

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 4, 1936, at 2:30 p. m.

PRESENT: Mr. Eccles, Chairman
 Mr. Broderick
 Mr. Szymczak
 Mr. McKee
 Mr. Ransom

Mr. Morrill, Secretary
 Mr. Bethea, Assistant Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Clayton, Assistant to the Chairman
 Mr. Thurston, Special Assistant to the Chairman
 Mr. Wyatt, General Counsel.

The Chairman called attention to the fact that this was the first meeting of the new members of the Board of Governors of the Federal Reserve System and stated that there were certain matters of organization which should be given consideration. He suggested that, aside from any other meetings that might be had, the practice be established of meeting regularly on Tuesday and Friday of each week, at 11:00 a. m.

Mr. McKee moved that Mr. Eccles' suggestion be approved.

Carried unanimously.

The Chairman then presented a memorandum setting forth the following suggested assignments to the respective members of subjects handled by the Board:

Chairman Eccles

1. Open market operations, discount rates, reserve requirements, margin requirements, money rates.
2. International banking and monetary questions.
3. Government finance, including budgetary and taxation problems.
4. Public and press relations of Board of Governors.
5. Supervision of Board's staff.

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Mr. Broderick

1. Expenditures and services of Federal reserve banks and reimbursements therefor; reserves for losses; chargeoffs and dividends; Federal reserve bank salaries and classification plans; retirement system.
2. Examinations of Federal reserve banks.
3. Clearance and collection system; inter-district settlement funds; leased wire system.
4. Issuance and cancelation of Federal reserve bank stock.
5. Issuance and redemption of currency.
6. Establishment, regulation and discontinuance of branches and agencies; and determination of district and branch territorial limits.

Mr. Szymczak

1. Coordination and development of relations of Federal reserve banks with
 - (a) Member banks
 - (b) Nonmember banks
 - (c) Banking associations
 - (d) Educational institutions
 - (e) General public
2. Compilation and interpretation of monetary, banking, financial and business information.
3. Federal Reserve Bulletin, monthly summaries of business conditions, annual reports, and related publications.

Mr. McKee

1. Admission to, conditions of, and termination of membership of State banks.
2. Supervision and examination of State member banks; branches, mergers, consolidations, adjustments of capital structure, maintenance of required reserves, etc. of member banks; relations regarding these matters with Federal Deposit Insurance Corporation, Reconstruction Finance Corporation and Comptroller of the Currency.
3. Relations with holding company and other affiliates; examination of affiliates; issuance and revocation of voting permits of holding company affiliates.
4. Classification of member banks and procedure for election of class "A" and class "B" directors of Federal reserve banks.

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5. Institutions engaged in international and foreign banking subject to sections 25 and 25(a) of Federal Reserve Act; examinations thereof.

Mr. Ransom

1. Loans and investments of member banks, including acceptances; lending activities of governmental agencies.

2. Discounts and advances of Federal reserve banks (except industrial loan activities); purchases by Federal reserve banks of securities and bills (other than through system investment account); questions of eligibility of paper for discount.

3. Interest rates on deposits.

4. Call reports and other reports of banks.

5. Matters relating to trust powers of member banks including (a) trust powers of national banks; (b) admission of State banks with trust powers; (c) granting of trust powers to existing member banks; (d) relations with ABA trust section.

6. Banking legislation.

Mr. Morrison

1. Extension and maintenance of credit by brokers, dealers, banks and others for purchasing or carrying securities (except margin requirements).

2. Industrial loan activities of Federal reserve banks.

3. Capital market.

4. Interlocking relations of directors, officers and employees of member banks serving other banks and security dealers.

5. Loans to executive officers of member banks.

6. Outside business and other relations of directors, officers and employees of Federal reserve banks.

7. Removal of directors, officers and employees of Federal reserve banks and member banks; disposition of criminal charges.

Mr. _____

Agricultural credit conditions, including prices, production, exports, and imports; and relations concerning these subjects with Department of Agriculture, Farm Credit Administration and other agencies dealing with agricultural problems.

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The proposed assignments were discussed and Mr. Eccles read the following explanatory memorandum with regard thereto:

"The matters which engage the attention of the Board members cover a wide range of subjects and each member is equally responsible with every other member for the action taken by the Board thereon except with respect to action taken during his absence or in cases where he has specifically dissented or requested to be recorded as not voting. It is expected, however, that absences of members of the Board from Washington shall as far as practicable be arranged so as not to interfere with the expeditious conduct of the Board's business.

"Because of the great variety of subjects it is desirable that each member give his attention primarily to a particular group of matters in order to distribute among all the members as equitably as possible the work of disposing of current business and to enable them to concentrate on important questions of policy.

