

At a regular meeting of the Federal Reserve Board held in the office of the Board on Tuesday, June 25, 1918, at 11:25 A.M.,

PRESENT:

Mr. Harding, presiding,

Mr. Hamlin,

(Mr. Williams)

Mr. Warburg,

Mr. Willis, Secretary.

Mr. Miller,

The minutes of the meeting of the Board held on June 20th and 22d were read and on motion approved.

The minutes of the meetings of the Executive Committee held on June 21st and 22d were read and on motion approved and the action therein set forth ratified.

The minutes of the Gold Export Committee held on June 21st, 22d, 24th and 25th were presented and on motion approved and the action therein set forth ratified.

Governor Harding filed with the Board a letter from the Comptroller of the Currency dated June 22d, regarding the attitude of the Governor re guaranty of bank deposits, which was read and ordered filed. A reply written by Governor Harding to the Comptroller was read and ordered filed.

A letter from the Comptroller of the Currency asking that further discussion of the question of guaranty of bank deposits be deferred until late in the meeting was read and on motion it was agreed to vote on the subject at 12:45 P.M., this day.

Discount rate sheets for Federal Reserve Banks (no changes) were presented and ordered filed.

The question of discount rates in general was taken up for consultation and discussed.

In this connection Governor Harding submitted to the Board a plan set forth in resolutions adopted by the Federal Reserve Bank of Kansas City re a differential in discount rates, which was read and referred to Committee No. 2.

Mr. Miller moved that it is the opinion of the Federal Reserve Board that the rate should be advanced on-

15 day Liberty Loan paper to 4 $\frac{1}{2}$ % and that in its opinion no risk would be run in carrying through the present program of Government financing on this basis during the coming months, the subject to be made the basis of a memorandum for presentation to the Treasury Department and to be reported back to the Board.

Mr. Hamlin moved as a substitute that Mr. Miller be requested to prepare a report on the whole subject to be presented at the Governors' conference. Both motions were laid on the table.

Mr. Warburg offered an informal report for Committee No. 2 that it is the sense of the Board that there

should be an increase in the 15 day rate and the matter be taken up in full at the conference with Governors and each Governor be asked that he state his view of the effect of the increase on Government financing. The report was received and it was agreed that a further report be filed in writing.

A letter from Assistant Secretary Leffingwell transmitting a letter from Governor Wold, re discount and banking conditions in the Minneapolis district was read and referred to Committee No. 2.

On motion it was voted to approve the appointment of Matthew C. Lynch as Assistant Federal Reserve Agent at San Francisco at \$400 per month, effective on assuming duty.

On motion it was voted to appoint George B. Smithson as clerk in Mr. Miller's office at \$85 per month, effective July 1st.

On motion it was voted that the Statistician be requested to report fully on the subject of percentage relations of reserve deposits and rediscounts of member banks.

It was ordered that the question of salaries and dividends at the Federal Reserve Bank of Philadelphia be docketed for Thursday, June 27th. It was

further agreed that salary and dividend matters referred to the Executive Committee during the present month shall be referred with power.

A letter from the Secretary of the Board re-submitting his resignation was read and on motion it was accepted effective one month after a date to be named by him, he to be relieved of regular official duty during that period. The Governor was authorized to express the Board's feeling regarding the work of the Secretary.

The special Committee of the Board (Mr. Harding and Mr. Williams) appointed to name directors at the new Jacksonville branch reported that it had accordingly named the following as directors for the Board: John C. Cooper, Chairman, and Fulton Saussy. The following directors for the Jacksonville branch named by the Bank were approved: B. H. Barnett, E. W. Lane, G. L. Wilson.

The resolution re guaranty of bank deposits, already reported by the Executive Committee was presented and adopted as follows:

WHEREAS, It is important that nothing should impede the unification of the banking system of the country under the Federal Reserve Act, to which the President called attention in his statement of Oct. 13, 1917.

