

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 3, 1930 at 12:00 o'clock noon.

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

The Governor stated that special order of business for this meeting will be consideration of the following telegram just received from the Governor of the Federal Reserve Bank of New York, which was read by the Assistant Secretary:

"This telegram is to confirm telephone conversations of Thursday, yesterday and today. Our directors, while approving unanimously the report of the Open Market Policy Conference of its meeting of May 21 and 22 after a thorough discussion voted on May 29 that in their opinion it now seems desirable for the system to undertake the purchase of Government securities in moderate amounts. In reaching this conclusion our directors had before them evidence that the current business depression was continuing without any important indication of improvement. It was their belief that the hope of greater business activity and increased purchasing power for our surplus products depends at least to some extent upon the financing of new undertakings both at home and abroad through the bond market. While the directors appreciate that it is impossible to forecast accurately the extent of the effect of the proposed purchases, nevertheless they feel that the money position is so delicately balanced that even a slight addition to the available reserve funds might prove helpful both from the point of view of its direct influence on the bond market and in the psychological benefit which might also arise. In any event it seems clear that small purchases of Government securities at this time could do no harm and a test with the hope that they might be of some benefit seems desirable. Since the meeting of our directors on Thursday we have discussed the question of purchases of Government securities with the members of the Executive Committee of the Open Market Policy Conference and with the Governors of all other Federal Reserve banks. A majority of the Executive Committee and a majority of the Governors of all Reserve banks are now in favor of purchasing not to exceed \$25,000,000 a week of Government securities for the next two weeks with the under-

6/3/30

-2-

"standing that at the end of that time the situation would again be reviewed. We should appreciate the action of the Board upon this proposal of a majority of the Conference."

The Governor stated that Governor Harrison advised him that of the Executive Committee of the Open Market Policy Conference the representatives of the Federal Reserve Banks of Boston, New York and Cleveland approve the recommendation contained in the above telegram, while Philadelphia and Chicago disapprove. Of the twelve banks, he stated, the representatives of Boston, New York, Cleveland, Richmond, Atlanta, Minneapolis and Kansas City approve, Philadelphia, Chicago, Dallas and San Francisco disapprove, and the representative of the Federal Reserve Bank of St. Louis interposes no objection.

After some discussion, the Governor moved that the Executive Committee of the Open Market Policy Conference be authorized to purchase not to exceed \$50,000,000 of Government securities within the next two weeks.

Mr. Platt stated that he doubted the advisability of any Government purchases by the System before the June 15th tax payment period, which will naturally create an easy money situation and he moved to amend Governor Young's motion to read as follows:

"That the Executive Committee of the Open Market Policy Conference be authorized to purchase not to exceed \$50,000,000 of Government securities within the next three weeks."

As a substitute for the Governor's motion and Mr. Platt's amendment, Mr. Cunningham submitted the following resolutions:

"The Federal Reserve Board having under consideration the recommendation of the majority of the Open Market Policy Conference that the Executive Committee of the Conference be authorized to purchase not to exceed \$25,000,000 a week of Government securities for the next two weeks, to which request the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Minneapolis and Kansas City have given their approval; and

6/3/30

-3-

"Whereas, a discount rate of 3% was established at the Federal Reserve Bank of New York on May 2nd; and

"Whereas, a discount rate of 3½% was established at the Federal Reserve Bank of Boston on May 8th; and

"Whereas, the effective discount rate at the Cleveland, Richmond, Atlanta, Minneapolis and Kansas City Federal Reserve Banks is 4%;

"Therefore, Be it resolved, That the Federal Reserve Board, after due consideration of the credit situation, respectfully request the Boards of Directors of the Cleveland, Richmond, Atlanta, Minneapolis and Kansas City Federal Reserve Banks, at their convenience, to give the Federal Reserve Board the reasons that prompted their approval of further easing of the credit policy through open market operations on the part of the System while their banks are retaining a discount rate well above the discount rate in effect at other Federal Reserve banks in the System; and, how, in their opinion, such a policy can be construed as being in harmony with the intent and purpose of sub-paragraph (d) of Section 14 of the Federal Reserve Act;

"Be It Further Resolved, That further consideration of the pending request from the Open Market Policy Conference of the System be deferred until replies have been received from the above mentioned banks."

Mr. Miller moved, as a substitute for the motions of Governor Young, Mr. Platt and Mr. Cunningham that the Board reply to the Open Market Policy Conference that it will approve the purchase of Government securities whenever and to the extent that the earning assets of the Federal Reserve banks fall below \$1,000,000,000.

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

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

Mr. Cunningham's substitute motion was then put by the Chair and lost, the members voting as follows:

6/3/30

-4-

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

Mr. Platt's motion to amend Governor Young's original motion was then put by the Chair and lost, the members voting as follows:

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

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

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

The Governor then referred to the voting on the above motions, under which the Board failed to take affirmative action, although five members of the Board appear to favor the purchase of Government securities by the System under certain conditions.

There was further discussion following which the Governor moved that the Board approve the procedure recommended by the majority of the Executive Committee of the Open Market Policy Conference and a majority of the Governors of all Federal Reserve banks, namely, the purchase of not to exceed \$25,000,000 a week of Government securities for the next two weeks, with the understanding

6/3/30

-5-

that at the end of that time the situation will again be reviewed.

Governor Young's motion was put by the Chair, and the members voted as follows:

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

After some further discussion, Mr. Platt voted "aye" and the Chair announced that Governor Young's motion was carried.

Governor Young then stated that Mr. Hamlin had advised him over the telephone that he would favor the recommendation which has been approved by the Board.

The Governor reported that the board of directors of the Federal Reserve Bank of New York has voted, subject to the approval of the Board, to fix the salary of Mr. W. R. Burgess, recently appointed Deputy Governor of the bank, at \$30,000 per annum, effective June 1st.

The Governor stated that Mr. Burgess' salary as Assistant Federal Reserve Agent and as Deputy Governor up to June 1st has been \$22,000 a year.

Upon motion, the salary fixed by the New York directors was approved, effective June 1st, Mr. Cunningham not voting.

The Governor also reported that the New York directors have also voted, subject to the approval of the Board, to increase from \$5,000 to \$6,000 per annum, effective June 1st, the salary of Mr. Edward O. Douglas recently appointed Manager of the Foreign Department of the bank.

Upon motion, the salary of \$6,000 per annum, effective June 1st, was approved.

The Governor then reported that in accordance with the action of the

6/3/30

-6-

Board at the meeting on May 29th he has communicated with Honorable Newton D. Baker, who will not be able to attend the Conference of Counsel of the Federal Reserve banks on June 9th and 10th, but will come to Washington for the purpose on June 11th. For his services in this connection Mr. Baker suggests a fee of \$750 plus expenses, which the Governor recommended be approved by the Board.

Upon motion, the fee was approved.

The Governor then reported that, in accordance with the action of the Board on May 26th, he had taken up with Undersecretary of the Treasury Mills the matter of securing additional space in the Treasury Annex Building needed to house the Board's Division of Bank Operations and the Division of Research and Statistics, and that Mr. Mills advises that the Department can not allot more than the 11,000 square feet of space originally set aside for the Board.

The Governor suggested that at a meeting in the near future, consideration be given to the question whether the two Divisions should remain in the Otis Building, where some concession in rent can probably be negotiated under a new lease or should move to the Washington Building, or whether the Board should consider the erection of a building to house its entire staff.

REPORTS OF STANDING COMMITTEES:

Dated, June 2nd, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

The meeting adjourned at 1:15 p.m.

E. W. Tull
Assistant Secretary.

Approved:

A. T. Mellon

Chairman.