

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 8, 1925, at 11:30 a.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McIntosh
Mr. Noell, Assistant Secretary

The minutes of the meeting of the Federal Reserve Board held on December 6th were read and approved.

The Governor then submitted bond of Mr. Oscar Newton, Federal Reserve Agent at Atlanta, in the amount of \$100,000.

Approved.

Letter dated January 7th from the Chairman of the Federal Reserve Bank of New York, advising that Mr. William H. Dillistin has tendered his resignation as Assistant Federal Reserve Agent, effective January 31, 1925.

Upon motion, it was voted to accept Mr. Dillistin's resignation.

The Governor then stated that he had been advised that the Secretary of the Treasury wished to withdraw his request for an opportunity to present his views on the recommendation of the Board of Directors of the Pittsburgh Branch, concurred in by the Directors of the Federal Reserve Bank of Cleveland, for an increase in the salary of Mr. George DeCamp, Manager of the Branch, from \$12,000 to \$13,200 per annum, which was disapproved by the Board on December 23rd.

The Secretary was thereupon instructed to advise the Chairman of the Federal Reserve Bank of Cleveland of the action taken by the Board on December 23rd in

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disapproving the increase recommended for Mr. DeCamp and approving a salary of \$12,000 for him during the year 1925.

Report of Law Committee on the recommendation of the recent Governors' Conference that the Board, as an added protection against loss to Federal Reserve banks and branches, print on the title page of its semi-annual Inter-district Collection System booklet the phrase - "Subject to Change Without Notice"; the Committee recommending the adoption of the recommendation of the Governors' Conference.

Upon motion, the above recommendation, which was approved on initials of members of the Board yesterday, was formally approved.

Draft of letter to the Chairman of the Committee on Banking and Currency of the House of Representatives, with regard to the so-called McLaughlin Bill, drafted by Honorable George B. McLaughlin, Superintendent of Banks of the State of New York and President of the National Association of Supervisors of state banks and proposed to be offered as an amendment to the McFadden Bill; the proposed reply referring to memoranda regarding the bill prepared by the Board's General Counsel and forwarded to the Chairman of the Committee on Banking and Currency on January 6th and stating that the Board has considered the bill and that while it has not adopted as its own the detailed criticisms and comments contained in the memoranda above referred to, the Chairman of the Committee is perfectly at liberty to say that the Board is opposed to the enactment of the bill.

After discussion, the proposed letter was approved with amendments.

Report of Committee on Examinations on the matter referred to it at the meeting on January 6th, namely, letter dated January 3rd from the Federal

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Reserve Agent at Chicago, with regard to the failure of the First State and Savings Bank of Howell, Michigan, to file report of condition called for as of October 10, 1924; the Committee recommending that the Federal Reserve Agent report this matter to the Board of Directors of the Federal Reserve Bank of Chicago, in view of the provision of Section 9 that "failure to make such reports within ten days after the date they are called for shall subject the offending bank to a penalty of \$100 a day for each day that it fails to transmit such report; such penalty to be collected by the Federal Reserve bank by suit or otherwise".

After discussion, Mr. Hamlin moved approval of the recommendation of the Committee on Examinations.

Mr. Hamlin's motion being put by the chair was carried, Messrs. Crissinger and Platt voting "no".

The Committee on Examinations then submitted a report dated January 7th on the subject "Official Salaries, Federal Reserve Bank of Chicago and Detroit Branch, During the Year 1925," as follows:

"On December 23rd, the Federal Reserve Board formally adopted the recommendation of the Board's Committee on Salaries, Expenditures and Efficiency that the Federal Reserve Bank of Chicago be requested to have its Executive Committee come to Washington before January 9th for a conference with said Committee, on the question of salaries to be paid to the officers of the Chicago Bank and Detroit Branch (including the Federal Reserve Agent's Department) for the year 1925. The Board was advised that the members of the Bank's Executive Committee, other than Governor McDougal and Chairman Heath, would be unable to come to Washington before January 15th, and that Messrs. McDougal and Heath were designated by the Committee to proceed to Washington and discuss fully all matters at issue with the Board.

Your Committee met with Messrs. McDougal and Heath this morning. The Committee advised the representatives of the Chicago Bank that from a study of the functional expense reports, it is of the opinion that the Bank and Branch are over-manned in their official and clerical personnel, and that in the opinion of the Committee there are approximately twelve

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"too many officers and one hundred and fifty too many employees.

