

Upon call of the Governor, a meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 1, 1930 at 12:45 p.m.

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

The Governor reported that he was informed by Governor Harrison this morning that the directors of the New York bank will undoubtedly vote to reduce the discount rate of the bank to 3% and that definite advice is expected within a few minutes. For the information of the Board, he stated that the Bank of England today reduced its rate from 3 1/2% to 3% and the Bank of France from 3% to 2 1/2%.

While awaiting advice from the New York bank, Mr. James requested consideration of a report of the Committee on District #8, dated May 1st, recommending the appointment of Mr. Whiteford R. Cole as director of the Louisville Branch for the unexpired portion of the term of Mr. William Black, deceased, ending December 31, 1932.

Upon motion, it was voted to appoint Mr. Cole director of the Louisville Branch for the unexpired term.

The Governor was then called on the telephone by Governor Harrison of the New York bank and upon his return reported that the New York directors have unanimously voted to establish a rediscount rate of 3% on all classes of paper of all maturities, with the understanding, however, that their action is predicated upon approval or disapproval by the Federal Reserve Board today.

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He also reported that the directors voted to renew their request that the Board approve for the bank a minimum buying rate of 2 1/2% for purchases of bankers acceptances.

During the discussion which ensued, the Governor reviewed letters which have been received from the Governors of several of the Federal Reserve banks, replying to the suggestion of a meeting of the Open Market Policy Conference for May 5th which has been indefinitely postponed because of the inability of certain Governors to attend and he expressed the opinion that if the action of the New York directors is approved by the Board there will be no reason for holding a meeting of the Open Market Policy Conference in the near future.

At the conclusion of the discussion, upon motion, it was voted that the rate of 3% established by the New York directors on all classes of paper of all maturities be approved effective tomorrow, May 2nd.

On this motion, the members voted as follows:

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

Mr. Hamlin stated to the Board that he was in considerable doubt yesterday as to how to vote in this matter; that he realized, however, that the directors had voted unanimously to establish the 3% rate in the belief that it would help existing conditions; that he, Mr. Hamlin, however, felt some doubt as to this; that the action of the Bank of England and the Bank of France in reducing rates, to his mind created a new situation; that he feared that a lower rate at the Bank of England, for instance, than in the United States, would certainly tend to bring gold from England to the United States; that since the 4% rate was established on February 8, 1930, the gold stock in the United States has increased 136 millions, and the money

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in circulation has declined 62 millions; that while this increase in the gold stock had come largely from South America and Japan, he feared that maintaining a rate higher than that maintained by the Bank of England at the present time would certainly bring much more gold into the United States, which would finally get into the member bank reserves and form the basis of an unhealthy expansion.

Governor Young stated that it is his intention to advise the other Federal Reserve banks that because of the action taken on the New York rate it is not believed that a meeting of the Open Market Policy Conference is necessary and the contemplated meeting is cancelled, that he expects protests will be received from some of the other banks to the action taken and that requests will come for a meeting of the Open Market Policy Conference probably with a view to considering the sale of Government securities and that he personally would be reluctant to call a meeting for that purpose.

Mr. Platt then moved that, in accordance with the request of the New York directors, the Board approve for that bank a minimum buying rate of  $2 \frac{1}{2}\%$  for purchases of acceptances.

This motion, being put by the Chair, was carried, the members voting as follows:

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 then announced that he expects to be away from the office for about a week and suggested that authority be granted to the Executive Officer of the Board to approve a rediscount rate of  $3 \frac{1}{2}\%$ , if established by the directors of any other Federal Reserve bank.

Upon motion by him, this authority was granted, Mr. Miller voting "no".

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The meeting adjourned at 1:30 p.m.

*C. W. Woodland*

Assistant Secretary.

Approved:

*H. O. Nelson*

Chairman.

*[Large handwritten signature]*