"The assignment of particular subjects to an individual member places upon him the duty of acquainting himself with the facts and questions involved which are necessary to a determination by the Board as to the actions which should be taken on such subjects so that in the light of his responsibility as a Board member he may advise the Board and make recommendations to it as to their disposition. The present assignment of subjects is provisional and subject to revision in the light of experience.

"Such an assignment of course does not carry authority to speak for the Board or act on its behalf on matters which under the law can only be determined by Board action or to dispose of a matter except in accordance with action taken by the Board thereon.

"In many matters the detail work is done by the divisions of the staff dealing with the particular subjects and proposed action by the Board is formulated by them either on the basis of established principles and policies of the Board or after consultation with the particular Board members to whom the subjects are assigned. All divisions of the staff are available to help and advise with a member of the Board on any subject in which he is interested and he may call upon any or all of them for such information, consultation or preparation of material and documents as he may need in handling the subjects assigned to him. In most cases the disposition of matters assigned to members of the Board requires the collaboration of two or more divisions. No one division is assigned solely to any particular Board member.

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"Each Board member is furnished with charts showing in brief form the principal functions of the various divisions of the staff and the distribution of duties among the principal subordinates. The purpose of these charts is to enable each Board member to know upon whom to call for information or consultation in connection with any particular subject that may engage his interest. Each Board member is free to call upon and consult directly with any individual member of the staff whose duties include the particular subject in which the Board member is interested. It is understood of course that such subordinate will then clear the matter with the chief of his division so that the latter may be in position to know at all times the work that is being done by his subordinates and to exercise the necessary supervision.

"When matters are submitted to the Board they are cleared through the office of the Secretary which is familiar with the established policies of the Board and effects any coordination in the staff consideration of the matters that may then be necessary by consultation with or submission to other divisions that may be concerned with the same subject. The Secretary's office handles the circulation among the Board members of matters requiring their consideration and maintains a record of such matters until they are disposed of.

"In the circulation of matters requiring Board action or for the information of all members of the Board a rubber stamp will be applied by the Secretary's office, which will carry at the top the notation 'For approval first of Mr. _____' or 'For circulation first to Mr. _____', with the names of Board members listed below the blank in which the name of the Board member to whom the particular subject is assigned will be inserted by the Secretary's office.

"It has been found that it is of very material assistance in expediting the Board's work and saves considerable time if the secretaries to the members of the Board maintain records of circulating matters passing in and out of their offices, as such records enable the Secretary's office to ascertain the location of the papers involved and the status of their consideration.

"Each Board member may disagree with or question any recommendation. Upon unanimous approval by the Board members present (indicated by their initials) matters are treated as disposed of by Board action and incorporated in the current minutes. In case of any disagreement or if the Board member desires that the matter be held for discussion the file is

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"returned to the Secretary's office with a notation or memorandum to that effect in order that the circulation among the other Board members may be completed. It is then brought up for action at a Board meeting. This gives every Board member an opportunity to participate to the fullest extent possible in the consideration of and disposition of any matter before final action is taken.

"The Secretary's office will consult with each Board member as to his wishes respecting the volume and character of matters which should be brought to his attention in addition to matters requiring Board action and as to what matters he wishes to see before they are referred to the appropriate members of the staff or only after the staff has done the necessary work and prepared them for consideration by the Board. Any Board member may at any time reduce or enlarge the scope of the routine matters which he desires to see. The Secretary's office is charged with the responsibility of properly distributing incoming matters among the appropriate Board members and divisions of the staff and of clearing with the Board members all matters requiring Board action, maintaining such records as may be necessary for the purpose. The Secretary or an Assistant Secretary signs all letters, telegrams and documents evidencing Board action except when for special reasons it seems desirable for the Chairman to do so.

"The work of the Board is highly confidential and all inquiries from members of the press regarding actions of the Board are referred to Mr. Thurston, in the Chairman's office, who handles these matters under the supervision of the Chairman."

Mr. Szymczak moved that the assignments as set forth in the memorandum be approved.

Carried unanimously.

In connection with the discussion of the above matter, reference was made to the Federal Open Market Committee as it will be constituted after March 1, 1936, and it was the consensus of the members of the Board that the new Federal Open Market Committee should have a chairman who should be the Chairman of the Board, a Vice Chairman, and a Secretary who should be the Secretary of the Board, and that the

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Director of the Board's Division of Research and Statistics should be the economist for the Committee. There was also a discussion of the possible organization of an Executive Committee of the Federal Open Market Committee.

Mr. Eccles said that, while matters relating to credit control were assigned in the above list to the Chairman, he felt that all members of the Board should give careful study to that subject.

There were also distributed for the information of the new members of the Board copies of charts showing in brief form the principal functions of the various divisions of the staff and the distribution of duties among the principal members of the respective divisions.

