

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, June 16, 1930 at 11:30 a.m.

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

Mr. Hamlin reported that Governor Harrison, who was in Washington yesterday, advised him that in his judgment the directors of the Federal Reserve Bank of New York at their meeting Thursday will unanimously vote to reduce the discount rate of the bank to 2 1/2%. Governor Harrison advised him, he stated, that last week the directors were in favor of a reduction but reluctantly postponed action at his request. Mr. Hamlin stated that both the Governor and Mr. Pole are absent from Washington and as he plans to leave tomorrow he requested the Vice Governor to call the meeting for advance consideration of the probable action of the New York directors on Thursday. Governor Young, he stated, intimated to Governor Harrison over the telephone that he would favor the reduction and advised Governor Harrison that he would write a letter to the Board advising that although he could not conveniently come to Washington on Thursday he would do so if necessary, although he understood that consideration of such matters by the Board would be so handled as not to take advantage of the absence of any member.

Mr. Hamlin then moved that the Vice Governor be authorized and directed to approve a rate of 2 1/2% if established by the directors of the Federal Reserve Bank of New York on Thursday and that he be authorized and directed to approve a reduction of not exceeding 1/2% in rate, if and when voted by the directors of any other Federal Reserve bank.

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A detailed discussion ensued during which Mr. Hamlin received word that Governor Harrison had remained over in Washington and was in his office.

Governor Harrison was then called into the meeting and stated to the Board that at his directors' meeting two weeks ago, they reviewed business conditions in their relation to credit conditions, and while they felt there was not much they could do directly to create more activity in business, nevertheless, they felt that with the world depression in business, commodity prices and export trade, and with no definite evidence that conditions are better, the System should do whatever it can to remove any possible obstacles to recovery, and, more directly through the short-time money market, to influence and build up a bond market through which the directors think recovery must ultimately be expected. It was the feeling, he stated, that the New York bank rate should soon go to 2 1/2%.

He stated that his directors again raised the question last Thursday and would have voted unanimously for a reduction had he recommended it, but that he urged them to put it off a week as it would be better to wait until the effect of the purchase of fifty million of Government securities could be observed and the Treasury quarterly financing is over and the reparations loan out of the way.

While he was unable to commit his directors in advance, Governor Harrison stated that in view of the discussion at the meeting last Thursday, unless there is some substantial change in the meantime, he is of the opinion they will vote unanimously at their next meeting for a reduction in the rate to 2 1/2%. In Governor Harrison's opinion, his directors have no undue ex-

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pectations as to what a reduction in the rate will do. Their policy has not been predicated on the thought that anything the System could do would of itself stop the decline or that it could in any direct way make prices better or insure greater business activity, but they have desired to do what is within the power of the bank to remove any possible obstacles or to facilitate the recovery when the time comes for business to pick up.

Some of the directors pointed out, he stated, that while business figures as a whole do not show any improvement, the fact must be taken into account that they would show an even greater decline if it were not for activity in public utilities, railroads and municipalities, which have proceeded fairly actively as a result of the Administration program of last winter. Mr. Owen D. Young has pointed out, however, that if prices continue to decline and if other lines of business and industry do not give their support, the utilities, railroads and municipalities cannot be expected to continue their construction and equipment programs and the time will come when they, themselves, must slow up.

Governor Harrison further stated that he believes on the whole, the feeling of the directors of the Federal Reserve Bank of New York is that there isn't much hope of real improvement for several months, and some of them feel improvement may not be marked before next year. They are particularly concerned about the export trade which has such a direct effect upon commodity prices and feel that a revival of our foreign markets depends largely upon the bond market, and that hopes of getting a strong bond market rest upon a continued ease in the short-time money market more than anything else.

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In response to the Chairman's question as to what effect the proposed reduction would have on the Bank of England, Governor Harrison said he had not yet communicated with the bank, but his feeling is that if the Federal Reserve Bank of New York should reduce its rate on Thursday, the Bank of England would probably go down the next week.

Mr. Hamlin explained to Governor Harrison that there will probably not be a quorum of the Board present on Thursday and inquired whether any action that the Board might take now authorizing approval of a reduction in the New York rate, if voted by the directors on Thursday, might be construed as initiation by the Board of the reduction in rate. Governor Harrison replied that he thought not, since he had come to Washington to advise the Board that as he sees it now, he will recommend the reduction next Thursday, and, on the basis of the discussion last week, he has every reason to believe that his directors will unanimously approve of it. Any action by the Board now, he stated, would therefore be simply in expectation of the bank's possible action next Thursday.

Governor Harrison also stated that, in his opinion, when the demand for credit does come, the System will have to be prepared to consider when and how rapidly it will increase rates, because in his judgment, a 2 1/2% rate is a recognition of a serious depression and in his present judgment should not be long maintained in the face of any really substantial demand for bank credit whether from increased business activity or other causes.

