

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, April 7, 1930, at 11:00 a.m.

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

The Governor advised of word received from the Federal Reserve Bank of Boston of the death of Governor Harding early this morning, and stated that he is sending a message of condolence to Governor Harding's daughter on behalf of the Board and is making a brief statement to the press. Arrangements were made for a committee of the Board consisting of the Governor, Vice Governor and Mr. Hamlin, to attend the funeral which will be held in Boston on Wednesday afternoon.

It was then voted that a committee be appointed to draw up suitable memorial resolutions for insertion in the record and for transmittal to Governor Harding's family and the Federal Reserve Bank of Boston.

Governor Young appointed Messrs. Hamlin and Miller as members of the committee.

Reference was then made to the Board's Annual Report for the year 1929 which is now in galley form and ready to be returned to the printer for page proof unless members of the Board have changes to suggest.

Mr. Miller suggested that the Report be amended in the following respects:

At the bottom of galley 37 change the sentence beginning - "With the System's portfolio of Government securities depleted" to read - "With the System portfolio of Government securities practically exhausted by the sales made in the first half of the year 1928, the main reliance in a further firming of money conditions must have been a further marking up of Federal Reserve discount rates, unless some other expedient could be brought to bear in the situation".

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At the top of galley 38 change the first two sentences to read - "The Board was not disposed to regard favorably further increases of the discount rate as the appropriate method of dealing with the situation presented to it, and particularly as the Federal Reserve System was related to it; and, therefore, did not approve the discount rate advances voted by some of the Federal Reserve banks. It set forth its views of how the Federal Reserve banks would best proceed in the circumstances in a letter to them under date of February 2 which was later supplemented by a statement further elaborating its position, issued to the public February 7 and reading as follows:"

At the middle of galley 38 eliminate the sentence - "It may be remarked further that this outstanding experience with the application of 'direct pressure' demonstrated its effectiveness and reasonableness as a method of reserve banking control under conditions appropriate to its use," substituting therefor the following:

"The protection of Federal Reserve credit against diversion into channel of speculation constitutes the most difficult and urgent problem confronting the Federal Reserve System in its effort to work out a technique of credit control that shall bring to the country such steadiness of credit conditions and such maintenance of economic stability as may be expected to result from competent administration of the resources of the System. Whatever method, or combination of methods, of securing these results may eventually win the sanction alike of successful practice and of public opinion, the recent outstanding experience of the Federal Reserve System in demonstrating the practicability of 'direct pressure' has clarified the problem and advanced its solution."

After discussion, upon motion, the Board's action of March 17th in approving the Annual Report in the form sent to galley was reconsidered and the changes suggested by Mr. Miller were adopted, Governor Young and Mr. Platt voting "no".

A general discussion of the Report ensued, during which the Governor and Mr. Platt explained their disagreement with the Annual Report in its present form, particularly the stress laid upon the policy of direct action pursued by the Board during the first half of 1929.

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The Governor advised the Board of question in his own mind as to whether, not concurring in the report, he should sign it, even "by direction of the Board."

The Governor then brought up for consideration the report submitted on March 24th by the Open Market Policy Conference. He reported on his visit to New York last Thursday, commenting particularly on the spread between existing bill rates in this country and in England. He stated that the New York bank is not disposed to reduce its effective buying rates under present conditions but that he did not see any particular objection to reducing the minimum buying rate of the bank from 3% to 2 1/2% as recommended in the report. During the discussion, all of the members of the Board expressed themselves as in agreement with the views of the Committee that at present there is no occasion for further purchases of Government securities and that in the absence of some development that can not now be anticipated, bills should not be bought below 3%. Some of the members of the Board, however, questioned the advisability of reducing the minimum buying rate to 2 1/2%.

At the conclusion of the discussion, Mr. Miller moved that the report be laid on the table.

Mr. Platt moved that the Board approve the report, with the exception of the suggestion that the minimum buying rate be reduced, which would be held under review.

Mr. Platt's motion, being put by the Chair, was carried.

The Governor announced that this action automatically holds under review the requests received some time ago from the Federal Reserve Banks of New York and San Francisco for a reduction in their minimum buying rates.

The Governor then presented a letter dated April 2nd from the Chairman of the Federal Reserve Bank of New York, enclosing copies of cables exchanged with Governor Harrison, regarding a request received from the Under Secretary

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of State for an expression of opinion as to the size of any reparations bond issue in this country.

Ordered circulated.

REPORT OF STANDING COMMITTEE:

Dated, April 5th, Recommending changes in stock at Federal Reserve banks as
7th, set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 1:15 p.m.

E. W. McCalland
Assistant Secretary.

Approved:

Raymond
Governor.