Messrs. McDougal and Heath stated that in their opinion the Chicago organization is over-officered, and doubtless over-manned to some extent in certain departments, but that they could not accept the Committee's estimate at this time. Governor McDougal stated that three junior officers of the Bank, whose salaries total \$19,500 per annum, have already been advised that their services will not be required after June 30, 1925. It was stated by both representatives of the Chicago bank that a survey of the organization would be undertaken with a view of further reducing the official staff during the year, if such reduction could be brought about without impairing the efficiency of the bank's operations.

The representatives of the Chicago Bank brought up for discussion the action taken by the Board on January 3rd in declining to approve the recommendation of the Federal Reserve Agent that Mr. W. F. McLallen be reappointed to the office of Assistant Federal Reserve Agent. Mr. Heath stated that at no time prior to the action taken by the Board on January 3rd had he been advised by the Board of its desire that he so reorganize his department as to dispense with the services of an Assistant Federal Reserve Agent, and that had he been so advised the reduction in his staff could have been brought about without embarrassment or injustice to any individual. Both Governor McDougal and Chairman Heath stated that in their opinion the duties of Secretary of the Board of Directors of the Bank are not such as to require the entire time of an officer or employee, and that the services of Mr. McLallen as Secretary would be discontinued if and when he no longer serves in the additional capacity of Assistant Federal Reserve Agent.

Governor McDougal then referred to the action of the Board in disapproving of the recommendation of his directors to increase the salary of Mr. Arthur Olson, Confidential Secretary to the Governor, from \$3,600 to \$4,000 per annum. Both Governor McDougal and Mr. Heath stated that Mr. Olson is regarded by the senior officers of the bank as a man of exceptional technical ability and that his time is not entirely occupied with the performance of secretarial duties, but to a considerable extent in the capacity of general assistant to all the senior officers. Governor McDougal also stated that Mr. Olson has acted as Secretary at the meetings of the Managing Committee and Executive Committee of the Bank in the absence of Mr. McLallen and in his opinion Mr. Olson could handle this work regularly and also act as Secretary to the Board meetings in addition to his other assignments.

In view of the foregoing, your Committee submits the following resolutions and recommends their adoption by the Board:

- (1) That the Salaries which the directors of the Federal Reserve Bank of Chicago recommend be paid during the year 1925 to the officers of the bank and branch, including the

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"Federal Reserve Agent's Departments, be approved, with the exception of the salary of \$7,000 per annum proposed for Mr. F. M. Huston, Manager of the Statistical Department, and that Mr. Huston's salary be approved at the present figure of \$6,500 for the first six months of the year, which is the period covered by the budget submitted for the operation of the statistical and research department of the bank.

(2) That the action of the Board taken at the meeting on January 3, 1925, in disapproving the recommendation of the Federal Reserve Agent that Mr. W. F. McLallen be reappointed Assistant Federal Reserve Agent, be reconsidered.

(3) That the action of the Board taken at the meeting on January 3, 1925, in disapproving the recommendation of the Federal Reserve Agent that Mr. W. F. McLallen be reappointed Assistant Federal Reserve Agent, be rescinded.

(4) That Mr. W. F. McLallen be reappointed Assistant Federal Reserve Agent at Chicago for a period of six months only, beginning January 1, 1925, with salary at the rate of \$5,500 per annum, with the understanding that the Federal Reserve Agent will make such adjustment in the official staff of his department during the first six months of the year 1925 as to make it unnecessary to continue Mr. McLallen in the office of Assistant Federal Reserve Agent subsequent to June 30, 1925.

(5) That the action taken by the Board at the meeting on December 23, 1924, in disapproving a proposed increase from \$3,600 to \$4,000 per annum in the salary of Mr. Arthur Olson, be reconsidered.

(6) That the action taken by the Board at the meeting on December 23, 1924, in disapproving a proposed increase from \$3,600 to \$4,000 per annum in the salary of Mr. Arthur Olson, be rescinded.

(7) That the Board approve the recommendation of the Chicago directors that the salary of Mr. Arthur Olson be increased from \$3,600 to \$4,000 per annum, effective January 1, 1925."

After discussion, Mr. Hamlin moved adoption of the resolutions submitted by the Committee.

