

A meeting of the Federal Reserve Board was held in Washington on Thursday, July 27, 1933, at 10:30 a.m.

PRESENT: Mr. Black, Governor  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Thomas  
Mr. Szymczak  
Mr. O'Connor

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief, Division of Examinations  
Mr. Wilkes, Federal Reserve Examiner.

The Board considered and acted upon the following matters:

Telegram dated July 26, 1933, from the Chairman of the Federal Reserve Bank of Boston, advising that, at the meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated July 25, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment by the executive committee of the bank on that date of a minimum buying rate of 1% for the purchase of bankers' acceptances, and of the following schedule of effective buying rates on bankers' acceptances:

1 to 120 days	1%
121 to 180 days	1 1/4%
Repurchase	1%

The minimum buying rate of 1% was approved and, there being no objection, the schedule of effective buying rates was noted with approval.

Memorandum dated July 25, 1933, from Mr. Wyatt, General Counsel, recommending the appointment of Mr. Howard H. Hackley as a law clerk in

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Counsel's office, with salary at the rate of \$2,400 per annum, effective as of the date on which he reports for duty.

Approved.

Memoranda dated July 26, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Nora V. Elder, an employee in the division who has undergone a second operation, be granted leave of absence, without pay, for an additional period of two months from September 1, 1933, and that, because of the continued absence of Miss Elder, the Board approve an extension for one month from September 1, 1933, of the temporary appointment of Miss Clara F. Stewart, as drafts-woman in the division, with salary at the rate of \$1,620 per annum.

Approved.

Reply on July 26, 1933, approved by six members of the Board, to letters dated July 14 from Mr. Hoxton, Federal Reserve Agent at Richmond, inclosing a memorandum from Governor Seay in which he states that none of the officers or employees of the Federal Reserve Bank of Richmond has any outside business connections but that four of the bank's employees do some outside work for the purpose of supplementing their salaries. The reply stated that it is noted from Governor Seay's memorandum that Mr. T. Boyd Crooks, receiving teller at the Baltimore branch, acts as secretary of the Arlington Loan and Savings Association of Baltimore, which, in view of Governor Seay's statement referred to above, is understood to indicate that he serves in a clerical capacity rather than as an officer of the association. The reply also noted that the work done by the four employees is not regarded by the directors of the Richmond bank as improper in any

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way, inasmuch as it is performed entirely after the working hours of the bank and does not interfere in any way with the efficiency of the employees at the bank, and stated that it is assumed that the agent has also satisfied himself that the particular activities do not involve any financial or other relations that might be embarrassing to the Federal reserve bank, but it will be appreciated if he will confirm this assumption.

Approved.

Letter dated July 26, 1933, to the Board of Directors of the Greenbrier Valley Bank, Lewisburg, West Virginia, approved by six members of the Board, advising that the Board has amended its letter of May 10, 1933, to the bank advising of approval of its application for membership in the Federal Reserve System and for stock of the Federal Reserve Bank of Richmond, and the conditions of membership set forth therein, to read as stated in the Board's letter of July 26.

Approved.

Letter dated July 26, 1933, to the Organization Committee of the Plaza Bank of St. Louis, St. Louis, Missouri, approved by six members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of St. Louis to which it will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

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Reply to a memorandum dated June 30, 1933, from the Comptroller of the Currency, recommending approval of the application of the Central National Bank, Lynn, Massachusetts, for permission to reduce its capital stock from \$400,000 to \$200,000, the funds released through the reduction to be used to eliminate estimated losses and depreciation. The reply stated that the Board approves the proposed reduction subject to certain conditions set forth in the reply.

Approved.

Reply to letters dated July 18 and 21, 1933, from Mr. Wood, Federal Reserve Agent at St. Louis, in regard to the ownership by the Mercantile-Commerce Bank and Trust Company of the stock of the Mercantile-Commerce National Bank in St. Louis. The reply noted that Mr. Mitchell, attorney for the Mercantile-Commerce Bank and Trust Company, expected to go to Washington shortly and to discuss the matter with Mr. Wyatt, General Counsel for the Board, and that Mr. Hemingway, President of the Mercantile Bank and Trust Company, wished to arrange a conference in Washington to discuss the matter, immediately after the American Bankers' Convention which is to be held September 4-7, inclusive. The reply also stated that, if there are any aspects of the matter as to which Mr. Hemingway feels that the Board should be informed, it will be glad to hear him, and wishes to be advised in advance of his call so that it may arrange to see him; and that it appears from the agent's letters that he has informed Messrs. Mitchell and Hemingway as to the contents of the Board's letter of July 11, and since, as stated in that letter, it is the feeling of the Board that the trust company should dispose of all of the stock of the national bank now held by

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it, in such a manner that it will retain no interest therein, and that such disposition should be accomplished completely not later than December 15, 1933, it is suggested that the agent emphasize to them the importance of taking without delay such action as may be necessary to accomplish this purpose.