'The Federal Reserve Act is the only constructive financial legislation which we have ever had which was broad enough to accommodate at the same time banks operating under powers granted by the General Government and banks whose charters are granted by the respective States. The unification of our banking system and the complete mobilization of reserves are among the fundamental principles of the Act'.

WHEREAS, such unification is threatened by the proposed plan for the guaranty of deposits in national banks:

(1) Because it would tend to stimulate a spirit of competition and antagonism between State bank systems and the national banking system;

(2) Because of the difficult and embarrassing situation in which such State banks, which, owing either to insufficient capitalization or to existing contractual or trust obligations, could not convert into national banks, would be placed;

(3) Because of the agitation which would be produced in many States to secure local legislation for the guaranty of deposits in State banks, thus destroying the harmony now happily developing and almost established between State and national bank systems, as evidenced by the increasing number of State member banks in the Federal Reserve System and the cordial cooperation which many States are giving to the policy of the Federal Reserve Board in seeking to bring about a unification of the American banking system under the Federal Reserve Act:

WHEREAS, there is no sufficient evidence to establish that there are great sums of currency and specie, now in hiding, which would be drawn out and deposited in national banks were such deposits guaranteed beyond what is already being accomplished, any more than they are now brought out by the Postal Savings System and the War Savings Stamps;

WHEREAS, in the judgment of the Board, no plan of insurance, applied either to bank deposits or to any other form of credit or property, is sound or can long be successfully maintained where a uniform premium is assessed upon all participants,

strong or weak, good or bad, alike; or equitable unless the insurance privilege be extended to all member banks at their election;

WHEREAS, relieving depositors of the necessity of exercising care and vigilance in choosing banks in which to deposit their funds would make for weakness, rather than strength, in the organization and conduct of banks;

WHEREAS, the extension of the principle of insurance to bank deposits raises large and most difficult questions of general governmental policy which ought to be decided only after the most mature consideration;

WHEREAS, the Government could not safely and wisely undertake the guaranty of bank deposits without exercising a degree of control over banking loans and investments, which would, in effect, amount to the government guaranty of such loans and investments and thus bring banking credit under the complete control of the Government;

WHEREAS, the hardships now suffered by depositors of insolvent banks could be materially lessened by the establishment of a fund for the prompt liquidation of the valuable assets of failed banks;

THEREFORE, BE IT RESOLVED, that the Board deprecates the injection into the banking situation at this time of the bitterly controverted question of guaranty of bank deposits as prejudicial to the development of the Federal Reserve System, and as menacing to the successful financial conduct of the war, because of the agitation of mind produced in the business and banking community;

BE IT FURTHER RESOLVED, that it is the judgment of the Board that a fund, under the administration of the Federal Reserve Banks, might well be set up to provide and insure immediate determination of the value of the assets of failed member banks of the Federal Reserve System and an immediate distribution of the estimated value of such assets among depositors, pending their final liquidation; this to the end that the hardship and injury now sustained by depositors of failed banks, because of the delays to which they are subjected in receiving their pro-rata of

the assets of failed banks, may be reduced to a minimum.

W.P.G.HARDING
Signed A. C. MILLER
PAUL M. WARBURG

On this motion the vote stood as follows:

Affirmative:	Negative:
Mr. Harding,	Mr. Hamlin,
Mr. Warburg,	Mr. Williams.
Mr. Miller,	

It was agreed that Mr. Delano may record his vote on the matter.

It was further agreed that no publication of the action be made until further order.

A letter from the Comptroller of the Currency to Governor Harding dated June 25th, and delivered at 11:20 A.M. on that day re conversations as to bank guaranty was read. Mr. Harding stated that the conversations referred to in the letter had in his opinion been entirely unofficial, but that he thought the subject fully covered by the letter written by him to Mr. Williams and already read at an earlier period in the meeting. Discussion ensued.

The following reports taken up by unanimous consent out of order, were approved:

No. 3.