Mr. Hamlin's motion being put by the Chair was unanimously carried, and salaries of officers at the Chicago bank and its Detroit Branch for the year 1925 stand approved, as follows:

Head Office

McDougal, J. B. Governor	-	\$35,000.
Blair, J. H., Deputy Governor	-	25,000.
McKay, C. R. " "	-	18,000.
Beckman, W. C., Controllor	-	7,500.
Childs, K. C. " "	-	12,000.
Dillard, J. H. " "	-	10,000.
Jones, D. A. " "	-	7,500.
Netterstrom, O. J. " "	-	7,500.
Washburne, Clarke " "	-	7,500.
Buss, R. H., Manager	-	6,000.
Hanrahan, F. " "	-	6,000.
LeRoy, A. R. " "	-	6,000.
Delaney, E. A. " "	-	6,000.
Callahan, J. C. " "	-	5,500.
Dazey, A. W. " "	-	5,500.
Fischer, Irving " "	-	5,000.
Pavey, L. G. " "	-	5,500.
Roberts, J. G. " "	-	6,500.
Coulter, R. E. " "	-	6,300.
Bateman, Fred " "	-	6,000.
Huelsman, R. C. " "	-	5,500.
Hargreaves, R. J. " "	-	5,750.
Meyer, L. G. " "	-	5,750.
Lindsten, F. " "	-	5,300.
Rumbaugh, J. H. " "	-	6,000.
McLallen, W.F. Secretary	-	4,500.
Powell, Chas. L. Counsel	-	8,000.
McLallen, W.F. Asst. F.R.Agt.	-	5,500.
White, W.H. " " " " & Mgr. Exam. Dept.	-	13,000.
Burgess, F.R. General Auditor	-	8,000.
Hopkins, W. A. Asst. Auditor	-	6,000.
Harris, E. L. Manager	-	7,500.
Huston, F. M. " "	-	6,500.

Detroit Branch

Cation, Wm. R. Manager	-	9,000.
Dew, J. B. Cashier	-	7,500.
Chalfont, H. J. Asst. Cashier	-	5,000.
Gardner, H. H. " "	-	5,000.
Butzel, Henry, Counsel	-	1,500.
Baskin, J. G. Asst. F.R.Agt.	-	6,500.
Schrader, W.C. Act. Asst. R.Agt.	-	3,000.
Jarvis, G. J. Asst. Auditor	-	4,500.

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Report of Committee on Salaries, Expenditures & Efficiency dated January 8th on the subject "Recommendations Relative to Operation of the Detroit Branch of the Federal Reserve Bank of Chicago", as follows:

"In reviewing the expenses of the Chicago Federal Reserve Bank and its Branch at Detroit, the Committee reaches the conclusion that there may be a possibility of considerable saving to the Chicago Bank through consolidating in the home office some of the functions which are now carried on at the Branch. While the Committee is not prepared to state in detail just what functions might reasonably be discontinued at the Branch and absorbed at the home office without materially decreasing the efficiency of the service rendered in the Branch territory, the Committee feels that it is justified in suggesting that the Board request the Chicago Bank to make a thorough study of this situation and promptly make reductions in expenses accordingly."

Upon motion, the suggestion of the Committee was unanimously approved.

Report of Committee on Salaries, Expenditures and Efficiency on letter dated January 7th from the Chairman of the Federal Reserve Bank of Philadelphia, referring to the Board's letter of December 27, 1924, reporting action of December 23, 1924 in voting to refer back the official salary list of the bank for reconsideration and adjustment, and requesting that pending action on the matters referred to in the Board's letter the Board temporarily approve the fixing at present figures of the salaries of officers of the bank, until the questions raised by the Board's letter have been thoroughly considered and a report made; the Committee recommending that the Board have the Chairman of the Philadelphia bank arrange to have the members of his Executive Committee meet with the Board's Committee on Salaries, Expenditures and Efficiency before January 15th, and that the Chairman's attention be called to the fact that unless such a meeting is held and the question of salaries for officers determined,

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no official salaries can legally be paid on January 15th.

After discussion, upon motion by Mr. James, it was voted to approve the recommendations of the Board's Committee, Mr. Platt voting "no".

Report of Committee on Examinations on letter dated December 23rd from Honorable George R. Cooksey, Director of the War Finance Corporation, requesting that the Board reconsider its action of December 17th in voting to request the Corporation to continue to conduct the audits of obligations and securities held by the Denver Branch as custodian for the Corporation; the Committee recommending that the Board reiterate its decision that the auditor of the War Finance Corporation continue the audits of obligations and securities held by the Denver Branch for the current year.

Upon motion, the recommendation of the Committee was approved.