Approved.

Letter dated July 26, 1933, to Mr. Case, Federal Reserve Agent at New York approved by seven members of the Board, inclosing a copy of a letter addressed to the Board under date of July 14, 1933, by Messrs. Hornblower, Miller, Miller & Boston of New York City, and copies of the inclosures therewith, with regard to the proposed organization of a corporation under section 25(a) of the Federal Reserve Act, together with a copy of the Board's reply thereto. The letter stated that it will be appreciated if the Federal reserve agent's office will consult with Messrs. Hornblower, Miller, Miller & Boston, or with the officers of the American Manufacturers Export Association, which is referred to in the papers inclosed, with a view to ascertaining and reporting to the Board who will be members of the board of directors and executive officers of the proposed corporation, in what countries it is expected to operate, and, specifically and in some detail, as to the character and type of the business and functions which it is contemplated the corporation will perform. The letter also requested that the agent investigate and report to the Board as to the character and financial responsibility of each of the persons who are expected to be directors or executive officers of the corporation and as to his qualifications to participate in the management or operation of a corporation organ-

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ized under section 25(a) of the Federal Reserve Act; that, inasmuch as it appears that the organization of the proposed corporation has been directed by the board of directors of the American Manufacturers Export Association, and the organization committee has been appointed by the President of the Association, the report submitted to the Board on this subject include a statement as to the nature and financial responsibility of the American Manufacturers Export Association and as to the character of its management; that the Board be advised whether, in the opinion of the executive committee of the Federal Reserve Bank of New York, based upon the information obtained, there is a reasonable chance for the successful operation of a corporation engaged in business of the kind contemplated, and whether it would be in the public interest for the Board to approve the articles of association and organization certificate of this proposed corporation. The reply to the letter dated July 14, 1933, from Hornblower, Miller, Miller & Boston, also approved by seven members of the Board, stated that the Board has given careful consideration to the request made by the organizers of the proposed corporation for the title "Central Bank for Foreign Trade"; that it will be observed, however, that section IV of the Board's Regulation K provides that no corporation organized under section 25(a) of the Federal Reserve Act will be permitted to have the word "bank" as part of its title, except that the Board may permit the use of this word in the title of a corporation which is closely affiliated with one or more banks and is organized or operated for the purpose of transacting the foreign banking business of such bank or banks; that it does not seem to the Board, from the information submitted, that the proposed corporation is closely affiliated with one or more banks and is to be organized for the purpose of

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transacting the foreign banking business of a bank within the meaning of Regulation K; and that the title which has been requested for the proposed corporation, therefore, does not appear to meet the requirements of the Board's regulation on this subject and accordingly, it is suggested that consideration be given to some other title or titles which would be suitable for the proposed corporation and would conform to the provisions of the regulation. The reply also noted from a letter from the American Manufacturers Export Association that the purpose of the proposed corporation will be to coordinate all financial transactions in respect to intermediate and long-term export credits and to provide a central instrumentality for such purposes; stated that in order that the Board may be fully advised in considering the question whether it will approve the articles of association and organization certificate which have been submitted, it wishes to be informed in some detail and specifically as to the business and functions which it is contemplated the corporation will perform; and that it is requested that Messrs. Hornblower, Miller, Miller & Boston submit to the Board a definite statement of the character and type of business which it is proposed will be carried on by the corporation, stating what powers conferred by section 25(a) of the Federal Reserve Act it is expected will be exercised by the corporation and in what manner. The reply further requested that the Board be advised specifically in what foreign countries, other than Buenos Aires, Argentina, the organizers of the corporation expect its business to be carried on; as to who are expected to be members of the board of directors and executive officers of the proposed corporation, and as to the experience of each of them in business similar in kind

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to that in which the corporation plans to engage and as to his qualifications to participate in the management or operation of the business of the proposed corporation.