Mr. Szymczak stated that, as the third member of the Executive Committee, he had been approving vouchers and purchase orders requiring the approval of a member of the Executive Committee, and he raised the question as to the procedure to be followed in the future in the absence of an Executive Committee. It was stated that a recommendation had been prepared for the consideration of the Board which would eliminate the necessity for the approval of such matters by a member of the Board.

Mr. Szymczak moved that the recommendation be circulated promptly among the members of the Board for consideration.

Carried unanimously.

Mr. Szymczak also moved that it be the understanding that, in addition to the members of the Board, meetings of the Board shall be attended by Messrs. Morrill, Bethea, and Carpenter, of the

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Secretary's office, Clayton and Thurston, of the Chairman's office, and Wyatt, General Counsel, and such other members of the staff as the Board from time to time may ask to attend when matters handled by such staff members are under consideration.

Carried unanimously.

The Chairman recommended that there be established a personnel committee to be composed of the Chairman, together with two other members of the Board who would serve in an established rotation, the first two members to serve during February and March, and thereafter the two designated members to serve for periods of three months. He also recommended that it be the duty of the personnel committee to make recommendations to the Board relating to:

1. Approval of appointments of Presidents and Vice Presidents of Federal reserve banks.
2. Appointments of class "C" directors of Federal reserve banks and the directors of branches appointed by the Board.
3. Designation of chairmen and Federal reserve agents, appointments of deputy chairmen of Federal reserve banks, and appointments in Federal reserve agents' departments.
4. The Board's budget and expenditures.

Mr. Broderick moved that the committee be established with the duties recommended by the Chairman.

Carried unanimously, with the understanding that the committee would supplant the district committees previously in existence, that the Chairman would appoint two members to serve during February and March, and that the order of rotation thereafter would be determined after Mr. Ralph W.

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Morrison, who had been appointed but who had not yet qualified as a member of the Board, had assumed his duties.

The Chairman then presented a draft of a memorandum to the heads of the various divisions of the Board's staff setting forth a procedure to be followed in connection with applications for employment by the Board and recommendations to the Board as to appointments to the staff, and recommended that the procedure set forth in the memorandum be adopted as follows:

"Hereafter the procedure set forth in this memorandum shall be followed in connection with all applications for employment by the Board and recommendations submitted to the Board as to appointments.

"Every applicant for employment by the Board of Governors of the Federal Reserve System should fill out an application in the usual printed form. All applications shall be delivered to the office of the Secretary of the Board of Governors, where they will be filed in the section under the charge of an Assistant Secretary. If an applicant appears to have qualifications of a technical or specialized character which relate to the work of a particular division, his application should be called to the attention of the head of that division. If an application be received directly by a particular division, the original should be sent to the Secretary's office. The division concerned may retain a copy or extract of the information contained in the application if it so desires.

"The Secretary's office shall arrange the files of applications so that the applications of all persons who have qualifications which may be considered for any particular class of position may be available for inspection by any Board member or division head.

"Except as stated in the next following sentence, inquiries of former employers or of persons given as references in the applications should be made over the signature of an Assistant Secretary, and when made for the information of a particular division they should be prepared or initialed in that division. Any division head, however, may make such additional inquiries as he may deem desirable or necessary and may also, if he prefers, conduct over his own signature

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"the correspondence regarding any applicant for a position requiring qualifications of a specialized or technical character above those of the stenographic or clerical grades.

"All correspondence in regard to each applicant shall be filed in the Secretary's office with the application. The tests of stenographers and typists shall be given by the Assistant Secretary's office and the results shall be recorded in the application files.

"When a recommendation is ready for submission to the Board it should be prepared in writing, addressed to the Board of Governors of the Federal Reserve System, and initialed by the head of the division, or in his absence by his chief assistant. It should be accompanied by the entire file on the person covered by the recommendation. In each case the memorandum should show the following:

(a) The action desired, stating the designation of the position to be filled and whether on a temporary or permanent basis; proposed salary rate; and name of applicant recommended.

(b) Whether the proposed appointment is for the purpose of filling an existing vacancy or will result in any increase in the payroll and a clear statement of the necessity for the appointment.

(c) Brief description of applicant and statement of his qualifications, including education and experience, which should be shown in chronological order.

(d) Resume of results of inquiries made of former employers and pertinent information gained from other sources regarding the applicant, and a showing that after careful inquiry he appears to be the most suitable of all available applicants.

(e) Statement that the applicant has been informed as to the retirement plan and the physical examination in connection therewith, or that he will be so informed before he accepts the appointment unless he is in a class excepted from the plan.

