

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, December 27, 1932, at 12:10 p. m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Magee

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The Committee considered and acted upon the following matters:

Telegram dated December 23, 1932, from the Chairman of the Federal Reserve Bank of Chicago, advising that the board of directors, at its meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply, approved by five members of the Board on December 23, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the First National Bank in Avon-by-the-Sea, New Jersey, in the amount of \$16,000, for a period of sixty days, with interest at the rate of 5 1/2% per annum, and on the security of obligations of the local municipality with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet the withdrawal of a large municipal deposit. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic replies, approved by four members of the Board on December 23, 1932, to telegrams of that date from Deputy Governor Rounds of

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the Federal Reserve Bank of New York, requesting authority to purchase from the Savings Investment and Trust Company of East Orange, New Jersey, tax notes of the City of East Orange, in the amount of \$100,000, and from the Oceanside National Bank, Oceanside, New York, a tax note of the Town of Hempstead Union Free School District No. 11, in the amount of \$20,000, and a tax note of the Town of Hempstead Union Free School District No. 31, in the amount of \$19,500. The replies stated that the Board authorizes the purchases with the understanding that the notes meet all requirements of Regulation E except that the respective amounts of the notes offered, together with the notes of the issuing municipalities already held by the New York bank, exceed 25% of the total outstanding warrants of the issuing municipalities; that the respective populations of the Union Free School Districts No. 11 and 31 are less than 10,000, and that the Union Free School District No. 31 has not been in existence for ten years.

Approved.

Telegraphic reply to a letter dated December 23, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York stating that the bank is considering an advance under the provisions of section 13 of the Federal Reserve Act, as amended by the Act of July 21, 1932, to L. C. Smith and Corona Typewriters, Incorporated, in the amount of \$300,000, and that while technically the proposed use of the proceeds comes within the prohibition of the Board's letter of July 26, 1932 (X-7221), that except with the permission of the Federal Reserve Board no such paper should be discounted if it appears that the proceeds will be used for the purpose of paying off existing indebtedness to other banking institutions, it is believed, in

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view of the circumstances outlined in the letter, that the case is not of the type which the Board had in mind to prohibit. Mr. Rounds stated that the proceeds of the advance would be used for the purpose of retiring at maturity commercial paper which had been sold in the open market and is held by some twenty-two banks none of which has granted the company a line of credit for use in the usual course of business. The reply stated that with the understanding that the note or notes of L. C. Smith and Corona Typewriters, Incorporated, will meet the requirements of eligibility laid down by the law and the Board's regulations, and will be acceptable to the Federal reserve bank from a credit standpoint, the Board will interpose no objection to the proposed discount by the Federal Reserve Bank of New York because of the fact that the proceeds are to be used for the purpose stated by Mr. Rounds.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by four members of the Board on December 23, replying to Assistant Federal Reserve Agent Young's letter of December 17, 1932, reporting that the First National Bank, Secor, Illinois, has been continuously deficient in its required reserves for six months. The reply stated that in view of the information submitted, and in accordance with the agent's recommendation, the Board will take no action in the matter at this time other than to forward a copy of Mr. Young's letter to the Acting Comptroller of the Currency for the information of his office.

Approved.

Letter dated December 23, 1932, from the Chairman of the Federal Reserve Bank of Chicago, advising of the death on December 22, of Mr. W. J. Gray, one of the bank's appointees to the directorate of the Detroit branch.

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Noted with regret.

Letter dated December 24, 1932, from the Federal Reserve Agent at Chicago, advising that because of the present banking conditions in Detroit it is felt necessary that a successor to Mr. W. C. Recknagel, who recently resigned as Assistant Federal Reserve Agent at the Detroit branch, be appointed without delay, and that the Federal reserve agent has determined, subject to the approval of the Federal Reserve Board, to appoint Mr. W. R. Diercks, at present an examiner at the head office of the bank with salary at the rate of \$4,500; it being planned that Mr. Diercks will also act as the agent's representative in the credit department of the branch and that he will supervise, if not conduct, examinations of banks in the metropolitan district of Detroit made on behalf of the Federal reserve bank.