Dated June 25th, recommending changes in stock
at Federal Reserve Banks as follows:

Applications for additional stock:

<u>District No. 9</u>		<u>Shares</u>
First National Bank,	Adrian, Minn.	1
National Bank of Aitkin,	Aitkin, "	6
First National Bank of	" "	3
The Farmers National Bank,	" "	1
First National Bank,	Alden, "	6
First National Bank,	Argyle, "	3
First National Bank,	Atwater, "	6
First National Bank,	Beaver Creek,	2
First National Bank,	Bovey, Minn.	1
First National Bank,	Browerville, Minn.	2
First National Bank,	Chaska, "	3
First National Bank,	Crosby, "	1
Merchants National Bank,	Detroit, "	1
First National Bank,	Dunnell, "	3
First National Bank,	Fairmont, "	39
Fergus Falls National Bank,	Fergus Falls, "	9
First National Bank,	Foley, "	1
First National Bank,	Gonvick, "	3
First National Bank,	Hallock, "	4
First National Bank,	Hibbing, "	6
Brown National Bank,	Jackson, "	1
First National Bank,	" "	1
National Farmers Bank,	Kasson, "	1
First National Bank,	Lake Benton, "	1
First National Bank,	Lake Crystal, "	2
American National Bank,	Little Falls, "	3
Metropolitan National Bank,	Minneapolis, " "	144
Farmers & Merchants National Bank,	Minnesota!	6
Do	Do	6
First National Bank,	Mora, Minn.	2
First National Bank,	Mountain Lake, "	2
First National Bank,	Nashwauk, "	1
First National Bank,	Rushford, "	3
Merchants National Bank,	St. Cloud, "	1
First National Bank,	Do	.10
Peoples Bank of	St. Paul, "	6
		<u>291</u>

<u>District No. 9</u>		<u>Shares</u>
	Brought forward,	291
First National Bank,	Springfield, Minn.	1
American Exchange Bank,	Virginia, "	6
First National Bank,	Do	6
Merchants National Bank,	Wadena, "	1
First National Bank,	Waseca, "	3
Stillwater Valley National Bank,	Absarokee, Mont.	1
Anaconda National Bank,	Anaconda, "	3
Montana National Bank,	Billings, "	6
First National Bank,	Conrad, "	9
First National Bank,	Harlowton, "	4
First National Bank,	Hardin, "	3
First National Bank,	Grass Range, "	2
Conrad National Bank,	Kalispell, "	4
Citizens National Bank,	Laurel, "	2
First National Bank,	Libby, "	3
First National Bank,	Plentywood, "	3
First National Bank,	Plevna, "	1
First National Bank,	Polson, "	1
First National Bank,	Poplar, "	1
First National Bank,	Scobey, "	1
First National Bank,	Stevensville, Mont.	2
American National Bank,	Three Forks, "	2
First National Bank,	Abercrombie, N. Dak.	3
First National Bank,	Bismarck, "	60
First National Bank,	Carrington, "	6
Cass County National Bk.	Casselton, "	2
Ellendale National Bank,	Ellendale, "	1
Farmers National Bank,	" "	2
First National Bank,	Forman, "	1
First National Bank,	Goodrich, "	3
First National Bank,	Hettinger, "	1
Citizens National Bank,	Jamestown, "	7
Farmers & Merchants National Bank,	" "	4
First National Bank,	Killdeer, "	2
First National Bank,	Linton, "	1
First National Bank,	Marion, "	5
First National Bank,	New England, "	6
Citizens National Bank,	Northwood, "	3
First National Bank,	Reynolds, "	1
First National Bank,	Scranton, "	1
First National Bank,	Sentinel Butte, "	3
		<u>468</u>