"In this connection, the Board has placed on the head of each division the responsibility of making his selections solely on the basis of merit and only of the persons shown to be best qualified to fill the positions after a thorough canvass of all persons known to be available. Therefore, when it appears that there is likely to be a need in his division for filling a particular position he will be expected to review all applications for appointment to such a position which have been filed at least within the preceding six months.

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"The written recommendation addressed to the Board of Governors of the Federal Reserve System shall be delivered to the office of the Secretary of the Board. The Secretary shall return, for such corrective action as may be necessary, any recommendation which does not conform to the foregoing instructions. When the recommendation is ready for submission to the Board the Secretary's office shall place upon it the Board's approval stamp, making the usual record, and circulate it among the members of the Board.

"Any Board member, instead of approving a recommendation, may check the recommendation and note upon it that it should be brought up for consideration at the next Board meeting after it has been circulated to all Board members, in which case it will be placed on the docket and the head of the division concerned will be requested to be present when action is to be taken upon such application."

Mr. Ransom moved that the suggested procedure be adopted and that the Chairman be requested to advise the division heads of the Board's action.

Carried unanimously.

Chairman Eccles stated that Mr. Charles S. Hamlin, one of the members of the Board whose membership on the Board terminated on February 3, 1936, had been a member of the Board since its organization and had served as Governor of the Board for the first two years of its existence; that, because of Mr. Hamlin's long service and intimate knowledge of the history of the Federal Reserve System and the problems confronting it, it was felt that it would be very advantageous for the Board to retain his services in an advisory capacity; and that he (Mr. Eccles) desired to recommend to the Board the appointment beginning today of Mr. Hamlin as Special Counsel to the Board, with the understanding that he would not be attached to any particular division, and would be paid a salary at the rate of \$12,000 per annum. He suggested

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in this connection that the Secretary arrange directly with Mr. Hamlin for the handling of such matters as it would be desirable for Mr. Hamlin to consider.

Mr. Szymczak moved that Chairman Eccles' recommendation be approved.

Carried unanimously.

There followed a discussion of the policy that should be adopted by members of the Board in interviewing representatives of the press, and it was the consensus of the members that, while they should not refuse to see newspapermen, they should adhere to the policy of referring all inquiries from representatives of the press regarding actions of the Board to Mr. Thurston for reply. It was also suggested that it might be desirable for members of the Board to accept invitations to deliver addresses on subjects assigned to them for particular consideration. Mr. Broderick stated that he felt it was desirable that members of the Board attend meetings of bankers associations and other similar meetings, and Mr. Eccles stated that he felt that each member of the Board should arrange to visit each of the twelve Federal reserve banks at least once a year. Mr. McKee and Mr. Szymczak expressed the opinion that it would be desirable also for members of the Board's staff to visit the Federal reserve banks more frequently.

Mr. Szymczak referred to the provisions of section 10 of the Federal Reserve Act which provide that the Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and recommended that

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the Board establish a uniform policy with regard to allowances to members of the Board for traveling expenses. Mr. Morrill pointed out that Section 10 provides that the members of the Board, in addition to their salary, shall receive actual necessary traveling expenses.

Mr. Szymczak's recommendation was discussed and, upon motion by Mr. McKee, the Secretary was requested to prepare a draft of a regulation for consideration at a later meeting of the Board which would provide (1) for reimbursement of Board members for their actual necessary traveling expenses or, at their election, on the basis of actual necessary transportation expenses including tips incident thereto and a per diem of \$12.00 in lieu of subsistence, (2) for reimbursement of heads and assistant heads of divisions of the Board's staff for actual necessary traveling expenses supported by proper receipts for expenses incurred when so authorized by the Chairman, Vice Chairman, or the Chairman pro tem, or, at the election of the member of the staff, on the basis of actual necessary transportation expenses including tips incident thereto and a per diem of \$8.00 in lieu of subsistence, (3) that transportation expenses of Board members and members of the staff above referred to may include any Pullman accommodations which can be obtained in connection with a single fare, (4) that when savings can be effected by purchasing round trip tickets or special rate tickets they shall be obtained, and (5) that extra fare trains may be used upon a satisfactory showing of necessity. It was understood that the per diem allowances now in effect as to other members of the staff would remain unchanged, except that reasonable tips in connection with transportation expenses, but not in connection with subsistence, would be allowed. x

There was then presented a memorandum dated February 3, 1936, from Mr. Kramer, superintendent of construction, stating that in view of the fact that it was believed that the original drawings of the

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Board's new building would not be revised, the blue prints and specifications which had been used for bidding purposes and returned to the Board could be furnished to the contractor without any additional expense to the Board, and that while such action would involve a slight modification of the contract with the construction company, it was recommended that available extra copies of the blue prints be furnished to the contractor without additional cost.

Approved unanimously.

Thereupon the meeting adjourned.

Oresta Monie
Secretary.

Approved:

W. Steeles
Chairman.