Board has considered the report of the Open Market Policy Conference and notes:

(1) That it is the judgment of the Conference that 'no market operations in Government securities are necessary at this time;'

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"(2) That it would have an unfortunate effect upon business if the demand for additional credit for Spring business concurrently with running off in the present bill portfolio of the System should result in the hardening of rates; and

(3) That the Conference recommends that the 'minimum buying rate for bills fixed by the Federal Reserve Board be reduced so that the Federal reserve banks may have such flexibility in their operations that the present portfolios may not only be maintained but if necessary be increased to such an extent as to avoid the hardening of rates which might result from a seasonal demand for additional reserve credit.'

The Board has carefully considered the report of the Conference and is of the opinion that a hardening of rates whether such hardening should result from demand for additional credit for Spring business or from a reduction of the total volume of reserve credit should be avoided, and is therefore prepared to consider reduction in the effective buying rate for bills to prevent hardening of commercial rates. With this in mind the Board is prepared to approve a minimum effective buying rate of $3 \frac{7}{8}\%$ for any Federal reserve bank wishing to establish such rate."

At this point, Mr. Platt joined the meeting.

After some discussion, the Governor moved that the Federal Reserve Bank of New York be advised that the Board has taken under review its request for the establishment of a minimum buying rate of $3 \frac{1}{2}\%$ for purchases of acceptances and determines the minimum buying rate to be $3 \frac{3}{4}\%$.

Mr. Miller moved, as a substitute, that the Federal Reserve Bank of New York be advised that the Board has taken under review its request for the establishment of a minimum buying rate of $3 \frac{1}{2}\%$ for purchases of acceptances and determines the minimum effective buying rate to be $3 \frac{7}{8}\%$.

Mr. Miller's substitute motion, being put by the Chair, was lost on a tie, the members voting as follows:

Mr. Hamlin, "aye"
 Mr. Miller, "aye"
 Mr. James, "aye"
 Mr. Cunningham, "aye"
 The Chairman, "no"
 Governor Young, "no"
 Mr. Platt, "no"
 Mr. Pole, "no"

Governor Young's original motion was then put by the Chair and carried, the members voting as follows:

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The Chairman, "aye"
 Governor Young, "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "aye"
 Mr. Pole, "aye"
 Mr. James, "no"
 Mr. Cunningham, "no"
 Mr. Miller, "not voting"

The Governor requested and received authority to approve buying rates for the other Federal Reserve banks in accordance with the minimum rate approved by the Board for the Federal Reserve Bank of New York.

The Governor then referred to the pending resignation of Mr. Gates W. McGarrah as Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of New York, and requested an expression from the Board on the proposition of appointing some outstanding business man as Chairman of the Board of Directors of the Bank, with the understanding that he will not devote his entire time to the bank but will be relieved of the routine duties of Federal Reserve Agent which would be performed by an Assistant Federal Reserve Agent.

Mr. Wyatt, the Board's General Counsel, was called into the meeting and expressed the informal opinion that such an arrangement would be contrary to the intent of the Federal Reserve Act which contemplates that the Chairman and Federal Reserve Agent should devote his entire time to the position.

The majority of the members of the Board expressed themselves as in agreement with Counsel's opinion.

The Governor then discussed informally possible appointments which the Committee on District #2, of which he is a member, might recommend to the Board.

Mr. Miller then left the room.

The Governor referred to the request which is before the Board for a

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statement of the reasons for its disapproval of the membership application of the Bank of Athens Trust Company, New York, N. Y. and stated that a similar request was made of him this morning on behalf of the Bryant Park Bank of New York. In this case, the Board's action, he stated, was based upon a recommendation of the New York directors predicated upon the fact that control of the applicant bank has been acquired by interests which have been unsatisfactory in the management of another institution.

The Secretary of the Treasury and Mr. James then left the room.

The Assistant Secretary presented a memorandum from Counsel, dated January 28th, submitting, in accordance with directions given by the Board at the meeting on January 25th, draft of a letter to the Federal Reserve Agent at Cleveland advising that the Board will interpose no objection to his placing in operation at the Pittsburgh Branch a plan for the custody of unissued Federal Reserve notes at the Branch under his control from the head office; the details of the arrangement to be those considered by the Board in 1926 and outlined in a letter to all Federal Reserve Agents under date of October 7, 1926 (X-4682).

Upon motion, the letter was approved and ordered transmitted.

The meeting adjourned at 1:15 p.m.

C. W. McClelland
Assistant Secretary.

Approved:

Paul

A. O. Keller
Chairman.