

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 14, 1936, at 11:15 a. m.

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

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.

Chairman Eccles referred to the informal consideration which had been given by the members of the Board to the questions involved in determining upon a general policy which the Board should adopt in acting upon appointments of presidents and first vice presidents of the Federal reserve banks.

During the course of a full discussion of the various aspects of the question it was unanimously agreed that the Board should be guided, in its consideration of such appointments when submitted to it for approval, by the general policy of not approving appointments of persons as presidents or first vice presidents of Federal reserve banks who are 70 years or more of age, or who, before the end of the five year term provided by law for such appointments, will have reached that age.

In determining upon this general policy consideration was given to the fact that the Federal reserve banks had proposed and adopted voluntarily a retirement system, approved by the governors of the banks, which established the principle in the permanent operation of the system after the first five years of mandatory retirement of officers and employees of Federal reserve banks at a maximum age of seventy years. In

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this connection, it was pointed out that the law requires that the presidents and first vice presidents be appointed for terms of five years and that the Board has no authority to approve such appointments for any shorter term. It was the unanimous opinion also that, as the law specifically provides that these appointees are to be the chief executive officers of the Federal reserve banks, they should be younger men who could be expected not only to develop but also to continue, at least during the entire term for which they would be appointed, an active, constructive and vigorous administration of the affairs of the bank with a high degree of efficiency, and who would be able to make such changes in the banks' organizations as would enable them to meet new conditions in the most effective manner.

There was then presented a memorandum dated February 7, 1936, from Mr. Smead, Chief of the Division of Bank Operations, in which he referred to the action taken by the Board on February 13, 1935, in furloughing Mr. W. B. Dorsey, a clerk in the Division of Bank Operations, for a period of one month without salary, and in which he stated that Mr. Dorsey had again reported for duty under the influence of liquor, and that Mr. Smead had advised him that his retirement would be recommended. The memorandum also stated that, in the circumstances, it was recommended that Mr. Dorsey's services be terminated effective April 1, 1936, the earliest date on which he can be retired under the Retirement System of the Federal reserve banks; that, in view of the fact that over a long period he had rendered good and efficient service, he be

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placed on leave with pay until February 15, 1936, and without pay from February 16 to March 31, 1936; that the Board pay to the Retirement System an amount equal to six months salary to supplement the retirement allowance to which he will be entitled under the rules and regulations of the Retirement System, which would increase his retirement allowance on a life basis to approximately \$470 per year; and that regular contributions to the Retirement System be made by the Board for Mr. Dorsey's account until his retirement on March 31, 1936, which payments would amount to something less than \$15.

After a discussion, during which it was pointed out that Mr. Dorsey had been advised in connection with the furlough last year that a repetition of his offense would not be countenanced under any circumstances and would result in his immediate dismissal, Mr. McKee was requested to discuss the matter with Mr. Smead following which it would be resubmitted to the Board.

Chairman Eccles stated that he had requested Messrs. Goldenweiser and Thurston to draft a letter to the Federal Advisory Council with respect to the two resolutions submitted to the Board by the Council at the meeting on February 12, 1936, and that the draft of letter, when prepared, would be submitted to the members of the Board for their consideration.

Consideration was then given to an inquiry which had been made as to whether official stationery should be printed for the individual members of the Board.

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It was agreed that there should be printed, for any of the members of the Board desiring them, official note-size letter heads including the name of the individual Board member.

The question was raised whether, in order that the work of the Board might be handled expeditiously, matters circulated for approval could be routed to a designated alternate member of the Board in the absence of a member having primary responsibility for the subject matter involved. It was pointed out that the procedure would eliminate the necessity of holding matters for the consideration first of the absent member unless some other member should determine that the matter was of sufficient importance to be held until the former's return.

It was agreed that when a matter arises during the absence of the member of the Board charged primarily with supervision of the subject involved, which is of such urgency that action is desirable before the return of the absent member, the Secretary of the Board should refer the matter first to the Board member having the most closely associated interest in the subject, following which it would be circulated to the other members of the Board present and handled in the manner approved by them without awaiting the return of the absent member.