<u>District No. 9</u>	<u>Shares</u>
Brought forward	468
First National Bank, Washburn, Mont.	6
First National Bank; Beresford, S.D.	3
First National Bank, Bridgewater, S.D.	2
Farmers National Bank, Do.	3
First National Bank, Canton,	" 24
National Bank of Gary,	" 3
First National Bank, "	" 3
City National Bank, Huron,	" 1
First National Bank, Lake Preston,	" 2
First National Bank, Judith Gap,	" 2
First National Bank, Lemmon, S.D.	1
Merchants National Bank, Milbank,	" 1
First National Bank, Mobridge,	" 1
Sioux Falls Savings Bk. Sioux Falls,	" 1
Corn Belt National Bank, Scotland,	" 3
First National Bank, Toronto,	" 2
First National Bank, Viborg,	" 1
First National Bank, Webster,	" 4
First National Bank, Woonsocket,	" 10
First National Bank, Durand, Wis.	3
First National Bank, Phillips,"	2
First National Bank, Rhinelander, Wis.	12
First National Bank, River Falls, "	3
Iron County National Bk. Crystal Falls, Mich.	3
Conrad Trust & Savings Bank,	Helena, Mont. 12
	Total.....576

Application for original stock:

<u>District No. 11</u>	<u>Shares</u>
First National Bank, Grand Prairie, Tex.	15

Application for surrender of stock:

<u>District No. 7</u>	<u>Shares</u>
Rockford National Bank, Rockford, Ill.	90

District No. 8

Greene County National Bank,	Carrollton, Ill. 75
------------------------------	---------------------

Applications for additional stock:

<u>District No. 7</u>	<u>Shares</u>
First National Bank, Mooresville, Ind.	3
Citizens National Bank, Tipton, Ind.	3
Farmers National Bank, New Bedford, Ill.	6
Harris Trust & Savings Bank, Chicago, Ill.	600
First National Bank, Crescent City, Ill.	1
First National Bank, Cullom, Ill.	1
First National Bank, Dallas City, Ill.	6
Millikin National Bank, Decatur, Ill.	120
Union State Savings Bank & Trust Co. Kewaunee, Ill.	30
Carroll County State Bank, Mt. Carroll, Ill.	6
State Savings Bank & Trust Co. Moline, Ill.	15
Farmers National Bank, Prophetstown, Ill.	2
First National Bank, Tampico, Ill.	1
Iowa Loan & Trust Co. Des Moines, Iowa,	90
Citizens National Bank, Grinnell, Iowa,	3
Landmands National Bank, Kimballton, Ia.	18
First National Bank, Lost Nation, Ia.	1
New London National Bank, New London, Ia.	1
Perry National Bank, Perry, Ia.	2
Federal Commercial & Savings Bank, Port Huron, Mich.	30
First National Bank, Rochester, Mich.	5
First National Bank, Peoria, Ill.	15
Total.....	959

No. 2

Dated June 25th, recommending the admission of state institutions upon terms named by the Committee in each case as follows:

Deseret Savings Bank,	Salt Lake City, Utah.
Fifth Avenue Bank of New York,	New York, N. Y.
Bank of Emmett,	Emmett, Idaho.
City Savings Bank & Trust Co.	Alliance, Ohio.
The State Bank,	Akron, Ohio.
Albion State Bank,	Albion, Mich.
Lake City Bank of Minn.	Lake City, Minn.

Provident Savings Bank & Trust Co.	Cincinnati, Ohio.
Struthers Savings & Banking Co.	Struthers, Ohio.
Denver Stock Yards Bank,	Denver, Colo.
Dayton Savings & Trust Co.	Dayton, Ohio.

On motion it was voted that the Wachovia Bank & Trust Co., Winston-Salem, N.C., might become a member if approved by the Board as to condition, even in the absence of the requisite seal.