Memorandum from the Secretary dated January 5th, with regard to letter dated January 2nd from the Federal Reserve Agent at Atlanta, transmitting application of the Commercial Bank and Trust Company of Miami, Florida, for surrender of stock in the Federal Reserve Bank of Atlanta based on a reduction in its capital stock from \$300,000 to \$200,000; the memorandum stating that the Commercial Bank and Trust Company was admitted to the System in October, 1923 under the general condition of membership containing the clause that it should not reduce its capital stock without the approval of the Board and that the records of the Board do not show any such approval of the reduction above referred to.

Referred to Counsel.

Letter dated January 7th from the Federal Reserve Agent at Richmond,

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requesting cancellation of the designations of Messrs. A. C. Weinert and Henry Schutz as Acting Assistant Federal Reserve Agents at the Baltimore Branch, and stating that the Branch in future will carry no unissued Federal Reserve Notes and that discounted paper securing note circulation will be held for the Federal Reserve Agent's account by an employee in the Discount Department designated as his representative.

Upon motion, the designations of Messrs. Schutz and Weinert as Acting Assistant Federal Reserve Agents at Baltimore were cancelled.

Letter dated January 5th from the Federal Reserve Agent at Atlanta, requesting approval of the designation of special and regular examiners to serve during the year 1925.

Approved.

Letter dated January 7th from the Deputy Governor of the Federal Reserve Bank of New York, advising of revised percentages of participation of the Federal Reserve banks in foreign accounts during the year 1925.

Noted.

Memorandum dated January 7th from Counsel on the subject "Proof of Claims By Federal Reserve Banks Against Insolvent National Banks"; Counsel suggesting that he take up with the Counsel of all Federal Reserve Banks the present requirement of the Comptroller of the Currency that a Federal Reserve bank must prove a separate claim for each individual rediscount of an insolvent national bank and that no dividend will be allowed on any rediscount which has been paid in full.

Upon motion, it was voted to instruct Counsel to take this matter up with the Counsel of all Federal Reserve banks.

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Letter dated January 7th from Honorable William J. Harris, transmitting letter addressed to him by Mr. E. R. Hodgson, Jr. of Athens, Georgia, with regard to a ruling by the Board "making notes based on calcium arsenate stored in Federal warehouses as eligible as cotton".

Referred to the Law Committee.

Draft of letter to all Federal Reserve Agents outlining the procedure to be followed in making semi-annual adjustments in capital stock holdings of member banks.

Referred to the Governor with power.

Report of Law Committee on the recommendation of the recent Conference of Governors and Federal Reserve Agents that the Board withdraw its present ruling on the subject of Federal Reserve bank holidays (X-4128) and rule instead that each Federal Reserve bank should advise the Federal Reserve Board at least ten days in advance of a prospective holiday affecting either the parent bank or any of its branches, whether the parent bank or such branches, under advice of the bank's Counsel, would close or remain open on such holiday, it being understood that if the bank should close it would not participate either way in the Gold Settlement clearing but that if it should remain open it would participate both ways.

After discussion, upon motion by Mr. James it was voted that a Committee of two of the Governors' Conference should be appointed to confer with a special committee of the Board regarding the above matter.

The Governor then appointed Messrs. Hamlin, James and McIntosh as the special committee to represent the Board.

At this point, Mr. McIntosh left the meeting.

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Memorandum dated December 26th from Governor Crissinger stating that the Board's action of December 17th on the report submitted at the recent Conference of Federal Reserve Agents on the subject of bank and public relations work, was not in strict accordance with the recommendation of the Conference and should be reconsidered in the light of the following quotation from the Conference report:

"The Committee believes that the next year or two will be a very favorable time for undertaking to bring before the business men of the country the advantages they are receiving, directly or indirectly, from the Federal Reserve System. If the Conference and Federal Reserve Board agree with this point of view, which is so strongly stressed by the President himself, the committee will at once give consideration to the preparation of definite plans for bringing about a better understanding of the System among the business men."

After discussion, it was voted to reconsider the Board's action of December 17th and to approve the plan outlined in the above quotation, Mr. Miller voting "no".

The Governor then presented the matter held over on December 22nd for a full meeting of the Board, namely, letter dated December 8th from the Federal Reserve Agent at San Francisco transmitting copy of letter addressed to him by the President of the American Bank of San Francisco requesting that the Board reconsider its action of December 2nd in disapproving the application of that bank for permission to establish three branches de novo in the city of Oakland or that the Board grant the bank a hearing at which it can make a personal presentation of its case.