Approved.

Reply to a letter dated July 17, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, written in response to the Board's telegram of July 14, with regard to the temporary employees who were placed on the payroll of the Federal Reserve Bank of Philadelphia in accordance with the bank's share-the-work plan which was discontinued as of July 1, 1933. The reply stated that it is noted that the temporary employees have been distributed in the various departments of the bank where they will be employed during the vacation period in order that the work of the bank will not be interrupted; that at the conclusion of that period the services of the employees who are not retained permanently to fill vacancies caused by death or resignation of the present employees of the bank or otherwise, will be discontinued; and that it is understood from Mr. Austin's letter that no change was made on July 1, 1933, as a result of the discontinuance of the share-the-work plan, in the salaries of temporary employees.

Approved, Mr. Hamlin voting "no".

Mr. Hamlin stated in explanation of his vote that, in view of all the circumstances, he is opposed to the discontinuance of the services of the temporary employees who were taken on at the Philadelphia bank in accordance with the share-the-work plan.

The Secretary presented a letter dated July 17, 1933, from Governor Harrison of the Federal Reserve Bank of New York, replying to the Board's letter of July 11 with regard to the discontinuance at the New York bank of the share-the-work plan and the retention as regular employees of the



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persons originally employed on a temporary basis in accordance with the share-the-work plan. The letter stated that the reason for the retention of the temporary employees was that the directors felt that the dismissal of employees at the present time would be contrary to the public interest and in order to avoid this the bank was entirely justified in carrying temporarily on its staff a small surplus of employees; that the number of employees in excess of the present requirements during the summer vacation period may be estimated at 70, of which approximately 35 are in the clerical staff and approximately 35 in the building operating force; that at the end of the vacation period the number of excess clerical workers would be increased to about 50; that it is anticipated that within a comparatively short time the clerical employees will be absorbed by the increased volume of work or separation from the force due to normal labor turnover; that the excess clerical employees are in the larger departments where the work can be so distributed as to avoid unnecessary waste or idleness; and that the retention of the employees in the building operating force will be provided for by a somewhat shorter working day. The letter also stated that there is no reason to anticipate an increase in the volume of work of the character performed by the employees in the building operating force and the elimination of the surplus of employees of this class will be accomplished only as a result of the usual labor turnover and may be expected to take longer than the absorption of the excess of clerical employees, and that as employment conditions improve it is hoped that it may be possible to expedite the elimination of the excess employees by assisting some of them to find other positions.

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Consideration of the matter was deferred until determination of the action to be taken by the Federal reserve banks in connection with the blanket code which has been submitted by the National Recovery Administration for acceptance by the banks.

In connection with the above matter Mr. James stated that, in his opinion, the Board should give careful consideration to the conditions under which the Board's staff is now working in order that, in connection with the greatly increased activities of the Board and the resulting additional work being placed on the members of the staff, arrangements may be made to prevent the present personnel being too heavily burdened.

There was then presented the following letter dated July 14, 1933, from Mr. Owen D. Young, Deputy Chairman of the Federal Reserve Bank of New York:

"Mr. Herbert Case, Chairman of the Board of Directors of the Federal Reserve Bank of New York, is on vacation, and in his absence, I am acting as Chairman under your appointment as Deputy.

"At the meeting of our Directors yesterday, a letter from the Federal Reserve Board, dated July 11, was presented and read, and pursuant to its suggestions, our board reviewed carefully the salaries of all senior officers of the bank "in the light of the varying responsibilities of these officers and the quality and extent of services that each individual is now rendering in his particular capacity."

"The board believed that this request called first for a very objective appraisal of the services of each individual senior officer to the bank without taking into consideration in the initial appraisal the age, length of service, or other similar question involved in the establishment and maintenance of morale of an operating organization.

"Dealing with the senior officers on this purely objective basis, we appraised the value of their services to the bank at somewhat less, due to the character of the institution, than the market for positions of similar responsibility. The appraisal is as follows:

George L. Harrison, Governor	\$75,000.00
W. R. Burgess, Deputy Governor	35,000.00
J. E. Crane, Deputy Governor	30,000.00

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"A. W. Gilbert, Deputy Governor	\$25,000.00
E. R. Kenzel, Deputy Governor	25,000.00
W. S. Logan, Deputy Governor & Gen'l Counsel	25,000.00
L. R. Rounds, Deputy Governor	35,000.00
L. F. Sailer, Deputy Governor	30,000.00

"These appraisals were considered conservative and were unanimous. In general, it was the view of the board that no person after serving an initiatory period should be made a deputy governor unless his services to the bank, and generally speaking, in the market were worth \$25,000.00 per year.

