

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 5, 1930 at 11:00 a.m.

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

PRESENT ALSO: Dr. Goldenweiser, Director, Division of
Research & Statistics

As the special order of business, ordered at the meeting yesterday, Dr. Goldenweiser, Director of the Board's Division of Research and Statistics, reviewed generally the present business and credit situation in the United States, during which review Mr. Miller joined the meeting.

An extensive discussion was then engaged in regarding the various factors entering into the present situation and the extent and possible duration of the present business recession. The desirability of the Board's taking some action to ease the situation either through the Government securities market or a reduction in the discount rate, and the possible effects of such action, were thoroughly reviewed.

At this point, the Chairman left the meeting.

Governor Young suggested that the Board communicate with the Chairman of the Federal Reserve Bank of New York and advise him that the Board has given very careful consideration to the business and credit situation generally; that the Board realizes that conditions are not good and believes the present is an opportune time for the System to take some action; that it would, perhaps, be advisable to have a meeting for the consideration of open market policy possibly on Monday, March 24th, after the tax payment period; that the Board feels, however, that during the interim no harm could be done

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and possibly some good could be accomplished by an increase in the Government security portfolio of the Federal Reserve Bank of New York, purchases being made gradually to not to exceed \$50,000,000 during the two weeks or so between now and the date of the meeting, after which any securities so purchased could be distributed to such other Federal Reserve banks as may care to participate.

Upon motion by Mr. Hamlin, the Governor was authorized to communicate with the Chairman of the Federal Reserve Bank of New York, as suggested by him, and to request that the matter be submitted to the New York directors for their consideration. It was understood that the Governor might go to New York, if he considered it advisable, to communicate the Board's views personally.

At this point, Mr. Wyatt joined the meeting.

The Governor presented, and the Assistant Secretary read, copy of bill H. R. 9683 making it a misdemeanor for anyone to maliciously, with intent to deceive, to make, publish, utter, repeat or circulate any false report concerning any National bank or any State member bank of the Federal Reserve System which imputes or tends to impute insolvency or unsound financial condition or financial embarrassment or which tends to cause or provoke or aid in causing or provoking a general withdrawal of deposits from such bank. The Governor stated that the Chairman of the House Banking and Currency Committee has requested an expression from the Federal Reserve Board as to whether or not it approves of this bill, and asked for instructions as to what reply he should make.

A discussion ensued, at the conclusion of which, upon motion, the Governor was authorized to advise Chairman McFadden as follows:

"The Federal Reserve Board advises that in 1924 it approved the general terms of the McFadden Act as a whole,

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"which contained a provision somewhat along the lines of H. R. 9683. The Congress of the United States struck these provisions out of the bill because of what appeared to be good and sufficient reasons, and in view of this action on the part of Congress, the Federal Reserve Board does not feel justified in expressing any opinion on the bill without further careful study."

The Governor then stated that it is the plan of the House Banking and Currency Committee, in connection with the study which the Committee is making on group, Chain and branch banking, to invite a number of bankers representing the various types of bank organization to appear before the Committee in Washington. Mr. McFadden suggests, he stated, that the Board may desire to present inquiries to the bankers at the time they appear before the Committee and advises that if the Board cares to forward any questions to him he will see that they are presented during the course of the investigation. The Governor requested that should any member of the Board have inquiries which they wish to have presented in accordance with this arrangement, they submit them to him for transmittal to the Chairman of the House Banking and Currency Committee.

The meeting adjourned at 1:15 p.m.

C. W. McFadden
Assistant Secretary.

Approved:

Ray Young
Governor.