After discussion, Mr. Hamlin moved that the Board grant a hearing to the American Bank of San Francisco on a date to be fixed by the Governor.

Mr. Hamlin's motion being put by the Chair was carried, Mr. James voting "no" .

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Memorandum dated January 8th addressed to the Governor of the Board by the Secretary referring to the Governor's suggestion that it might be desirable to have the Director of the Board's Division of Research and Statistics come before the Board prior to the next meeting of the Open Market Investment Committee, and at stated intervals thereafter, to report upon recent developments in the business and credit situation and review the operations of the Open Market Investment Committee; the Secretary submitting the following proposed resolution:

"In order that each member of the Board may have the benefit of the views of the other members of the Board on current economic and financial trends, and also on the policies and operations of the Open Market Committee,

BE IT RESOLVED, That a full discussion of these subjects be had at a meeting of the Board at least once each week hereafter, and that the Director of the Board's Division of Research and Statistics, who is also Secretary of the Board's Committee on Discount and Open Market Policy, be directed to attend the meetings of the Board at which such discussions may ensue, and report upon recent developments in the business and credit situation, and review the operation of the Open Market Committee of Governors."

After a full discussion, during which the various members of the Board expressed their opinions as to the desirability of the action contemplated in the above quoted resolution and of the frequency with which such meetings should be held, it was unanimously voted "that the Director of the Board's Division of Research and Statistics should appear before the Board on Thursday of each week and make a report to the Board on developments in the business and credit situation, including the operations of the Open Market Investment Committee".

The Secretary of the Board then entered the meeting and stated that in accordance with the instructions given him at the meeting of the Board on January 6th he had conferred with the Department of Justice regarding the letter dated December 20th from the Federal Reserve Agent at Philadelphia,

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referring to previous correspondence with the Board regarding irregularities of Mr. L. L. Maloney, Vice President and Treasurer of the Security Trust and Safe Deposit Company of Wilmington, Delaware and stating he is advised that Mr. Maloney, who earlier in the year was dropped from the official staff of the bank, would be reinstated as an officer at the annual meeting of the bank on January 7, 1925; the Secretary reported that the Department of Justice was not yet prepared to express an opinion regarding the matter, and requested authority to so advise the Federal Reserve Agent at Philadelphia.

Upon motion, the authority requested was granted.

The Secretary then presented letters addressed to the Board by the Chairmen and Governors of several of the Federal Reserve banks expressing their opinions with regard to the various provisions of the so-called McFadden and Pepper Bills.

After discussion, the above letters were ordered circulated.

REPORTS OF STANDING COMMITTEES:

- Dated, January 8th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, January 8th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
8th, Approved.
- Dated, January 5th, Recommending approval of the application of Mr. A. B. Banks to serve at the same time as President and Director of the American-Southern Trust Company, Little Rock, Ark. as President and Director of the First National Bank, Stuttgart, Ark., and as President and Director of the First National Bank, Junction City, Ark.
Approved.

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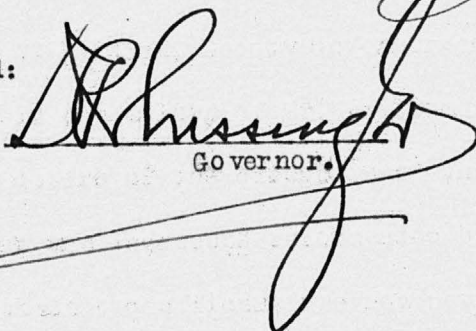
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REPORTS OF STANDING COMMITTEES: (Cont'd)

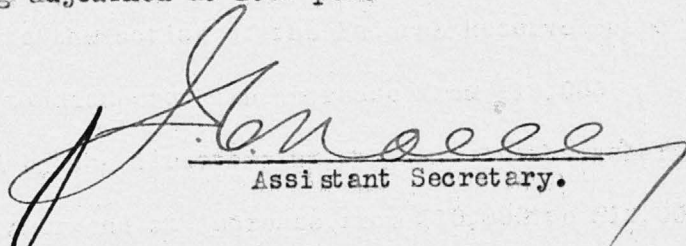
Dated, January 8th, Recommending refusal of the application of Mr. William Cavalier to serve at the same time as director of the American Bank, San Francisco, Cal. and of the College National Bank, Berkeley, Cal.
Refused.

The meeting adjourned at 1:05 p.m.

Approved:



Governor.



Assistant Secretary.