After discussion, the Federal reserve agent's letter was referred to the Chief of the Division of Examinations for a recommendation to the Board.

Letter dated December 23, 1932, from the Secretary of the Federal Reserve Bank of Chicago, advising of the unanimous adoption by the board of directors of the bank at its meeting on that date of a resolution providing for a share-the-work plan at the head office which would require a reduction during the six months period beginning January 1, 1933, of one-half day semi-monthly in the working time of each employee; a deduction of 2% from the salaries of the present officers and employees of the bank; and for the temporary employment during the period of from 35 to 40 employees at a total salary for the period of approximately \$22,000, in order that the work of the bank may be carried on without loss of efficiency in operation. The letter also stated that the board of directors had approved the adoption of a similar plan at the Detroit branch where it was thought that 7 or 8 additional

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employees could be employed temporarily at total salaries for the period of about \$4,200.

After a discussion it was decided to interpose no objection to the plan as outlined and to approve the salary payments involved in the employment of additional people at the head office and Detroit branch in accordance with the plan; Mr. Hamlin stating that while, for reasons previously stated, he is opposed to the plan as submitted, in view of the position taken by the majority of Board in approving plans of this character at New York, Philadelphia and Cleveland, and in order that the executive committee of the Board could act on the plan submitted by the Chicago bank, he would not record a negative vote.

Letter dated December 20, 1932, from the Chairman of the Federal Reserve Bank of San Francisco, transmitting a copy of a resolution unanimously adopted by the board of directors of the bank at its meeting on December 16, 1932, providing for a share-the-work plan at the head office and branches of the bank which would provide for a reduction in the working time of the present full time officers and employees of one day per month during the six months period beginning January 1, 1933; the employment of the additional temporary employees necessary to carry on the work of the bank; and a reduction in the salaries of the present officers and employees of the bank of 2% on salaries up to \$2,999, 4% on salaries from \$3,000 to \$4,999, 5% on salaries from \$5,000 to \$9,999, and 6% on salaries of \$10,000 and over; it being understood that the employment of additional people would be accomplished without adding to the total salary roll of the bank.

After discussion it was decided to interpose no objection to the adoption of the plan and to approve the salary payments involved in the employment of additional people in accordance with the plan; Mr. Hamlin making the same statement in connection with his vote as was made by him in connection with the share-the-work plan submitted by the Federal Reserve Bank of Chicago.

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The Governor then stated that the Governor of the Federal Reserve Bank of Chicago had advised him over the telephone that Deputy Governor Blair, who has been in ill health for some time, is resigning on December 31, 1932, and that the board of directors proposes to appoint Mr. George J. Schaller, who at the present time is president of the Citizens First National Bank, Storm Lake, Iowa, and a class A director of the Federal Reserve Bank of Chicago, as deputy governor of the Chicago bank, and, subject to the approval of the Board, to fix his salary at the rate of \$18,000 per annum. Attention was called to the fact that it appears that Mr. Schaller owns 295 shares of the capital stock of the Citizens First National Bank and question was raised as to the propriety of his continuing to hold this stock or otherwise retaining his connection with the national bank during his service as deputy governor of the Federal reserve bank. The opinion was concurred in by the members present that Governor McDougal should be advised that the Board, while inclined to approve the salary proposed for Mr. Schaller, does not look with favor upon the appointment to the official staff of a Federal reserve bank of a person who is a stockholder in a member bank, as his interest in the bank might affect his attitude toward it in matters involving its relations with the Federal reserve bank, or limit his usefulness to the Federal reserve bank by reason of the possibility that he would be influenced by such an interest. Governor Meyer stated that he would take the matter up with Governor McDougal by telephone and report to the Board later.

Thereupon the meeting adjourned.

Approved:

Augustus C. Meyer
Governor.

Walter Morris
Secretary.