A letter from Mr. F. A. Delano, stating that he had asked the President for release from service on the Federal Reserve Board in order to serve in France, was noted. The following statement appreciative of Mr. Delano's relation to the Board was ordered entered:

"The Federal Reserve Board has heard with extreme regret of the proposed resignation of Mr. F. A. Delano. It desires to record its appreciation of Mr. Delano's able and faithful service as a member of the Federal Reserve Board and of those high personal qualities which have made his relation to his colleagues one of unusual mutual confidence and regard. Mr. Delano has served two years as vice governor of the Board and for nearly two years additional as member. During this period of almost four years the Federal Reserve System has attained its growth, while the banking and financial problems of the Nation, in whose solution the Federal Reserve system has necessarily had a large part, have been of unprecedented seriousness. Mr. Delano's contribution to the effective organization of the system and to the successful solution of its problems can not be over-estimated. His departure will be a serious loss to the system and a source of extreme personal regret to his colleagues."

W.P.G. Harding
Governor.
Paul M. Warburg,
Vice Governor.
H. Parker Willis,
Secretary.

Washington, D.C.,
June 25, 1918.

A letter from the Federal Reserve Bank of Kansas City re employees subject to draft and stating the necessity of obtaining exemption for certain essentially necessary employees was read and it was agreed to refer the matter to Counsel who is engaged in preparing a summary of the situation at Reserve Banks with reference to this matter.

Reports of Committees were presented and acted upon as follows:

Executive Committee:

Dated June 17-22, recommending the creation of a new Division of the Board's work to be known as "The Division of Analysis and Research". Approved and referred to the executive Committee to report a plan of organization.

Dated June 22d, recommending favorable action upon the resolution approved by Mr. Hamlin re individual expressions of opinion on public questions (See minutes of June 20). Approved, and the resolution adopted as originally presented, as follows:

RESOLVED, That while each member of the Board must determine for himself the propriety or necessity of expressing his individual opinion on any question, it is the sense of the Board that in the future, to avoid embarrassment, members should not quote publicly the opinions of other members on matters which have not formally been passed upon by the Board.

No. 1

Dated June 22d, favoring the payment of a dividend at the Federal Reserve Bank of New York to June 30, 1918.

Dated June 22d, recommending approval of the salary of Edward A. James as National Bank Examiner in the 12th District at \$3,000 per annum, effective on assuming duty; and recommending approval of the salary of \$3,900 per annum for Ward M. Buckles, effective on assuming duty.

No. 2

Dated June 18th, recommending approval of the application of the Marine Bank & Trust Co., of New Orleans, for permission to accept up to 100% of their capital and surplus.

Dated June 22d, formulating a letter for transmission to the Federal Reserve Bank of New York, with reference to the accounting treatment of the value of their newly purchased site. Approved and ordered transmitted.

Dated June 22d, recommending form of letter for transmission by the Governor to the National Straw Hat Manufacturers Association with reference to their credit terms. Approved and letter ordered transmitted.

Dated June 22d, recommending that the question of discount of cold storage paper be referred to Mr. J.P. Cotton. Approved and the reference ordered.

No. 3

Dated June 18th, recommending form of letter for transmission by the Governor to the Business Bourse relative to forms of trade acceptances. Approved and letter ordered transmitted accordingly.

Various dates, recommending action on applications for fiduciary powers as follows:

Refused:

First National Bank, Farmland, Indiana.

Suspended until a later date:

First National Bank,	Fayetteville, Ark.
First National Bank,	Brookings, S. D.
Farmers National Bank,	Ponca City, Okla.
First National Bank,	Callispel, Mont.
Commercial National Bank,	Great Falls, Mont.
First National Bank,	Hagerman, N.M.
Peoples National Bank,	Barre, Vt.
First National Bank,	Elwood, Ind.
Citizens National Bank,	Royal, Iowa.

Approved:

Trustee and Registrar:

Citizens National Bank, Dickson, Tenn.

Trustee, Executor, Administrator and Registrar:

Fourth National Bank, Greenville, S.C.
 First National Bank, York, S.C.
 National Bank of Decatur, Illinois.

Dated June 22d, holding that Mr. J. V. Padula, being a private banker, can not serve as director of the American National Bank of Newark, N.J., approved and ordered that Mr. Padula be informed accordingly.

On motion at 1:37 P.M., the meeting adjourned.

APPROVED:

Chairman.

H. P. ...
Secretary,