"Now as to the practical application of these objective appraisals, our board wishes to make the following comments:

"1st. As to the salary of Governor Harrison. Our board has felt for some years that the salary of Governor Harrison was inadequate. More than three years ago, our board recommended that the salary of Governor Harrison be raised to \$60,000.00 as the first step in a fairer recognition of the value of his services. For your convenience, I enclose copy of a letter which I then wrote to Governor Young under date of February 10, 1930, on that subject. Since that time, Governor Harrison has increased in age and experience. As a matter of fact, the problems which he has had to meet during the past two years has given him an experience which long service in less critical times would not afford. I believe your board shares with ours the view that during that period Governor Harrison has rendered literally invaluable service to our bank and to the country. He has grown not only in experience but in influence here. He is accepted not only willingly but enthusiastically by our entire financial community, by the heads of great institutions, and by all their officers and directors, as a leader worthy to head the Federal Reserve Bank of New York representing the Federal Reserve System here. He is a leader whom they are proud to follow. Several new members have come on to our board since the recommendation three years ago, and it may interest you to know that a suggestion was made by one of our newer members that the Governor's salary should be increased prior to the receipt of your letter. I mention this only because the present appraisal reflects not only the continuing views of the older members of the board but also those of the new members who were not familiar with our earlier recommendation. Our board unanimously recommends that this increase go into effect immediately.

"2nd. As to the increases in salaries of Burgess, Logan, and Rounds, our board recommends that they be made immediately effective.

"3rd. As to the salary of J. E. Crane. We have fixed the objective valuation of Mr. Crane's services at \$30,000.00 and ask for approval from your board of that amount. In view of the fact, however, that this would represent a very large percentage increase in Mr. Crane's salary, our board would ask for the privilege of spreading the authorized increase through this year and next, the actual increase to take place when and as it seems most helpful to

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"The bank in the judgment of our board.

"4th. As to the salary of L. F. Sailer. Our objective appraisal of the services of Mr. Sailer is \$30,000.00 per year. Mr. Sailer's salary is and has been for several years \$40,000.00 per year. Notwithstanding this difference between the present appraisal and the present rate, a large majority of our board feel very strongly that it would be unwise, in view of Mr. Sailer's long, faithful, and effective service, to reduce his salary now. Mr. Sailer is 62 years old. He and Mr. Kenzel have the record of longest service of any of the officers of the bank. Mr. Sailer's duties particularly have thrown him in very close contact with the entire personnel of the bank, and as I say, a majority of our directors feel that to decrease his salary now might well have a harmful effect on the morale of the bank. It would undoubtedly impair the spirit and effectiveness of Mr. Sailer himself, who is still doing his work effectively and efficiently. If the pension plan now under consideration is adopted, Mr. Sailer could be retired under the plan at a relatively early date, and would be retired in any event, as we understand it, at the age of 65. A minority of our board feel that an adequate explanation could be made to Mr. Sailer which would conserve his morale and that of the bank, and under such circumstances, the minority feel that in fairness to the bank and to the other officers his salary should be reduced to the appraisal. The recommendation of the board, acting by a majority, is that the salary of Mr. Sailer be continued at \$40,000.00

"5th. As to the salary of Edwin R. Kenzel. Here something of the same considerations apply as in the case of Mr. Sailer. A majority of the board feel, notwithstanding the appraisal is \$25,000.00 and the present rate \$30,000.00 there should be no reduction. Mr. Kenzel has slightly longer service than Mr. Sailer, and is a year or two younger. His contact with the outside market particularly for bills is very valuable, and because of his long experience and wide acquaintance, it would be difficult to duplicate the service. The importance of the bill market, however, as you know, to the bank has diminished, and that in part accounted for our objective appraisal being lower than the salary. In addition to the reasons which we have stated in the case of Mr. Sailer affecting morale, there is also some risk that if Mr. Kenzel's salary were reduced, it might impair his allowance under the pension fund which, in a sense, would be a double and continuing penalty, and therefore, emphasize the injustice of the reduction. In this case, as in Mr. Sailer's, a majority of the board would recommend that the salary be maintained at \$30,000.00

"Governor Harrison will, in the regular course, submit to you the action of our board based on the recommendations of the senior officers of the bank as to readjustments of salaries of junior officers. While the members of the board, as to some junior officers, have a basis for individual judgment, it, of

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"course, must be obvious to you that as a rule the board is guided by the recommendations of the senior officers.