Governor Harrison then left the meeting and Mr. Hamlin's motion, being put by the Chair, was carried, the members voting as follows:

The Chairman, "aye"  
 Mr. Platt, "aye"  
 Mr. Hamlin, "aye"  
 Mr. James, "no"  
 Mr. Cunningham, "no"

Mr. Platt stated: - "I am voting in favor of the proposed reduction of the rediscount rate in the New York Reserve Bank with a good deal of doubt as to its wisdom. The 2 1/2 per cent rate will be the lowest since the establishment of the Reserve System, and I think there is almost an even chance that its psychological effect will be unfavorable, giving the impression that conditions are worse than they really are. The New York directors are reported to have been unanimously in favor of this reduction for two weeks, and though I question their wisdom I am not quite willing with conditions as they are to vote to veto their action."

Telegrams dated June 16th from Deputy Governor Kenzel of the Federal Reserve Bank of New York, the Deputy Governor of the Federal Reserve Bank of Boston and the Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment of the following schedule of rates for purchases of bankers acceptances:

1 to 45 days	-	2 1/8%
46 to 120 days	-	2 1/4%
121 to 180 days	-	2 3/4%
Repurchase	-	2 1/4%

Without objection, noted with approval.

Telegram dated June 16th from the Chairman of the Federal Reserve Bank of Chicago, advising of the establishment of the following rates for purchases of bankers acceptances:

1 to 45 days	-	2 1/8%
46 to 120 days	-	2 1/4%
121 to 180 days	-	2 3/4%

Without objection, noted with approval.

Telegram dated June 16th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment of the following rates for purchases of bankers acceptances:

1 to 45 days	-	2 1/4%
46 to 120 days	-	2 3/8%
121 to 180 days	-	2 7/8%

Without objection, noted with approval.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond and Atlanta, of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of May, where the total of such absences since January 1, 1930 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Memorandum dated June 11th from the Assistant Director of the Division of Research and Statistics, recommending that the temporary appointment of Mr. Frank R. Garfield, which expires at the close of business June 16th, be made permanent, at his present salary of \$3400 per annum.

Approved, Mr. James voting "no".

The minutes of the meeting of the Federal Reserve Board held on June 9th were then read and approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on June 14th were read and, upon motion, the actions recorded therein were ratified.

REPORTS OF STANDING COMMITTEES:

Dated, June 10th, Recommending action on applications for fiduciary powers  
 11th, as set forth in the Auxiliary Minute Book of this date.  
 13th, Recommendations approved.

Dated, June 11th, Recommending approval of the application of Mr. J. M. Barr for permission to serve at the same time as director of the Madison National Bank & Trust Company, Richmond, Ky., as director of the First-Owensboro Bank & Trust Company, Owensboro, Ky., and as officer of the First National Bank of Louisville, Ky.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, June 11th, Recommending approval of the application of Mr. S. A. Phillips for permission to serve at the same time as director of the Madison National Bank & Trust Company, Richmond, Ky., as director of the First National Bank, Nicholasville, Ky., and as officer of the First National Bank of Louisville, Ky.  
Approved.
- Dated, June 11th, Recommending approval of the application of Mr. William N. Jarnagin for permission to serve at the same time as director of The Terminal National Bank of Chicago, Ill., as officer of the Madison-Kedzie Trust & Savings Bank, Chicago, Ill., and as director and officer of the Central Manufacturing District Bank of Chicago, Ill.  
Approved.
- Dated, June 11th, Recommending approval of the application of Mr. A. J. County for permission to serve at the same time as director of the Philadelphia National Bank of Philadelphia, Pa., as director of the Fidelity-Philadelphia Trust Company, Philadelphia, Pa., and as director of the Chemical Bank & Trust Company, New York City, N. Y.  
Approved.
- Dated, June 13th, Recommending approval of the application of Mr. J. H. Whaley for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.  
Approved.
- Dated, June 13th, Recommending approval of the application of Mr. R. E. Power for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.  
Approved.
- Dated, June 13th, Recommending approval of the application of Mr. Tony Sudekum for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.  
Approved.
- Dated, June 13th, Recommending approval of the application of Mr. C. B. Ragland for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.  
Approved.

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 13th, Recommending approval of the application of Mr. C. S. L'Engle for permission to serve at the same time as director of the St. Augustine National Bank of St. Augustine, Fla., and as director of the Barnett National Bank of Jacksonville, Fla.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. J. B. Weil for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. Henry S. Sawrie for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. A. P. Mays for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. Joe Morse for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. Lewis Pope for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. W. A. Byrn for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. D. Y. Proctor for permission to serve at the same time as director and officer of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.



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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 13th, Recommending approval of the application of Mr. William Gupton for permission to serve at the same time as director and officer of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

Dated, June 13th, Recommending approval of the application of Mr. Humphrey Hardison for permission to serve at the same time as director and officer of the Broadway National Bank of Nashville, Tenn., and as director of the Commerce Union Bank of Nashville, Tenn.

Approved.

The meeting adjourned at 1:00 p.m.

*C. W. McClelland*

Assistant Secretary.

Approved:

*Ray*

*A. W. McLean*  
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 Chairman.