

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 12, 1935, at 2:40 p. m.

PRESENT: Mr. Thomas, Vice Chairman  
Mr. Hamlin  
Mr. James  
Mr. O'Connor (first part of meeting)

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the  
Chairman  
Mr. Currie, Assistant Director, Division  
of Research and Statistics

Mr. Thomas stated that at the time of the enactment of the Banking Act of 1935 there were a number of Clayton Act applications pending before the Board which had not been acted upon and that he felt the Board should adopt a general resolution which would make provision for the handling of such applications. He thereupon introduced the following resolution which was read to the meeting:

"WHEREAS, on August 23, 1935, the date of the enactment of the Banking Act of 1935, the Board of Governors of the Federal Reserve System was authorized under certain circumstances to grant permission by regulation for service in cases falling within the prohibitions of section 8 of the Clayton Antitrust Act;

"WHEREAS, on such date there had been received at the offices of the Board in Washington, D. C., certain applications for permission to serve banks within such prohibitions of the Clayton Antitrust Act and upon which the Board had not had an opportunity to take any action; and

"WHEREAS, consideration is being given to the adoption of general regulations by the Board under the provisions of section 8 of the Clayton Antitrust Act but such regulations have not yet been adopted;

"NOW, THEREFORE, BE IT RESOLVED, That any person who had

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"filed an application for permission to serve two or more banks within the prohibitions of section 8 of the Clayton Antitrust Act which had been received at the offices of the Board in Washington, D. C., on or before August 23, 1935, and on which the Board had taken no action prior to such date, is hereby granted permission to serve as director, officer, or employee of any member bank named in such application and of any other one bank, banking association, savings bank, or trust company named in such application, in addition to any service otherwise lawful under the Clayton Antitrust Act, until the adoption of such general regulations by the Board or until February 1, 1936, whichever is the earlier."

Mr. Morrill reported that Mr. Szymczak, who is out of the city, had advised him before leaving that he favored the adoption of the above resolution and wished to be recorded as favoring it when the matter was considered at a meeting.

Mr. James moved that the proposed resolution be amended so as to change the date appearing in the last line from February 1, 1936, to March 1, 1936, and that it be adopted by the Board in the amended form.

The motion was put by the chair and carried unanimously.

Mr. Thomas referred to the fact that on June 26, 1935, the Executive Committee, on the basis of a memorandum submitted by the Division of Research and Statistics, authorized the Division to explore the feasibility of sponsoring two projects to be submitted to the Works Progress Administration and to be financed under the Works Relief Appropriation. Mr. Thomas stated that today was the deadline for submitting formal applications for the allotment of funds by the Works Progress Administration and that it was necessary to determine at this time whether the Board desired to authorize the filing of an application.

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At Mr. Thomas' request Mr. Currie, Assistant Director, Division of Research and Statistics, explained in a general way the purpose of the project. He stated that the Division of Research and Statistics, on the basis of the preliminary work done, recommended that the Board sponsor a sample study of the distribution and activity of deposits; that this sponsorship would involve no commitment of any kind by the Board except to furnish a certain amount of supervision; and would involve no handling by the Board of funds allocated by the Works Progress Administration to this project since all the disbursements would be made directly by the regional representatives of the Administration. Mr. Currie said that the mode of procedure had been discussed with individual bankers, officials of various banking associations, and the Comptroller of the Currency, and that it was felt that sufficient assurance of cooperation had been received to justify initiation of the study. He also stated that information on the distribution of deposits, of changes in that distribution, and on the credits to personal accounts should (1) be a step toward the study of the motives which lead individuals and corporations to vary the size of their deposit holdings; (2) throw light upon developments in business, and upon the variability of deposits by types of depositors and by size; and (3) give a test as to the correspondence of credits and incomes of various classes of consumers.

Mr. James stated that he would oppose the Board's sponsoring a project such as that described because, in his judgment, banks are now

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burdened and harassed with duties and requirements imposed upon them by Governmental agencies. This situation, he said, had been accentuated by recent changes required in forms and regulations as a result of the enactment of the Banking Act of 1935. He added that the banks were experiencing great difficulty in maintaining sufficient earnings to meet operating expenses, and that, in his opinion, which was based on criticisms reaching him, they would largely resent further interference. He stated, moreover, that he felt the project would not accomplish its purpose and that he believed any information obtained through the use of "white collar" workers on the basis of a sample study would not develop reliable data.

Mr. Currie said that originally letters had been sent to thirteen banks in three small towns in the Middle West, and that six of them had been favorable to placing "white collar" workers in their banks, but that one of the letters unfortunately had gotten to the press, which doubtless accounted for much of the criticism of the project which had been advanced subsequently by various bankers. He said that since the proposal had first been made the matter had been discussed with Messrs. Hecht, President of the American Bankers Association, Fleming, Vice President of the American Bankers Association, Emerson, Chairman of the Legislative Committee of the Reserve City Bankers Association, and Colt, President of the New York State Bankers Association; that Mr. Colt had suggested the idea of sending voluntary questionnaires to all member

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banks and Mr. Emerson had agreed with him; and that Mr. Hecht had suggested that the banks be offered the option of supplying the information requested in the questionnaire or if agreeable to them of having "white collar" workers transcribe it for them.