Reference was then made to the informal agreement reached by the members of the Board that they would notify the Secretary's office of their expected absences from Washington so that the information might be furnished to all members of the Board to enable them to arrange their absences in such a manner as to insure the presence of a quorum in Washington at all times.

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The suggested procedure was approved and it was understood that the members of the Board would advise the Secretary's office of contemplated absences as much in advance as possible in order that all of the members of the Board might be informed promptly.

Mr. Morrill stated that at the present time approximately \$750 per year is being spent for newspapers for the members of the Board and its staff and that additional papers ordered in accordance with requests which had been received would bring the annual cost up to approximately \$1,000.

Mr. Thurston was asked to look into the general question of the necessity for the continuance of an expenditure of this size and to report to the Board thereon.

At this point Messrs. Thurston and Wyatt left the meeting and consideration was then given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Bond, in the amount of \$100,000, executed under date of February 8, 1936, by Mr. J. J. Thomas as Federal Reserve Agent at the Federal Reserve Bank of Kansas City.

Approved unanimously.

Letters to Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Delano, Deputy Chairman of the Federal Reserve Bank of Richmond, and to Governor Newton of the Federal Reserve Bank of Atlanta, stating that the Board approves the establishment without change by the New York and Richmond banks on February 13, and by the

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Atlanta bank on February 14, 1936, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Sproul, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Your letter February 13 and inclosure. Board interposes no objection to action your board of directors in voting to assent, subject to agreement of other participants, to proposed full repayment of participation of Bank of Italy in the central bank credits to the National Bank of Hungary, by the utilization at par of block lira balances standing to the credit of National Bank of Hungary in Italy, on understanding that in communicating your decision to the Bank for International Settlements it will be made clear that your acquiescence does not in any way commit your bank to acceptance of the view that repayment of such credits is or may be conditioned upon the existence of favorable trade relations between Hungary and the individual countries of the central bank creditors. Please advise Board regarding consummation of transaction or other developments with respect thereto."

Approved unanimously.

Memorandum dated February 13, 1936, from Mr. Morrill stating that his attention had been called to the fact that the authority granted by the Board on February 5 to approve expenditures within limitations fixed by the annual budget, was not broad enough to include expenditures covering the cost of Federal reserve notes, leased telephone and telegraph wires, and other items which were reimbursable to the Board by the Federal reserve banks or others. The memorandum outlined the procedure followed in connection with these expenditures which are of a routine character and do not affect the Board's budget of expenses, and submitted for approval the following recommendations

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with respect thereto:

1. That the Secretary of the Board, or an Assistant Secretary acting under his direction or in his absence or disability, be authorized on behalf of the Board to approve expenditures covering the cost of printing Federal reserve notes and Federal reserve bank notes, leased telephone and telegraph lines, par lists and supplements thereto, and other items which are reimbursable to the Board by the various Federal reserve banks or others, and
2. That all such expenditures be evidenced by vouchers in suitable form, including or supported by itemized bills or statements of account; that such vouchers be certified and administratively approved for payment by the Secretary, or an Assistant Secretary acting under his direction or in his absence or disability; and that such vouchers thereupon be forwarded to the Fiscal Agent of the Board of Governors for verification and payment.

Approved unanimously.

Memorandum to the heads of the various divisions of the Board, stating that the Board desired that, before any member of the staff delivers an address or speech on any subject relating to the affairs or operation of the Federal Reserve System, a copy of the manuscript be submitted to Mr. Thurston, Special Assistant to the Chairman, who will review and clear it with the members of the Board primarily interested in the subjects discussed; and that for this reason it is important that the manuscript be submitted sufficiently in advance to allow ample time for Mr. Thurston and the members of the Board to read it and make any suggestions that they may desire to offer.

Approved unanimously.

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Thereupon the meeting adjourned.

Robert M. ...
Secretary.

Approved:

W. ...
Chairman.