

FEDERAL RESERVE BANK
OF SAN FRANCISCO

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GOVERNOR'S OFFICE
JOHN PERRIN
CHAIRMAN OF THE BOARD
AND FEDERAL RESERVE AGENT

September 16, 1919.

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

Dear Sir:

At today's Directors' Meeting, I read to the Board your letter of September 5th (X-1666) regarding new gold to be acquired by the Federal Reserve banks. I also encouraged a considerable discussion with regard to the desirable policy of this bank with reference to its discount rates. If the matter had been brought to a vote, I believe that the Board would have voted in favor of a policy of gradually advancing the discount rates, first bringing the rates on Government secured loans up to a parity with the rates for commercial obligations and then would be willing to consider the desirability of fixing higher rates for loans based on Government securities than for those growing out of commerce.

There was no disposition to be otherwise than considerate of those who had pledged their credit to buy Government bonds and it was not felt that the suggested advance in rates should be made immediately.

With reference to the possibility of fixing higher rates for loans based upon Government obligations than for those growing out of commerce, it has occurred to me that at the proper time it might seem desirable to amend the Federal Reserve Act to provide for such higher rates, following the example set with reference to rediscounting paper based upon obligations of the War Finance Corporation.

Yours very truly,


Chairman of the Board.


JP:MS