

February 25, 1918.

Dear Governor Wold:

I have your letter of the 21st instant, and thank you for your views as to discount rates. You understand, of course, that the telegram tenthich your letter is a reply, was sent merely in the way of a suggestion, and that no action will be taken until all districts have been heard from and until the matter has been thoroughly considered. The Board will discuss the discount situation further at its meeting on Friday next, and I will keep you advised of any new developments.

The point you make that banks have been buying bonds and certificates at $3\frac{1}{2}\%$ and 4% for patriotic motives only, is a strong one, and it does not seem right that they should be penalized for responding promptly to the call of the government while others which have held back will have the advantage of the higher rate on the new issues. I note your suggestion that the fifteen-day rate on bills secured by Treasury certificates and bonds be $\frac{1}{2}\%$ below the rate borne by these certificates or bonds, and the plan was discussed freely at the Board meeting this morning, but no definite conclusion was reached.

Very truly yours,


Governor.

Mr. Theodore Wold,
Governor Federal Reserve Bank,
Minneapolis, Minn.

CLASS OF SERVICE	SYMBOL
Day Message	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Day Message	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

B81A CS 88 GVT

ST LOUIS MO 331PM FEB 25 1918

HARDING GOVERNOR FEDERAL RESERVE BOARD

WASHINGTON DC

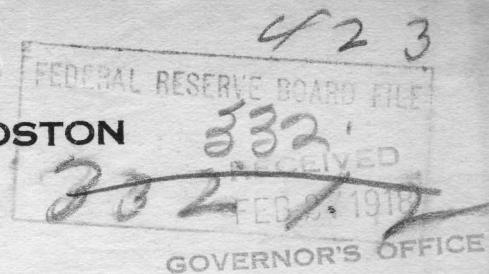
RECEIVED
FEB 25 1918 332
GOVERNOR'S OFFICE

EXECUTIVE COMMITTEE RECOMMENDS THAT FEDERAL RESERVE BOARD AUTHORIZE INCREASE OF RATE OF FIFTEEN DAYS OR LESS MEMBER BANKS COLLATERAL NOTES AND REDSICOUNTS SECURED BY LIBERTY BONDS OR UNITED STATES TREASURY CERTIFICATES FROM THREE AND ONE HALF TO FOUR PERCENT THAT THE RATE ON COMMERCIAL AND AGRICULTURAL PAPER RUNNING FROM SIXTY ONE TO NINETY DAYS BE INCREASED FROM FOUR AND ONE HALF TO FIVE PERCENT THAT MAXIMUM RATE ON BANKERS ACCEPTANCES BE INCREASED FROM FOUR TO FOUR AND ONE QUARTER PERCENT

WELLS GOVERNOR

456PM

#1
FEDERAL RESERVE BANK OF BOSTON
53 STATE STREET



February 25, 1918.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

Dear Sir:

423
Answering your confidential telegram of February 20th, referring to interest paid by banks to their customers on deposits, I wish to say that I have talked with a number of the members of the clearing house committee on this subject individually, but not as a committee, and while they consider it desirable to do so, none of them appear to have any very constructive ideas. They felt especially that it would not be effective for the Boston Clearing House to attempt to do anything by itself, and I suggested to Mr. Ripley, Chairman of the Clearing House Committee, that he take it up with the Clearing House Committees of New York and Philadelphia. This he has agreed to do, and I am in hopes that they will be able to formulate something that will be useful. In the meantime, it does not seem to be necessary to do anything more.

33212
Referring to your suggestion of increasing the discount rates, our Executive Committee felt that as our commercial rates are as high as they are in any Federal Reserve district, it was not wise to raise them further. On the rates on notes for discount secured by United States securities they do not approve of raising the 90 day rate because of the hardship that it would put on many owners of Liberty Loan 4% Bonds, who are still borrowing, and will continue to borrow. This eliminated all but the $3\frac{1}{2}\%$ 15 day rate. If we raised the 15 day rate, they would both be at 4% and the banks would feel that an unnecessary hardship was being put on them. If a large movement to borrowing on 15 day collateral notes should be induced because the rate was to remain at $3\frac{1}{2}\%$ we should take the matter up again.

Very truly yours,

Charles A. Muns

Governor.

CAM/M