"I apologize for the length of this letter. It reflects, I think, the careful consideration which our board has given to the request contained in your letter of July 11, and we sincerely hope that our recommendations may appeal to and be favorably acted upon by your board."

and the following letter dated July 14, 1933, from Governor Harrison of the Federal Reserve Bank of New York:

"Our directors at their meeting yesterday afternoon read and considered the Federal Reserve Board's letter of July 11 asking them to review carefully the salaries of all the senior officers of the bank in the light of their varying responsibilities. Mr. Young, acting chairman of the board, was requested to convey to you the directors' views with respect to the salaries of all officers above the rank of assistant deputy governor.

"While it is not clear that the Board's letter of July 11 specifically contemplated that the directors should express their views with respect to the salaries of all the officers of the bank, regardless of rank, nevertheless the directors felt that it would be appropriate, in connection with a review of the salaries of the high ranking officers, and in view of the general purpose of the Board's letter, carefully to review all official salaries, including those of the assistant deputy governors and managers.

"Accordingly, they requested me to report to you that, subject to the approval of the Federal Reserve Board, they had voted to make the following adjustments in the salaries of some of the officers below the rank of deputy governor, effective as of July 15, 1933, and to say to you that they would appreciate your consideration of these salaries at this time with a view to eliminating maladjustments within the different grades:

"Mr. Charles H. Coe assistant deputy governor	\$14,000;	Present salary	\$13,000
Mr. Ray M. Gidney assistant deputy governor	20,000;	" "	18,000
Mr. James M. Rice assistant deputy governor	12,000;	" "	11,000
Mr. Allan Sproul assistant deputy governor and secretary	18,000;	" "	15,000
Mr. Donald J. Cameron manager, foreign department	6,000;	" "	5,000
Mr. Edward O. Douglas manager, bill department	7,000;	" "	6,000
Mr. Arthur Phelan manager, discount department	6,000;	" "	5,500
Mr. William H. Dillistin assistant federal reserve agent	16,000;	" "	15,000
Mr. Harold V. Roelse manager, reports department and assistant secretary	10,000;	" "	8,000

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"In considering the salary of Mr. James M. Rice, assistant deputy governor, our directors were of the opinion that a fair appraisal of Mr. Rice and the responsibility of his office would justify a salary of \$14,000. It was the opinion of the directors, however, that it would be preferable to increase Mr. Rice's salary from \$11,000 to \$12,000, effective as of July 15, 1933, having in mind that through future adjustments his salary might be raised to the proposed sum of \$14,000. The directors voted to make no change at this time in the salaries of any of the other officers of the bank except as may be reported in the separate letter being addressed to you by Mr. Young."

Mr. Hamlin, as Chairman of the Committee on District No. 2, stated that he and Mr. James, the other member of the committee, had considered the letters from Mr. Young and Governor Harrison and had reached the conclusion that no salary in the Federal Reserve System should be in excess of the rate of \$50,000 per annum, that there is no necessity at this time for increasing the salaries of the officers of the Federal Reserve Bank of New York, and that the whole matter can properly be considered when the year-end salary adjustments are made for all Federal reserve banks.

Mr. James stated that he would be opposed to increases in the salaries of officers of the Federal Reserve Bank of New York unless such increases are to be considered a part of a national campaign to raise salaries.

A discussion ensued, at the conclusion of which the Secretary was requested to prepare a letter to the Deputy Chairman of the Federal Reserve Bank of New York in accordance with suggestions made during the discussion.

Mr. Miller, as a member of the Committee on District No. 7, reported that he had talked to Mr. Simpson, Deputy Chairman of the Federal Reserve Bank of Chicago, over the telephone and, in accordance with the action taken by the Board at the meeting on July 25, 1933, had advised Mr. Simpson

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that the Board felt the salary paid to the Governor of the Federal Reserve Bank of Chicago should not be increased, and that Mr. Simpson had stated that it would be satisfactory to the bank's directors. Mr. Miller also advised that with regard to the payment of Mr. McDougal's salary he had informed Mr. Simpson that the Board would approve the payment of salary for the remainder of the current year, whereupon Mr. Simpson had stated that it was the intention of the board of directors of the bank to request approval of the payment of salary to Mr. McDougal to the end of next year. Mr. Miller added that he had advised Mr. Simpson that he would present that recommendation to the Board at the earliest opportunity, although he personally did not think favorably of it.