Mr. O'Connor said that about a year ago bankers in all sections of the country were complaining to the President and to the Secretary of the Treasury about representatives of the Government coming into their institutions for various sorts of information, but that in the last six months no complaints had come to his attention. He said that, while he had some doubts as to the wisdom of placing further burdens on open banks, he saw no objection whatever to permitting "white collar" workers to tabulate records in closed national banks, of which there was at least one in every State in the Union with the exception of Wyoming, and that, in any event, it was the purpose to have only such workers employed, even in this phase of the work, as might be satisfactory to the receivers of closed national banks who would pass on each individual employed to work on records in their custody. He said that, in the circumstances, he felt that an application for the allotment of funds should be made today with the understanding that work would be undertaken in the first instance only in closed national banks to see what it would reveal and then if it seemed desirable to extend such work to open banks the Board would give further consideration to such proposal.

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Mr. Currie stated that it was understood that no publicity would be given to the matter by the Works Progress Administration until the allocation of funds was made, and that the Board was free to withdraw its application at any time.

Mr. Clayton reported that Mr. Eccles had discussed the matter over the telephone in a conversation with him and had stated that he thought valuable information could be obtained as a result of the project, but felt that the Board should not go forward with any project affecting going institutions unless the cooperation of the bankers, through the American Bankers Association and the Reserve City Bankers Association, was obtained. Mr. Clayton said that Mr. Eccles thought that, if the project could be undertaken with the announced cooperation of the bankers associations, it would be desirable to do so.

Mr. Morrill reported that Mr. Szymczak had advised him before leaving the city that he was in general accord with the proposal to sponsor a Works Progress Administration project and had asked him to so advise the Board when the matter came up for consideration at a meeting.

Mr. O'Connor moved that an application be filed today with the Works Progress Administration for the allotment of funds to enable the Board to sponsor a sample study of the distribution and activity of deposits for the period from January, 1928, to June, 1931, inclusive, with the understanding that the initial work will be confined to closed national banks and that the question of any enlargement of the study would be taken up by the Board at a later meeting.

The motion was put by the chair and carried,

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Messrs. Thomas, Hamlin and O'Connor voting "aye", and Mr. James voting "no" for the reasons given above.

In taking this action, it was understood in accordance with the recommendation of Mr. Goldenweiser set forth in a memorandum dated September 4, 1935, that the Division of Research and Statistics would supervise the project and handle all correspondence in connection with it; that the Director of the Division of Research and Statistics, or one of his associates designated by him, would represent the Board in all contacts with the Works Progress Administration arising out of the application; that the Agents' Departments of the Federal reserve banks would supply such regional supervision of the project as might be necessary; and that the Division of Research and Statistics would state in the formal submission of the project that the Board would undertake to publish the findings of the study which, in its judgment, are significant and valuable.

Mr. Morrill reported certain developments which had arisen to impede progress with respect to the demolition and removal of Temporary Building No. 5. He stated that bids had been submitted by three concerns, pursuant to the Board's invitation for bids, in the amounts of \$2,575, \$7,897 and \$18,358, and that the Board in its proposal had reserved a period of thirty days from the date of the opening of the bids (September 3, 1935) in which to accept or reject them. Mr. Morrill said that he had sent a letter to the Division of Government Space Control, National Park Service, requesting that the Board be advised as to the present status of the arrangements with respect to the removal of the Federal Trade Commission from the temporary building and that he had just received a letter from Mr. A. E. Demaray, Acting Director, National Park Service, in which it was stated that a survey indicated there is no available office building in the city of

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sufficient size to accommodate the Federal Trade Commission; that several plans involving the leasing of a hotel or apartment house were under consideration; and that it was expected that negotiations would be closed in about two weeks. He said that the letter also stated that, after final negotiations, it would necessitate from forty-five to sixty days to have the premises vacated and altered to convert the space for office use; and that, therefore, it may be assumed that it would be impracticable to have Temporary Building No. 5 vacated and ready for demolition before November 1, 1935. Mr. Morrill stated that Mr. Demaray also indicated that, in view of the above, it will be necessary to postpone the award of the contract for the demolition of Temporary Building No. 5 but that it was probable that within three weeks information would be available indicating when the demolition may proceed. Mr. Morrill further stated that under the terms of the invitation for bids the contract should be awarded to the successful bidder not later than October 3, but that, from the information contained in Mr. Demaray's letter, the Board would not be in a position to make such award because it will not be in a position to authorize the contractor to begin the demolition. He said that he had talked over the telephone with the Division of Space Control and had been advised that Mr. Ickes had a memorandum on the matter with him at Hyde Park, evidently for the purpose of discussing the matter with the President, but that it was not felt that there was any prospect of getting the Federal Trade Commission out before November 1. Mr. Morrill asked whether the members of



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the Board felt that there was anything further that they can do about the matter.

Mr. James said that he felt the best procedure would be to negotiate with the successful bidder and endeavor to reach an understanding that the work might be commenced at any time during the current year.

Mr. O'Connor stated that he believed the Board should assert its rights in the matter by sending a letter to the Federal Trade Commission advising it that the Board will take possession of the property on a certain date to be specified, setting out in the same letter a figure which it is felt would be a reasonable rental up to the date of possession by the Board.

At this point, Mr. O'Connor withdrew from the meeting.

Mr. James moved that Messrs. Thomas, Morrill and Clayton be authorized to consider the matter with the successful bidder in an attempt to obtain an agreement that the demolition of Temporary Building No. 5 be started at any time during the current year that the Board obtains possession of the building, with the understanding that, in the event the Board does not obtain possession of the building before the expiration of the current year, the contract would be abrogated without injury to either party.

Mr. James' motion was put by the chair and carried unanimously.

Thereupon the meeting adjourned.

*Orestes Morrie*

Secretary.

Approved:

*J. J. Thomas*

Vice Chairman.