After discussion, Mr. Miller was requested to advise Mr. Simpson that the Board would not be willing to approve the payment of salary to Governor McDougal beyond the end of the current year.

Governor Black stated that, having Governor McDougal's case in mind he had read the report of the Pension Committee of the Governors' Conference and had asked Mr. James, as chairman of the committee on salaries and expenditures, to consider the report with the idea of putting it into force as soon as possible in order that situations arising in Federal reserve banks similar to that of Governor McDougal could be provided for.

Mr. James stated that he had given consideration to the matter and had asked Deputy Governor Kenzel, Chairman of the Pension Committee, and the Committee's actuary to come to Washington for a discussion of the matter. He stated, however, that he felt that, because of the present condition of the investment market and the small return to insurance companies on the types of investments made by them, the present is an inopportune

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time to request bids from insurance companies covering a pension plan for Federal reserve banks; and that while the rates quoted by the insurance companies under such a plan would perhaps be attractive to the older employees, participation in the plan would cost younger employees more than regular insurance and he questioned whether a Federal reserve bank or the Board has authority to make the pension feature a mandatory part of the contract of employment. He stated that it is the plan of the committee to submit a questionnaire to the larger life insurance companies and have them submit proposals for consideration, and that if there is no objection on the part of the Board such action will be taken promptly.

After a discussion, the committee on salaries and expenditures was requested to proceed in accordance with Mr. James' suggestion.

There was then presented a draft of a letter to Mr. Case, Federal Reserve Agent at New York, referring to Assistant Federal Reserve Agent Dillistin's letter of July 12, 1933, transmitting the application of the County Trust Company, New York, New York, for permission to acquire the business of the Lawyers Trust Company, New York, New York, a nonmember, pursuant to a condition of membership prescribed by the Board at the time of its admission. The letter stated that the Board has reviewed the information submitted; that it does not appear from the information submitted that the proposed acquisition will result in any material change in the general character of the business of, or in the scope of the functions exercised by, the County Trust Company within the meaning of the conditions under which it was admitted to membership in the Federal Reserve System; and that the Board, therefore, pursuant to the recommendation of the agent's



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office, interposes no objection to the County Trust Company assuming the liabilities of the Lawyers Trust Company and acquiring certain of its assets, all as set forth in the report of McArdle and McArdle, Accountants, dated June 30, 1933, in accordance with the terms of the plan of merger dated July 11, 1933. Mr. Morrill stated that a memorandum prepared in the Division of Examinations under date of July 26 with regard to the proposed action of the County Trust Company indicates that the acquisition by the trust company of certain assets and liabilities of the Lawyers Trust Company will not result in any material change in the general character of the business of the member trust company or in the functions exercised by it and would not be in violation of the conditions under which the trust company was admitted to membership in the Federal Reserve System; and that counsel had agreed with these conclusions.

Approved.

At this point Messrs. Paulger and Wilkes left the meeting.

There was then presented a telegram dated July 26, 1933, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that at the meeting of the board of directors on that date it was voted, subject to the approval of the Federal Reserve Board, to authorize the Governor of the bank to accept, for and on behalf of the bank, the so-called blanket code issued by the National Recovery Administration pursuant to the National Industrial Recovery Act.

In connection with the above, Mr. Morrill stated that Deputy Governor Fleming of the Federal Reserve Bank of Cleveland, had called Mr. Smead on the telephone yesterday and had stated that the question of the adoption

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of the code had been considered at the Cleveland bank; that no action had been taken, it being felt that the matter should first be considered by the Board; and that acceptance of the code would disturb the bank's plans for the termination of the share-the-work plan and the restoration of the salaries which were in effect before the adoption of the share-the-work plan.

Governor Black stated that Deputy Governor Burgess of the Federal Reserve Bank of New York had advised him over the telephone that the New York bank was considering the acceptance of the code; that the main difficulty in the minds of the directors was with regard to the classification of some of the employees under the code; and that if they were brought into the code classification, it would cost the bank approximately \$80,000 per year.

Governor Black also reviewed, for the information of the other members of the Board, discussions which he had had recently with Mr. Robert V. Fleming and other representatives of the American Bankers' Association, and with the National Recovery Administration, with regard to the application of the code to banks and their acceptance of the code. He stated that the National Recovery Administrator and the President of the United States have taken the position that the National Industrial Recovery Act applies to banks; that Mr. Fleming is of the opinion that the banks should immediately evidence their cooperation and express a willingness to abide by the spirit of the code; that the New York Clearing House Association was in accord with that idea and was prepared to take action tomorrow to that effect; and that telegrams had been sent by Mr. Fleming to the members of

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the Administration Council of the American Bankers' Association asking for their views on the question and ten members had replied that they were in thorough accord with the suggestion that the banks accept the code.

Governor Black added that he is concerned most by the fact that the National Industrial Recovery Act provides for the principle of collective bargaining; that if the acceptance of the code should result in the unionizing of employees of banks throughout the country it would be difficult to say what the result would be; but that in his opinion the banks cannot afford not to join in this movement as it has been made a part of the recovery program in which everyone is called upon to participate.

Governor Black also stated that Mr. Fleming and other representatives of the American Bankers' Association have an appointment today at noon with General Hammond of the National Recovery Administration for a discussion of the difficulties which are presented to the banks in connection with the acceptance of the code and that if the Board has no objection he would like to participate in that conference.

After a discussion, during which consideration was also given to the possibility of a separate code for Federal reserve banks and to the question whether the National Industrial Recovery Act applies to Federal reserve banks, the Governor was authorized to attend the conference referred to by him and was requested to report to the Board the matters considered at the conference, following which further consideration will be given to the telegram received from the Chairman of the Federal Reserve Bank of Boston.

Governor Black then called attention to the fact that the permit to the Federal Reserve Bank of New York to export gold in order to prevent a rise in the exchange price of sterling above 4.86 expires tomorrow and he

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stated that yesterday with Under Secretary of the Treasury Acheson he had called on the President of the United States and discussed the matter with him, and that the President might desire that the permit be continued for two weeks longer. The discussion, Governor Black stated, was also with regard to preventing sterling from rising above 4.80 and that the President stated that he desired to consider this entire matter further and would inform Mr. Acheson with regard to his wishes in the matter today. Governor Black also stated that he had made no recommendation to the President in the matter but had inquired as to his wishes and that Mr. Acheson had suggested 4.80 as the maximum price for sterling as being somewhat more in line with present sterling quotations.

Governor Black also reported that Under Secretary of the Treasury Acheson had discussed with him the question of according gold mining companies the right to dispose of their product by establishing a free gold market or the right of exportation in order that they might obtain world prices; that Mr. Acheson had requested an opinion regarding the matter; that at the request of Governor Black, Mr. Goldenweiser had written a memorandum on the matter; but that Mr. Acheson had stated yesterday that it had been decided to afford the companies the right of exportation; and that in these circumstances Mr. Goldenweiser's memorandum would not be submitted.

At this point Mr. Goldenweiser joined the meeting.

Reference was made to the proposed regulation with regard to open market operations and to the changes suggested at the recent meeting of the

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Federal Open Market Committee with the Federal Reserve Board. Certain other suggestions were also discussed, at the conclusion of which it was understood that the regulation, revised in accordance with the discussion, would be submitted for further consideration at a meeting of the Board tomorrow.

Reports of Standing Committee dated July 26 and 27, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
Commercial National Bank of Chattanooga, Tenn.	450	450
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 7.</u>		
First National Bank, McGregor, Iowa. (V.L.Abs. by Marquette Savings Bank, Marquette, Iowa, non-member, which bank through change in title and location is now the First State Savings Bank, McGregor, Iowa.)	38	38
 <u>District No. 8.</u>		
McDaniel National Bank, Springfield, Missouri. (Insolvent)	219	219
 <u>District No. 11.</u>		
First National Bank, Mt. Calm, Texas. (V.L.Suc. by First National Bank in Mt. Calm)	36	
City National Bank, Wichita Falls, Texas. (V.L. Suc. by City National Bank in Wichita Falls.)	600	636
 <u>District No. 12.</u>		
First National Bank, The Dalles, Oregon. (Insolvent)	180	180
	Total	1,073

Approved.

Thereupon the meeting adjourned.

Approved:

E. R. Black

Governor.

Walter Merrill  
Secretary.