

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 30, 1936, at 11:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. Szymczak

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, and Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that the Board approves the establishment without change by the respective banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated September 29, 1936, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the temporary appointment of Mr. William J. Carson, a research assistant in the Division, be continued on a per diem basis for a period not to exceed forty days of actual work beginning October 1, 1936, with salary at the rate of \$25.00 per day for each day worked, with the understanding that the \$25.00 per day will cover his compensation as well as his traveling and other expenses.

Approved unanimously.

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Letter to Mr. Owen D. Young, Deputy Chairman of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on September 22, 1936, and reading as follows:

"Your letter of September 17 in response to the Board's letter of August 20 with regard to Mr. Sailer's compensation was brought to the attention of the members of the Board and was discussed at a Board meeting.

"The Board asked me to assure you of the Board's willingness to receive at any time any recommendations or expressions of the views of your directors regarding this or any other matter of concern to the Bank and the Board and of its desire to give them full consideration.

"With respect to the action taken in Mr. Sailer's case, the Board is of the opinion, in accordance with the advice of its counsel, that such action was clearly within the scope of its authority, and it may be added that the general practice of the Board with respect to the approval of salaries has been based upon the understanding that it is within the power of the Board to prescribe the period for which its approval is given.

"In the discussion of your letter with respect to Mr. Sailer's salary the suggestion was made that you might not have had in mind all of the developments in the Board's consideration of his salary which resulted in the action in the form in which it was expressed in the Board's letter of August 20 and that it would be helpful if there were set forth in this letter a resume of such developments.

"It has been the practice of the Board, as you know, to consider annually the salaries of all officers of the Federal reserve banks upon the basis of advice of the amounts thereof fixed by the boards of directors of the banks at their annual meetings, and in that connection the Board reviews the situation in the system as a whole.

"On July 11, 1933, in a letter to Governor Harrison, the Board suggested that the salaries of 'all senior officers of the bank be reviewed carefully by the board of directors in the light of the varying responsibilities of these officers and the quality and extent of services that each individual' was rendering at that time in his particular capacity. In your letter of July 14, 1933, in reply to this

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"suggestion of the Board, you advised the Board that your directors had reviewed carefully the salaries of all the senior officers in accordance with the Board's request and had made objective appraisals of such salaries. Among these was set forth an appraisal of the services of Mr. Sailer at \$30,000 per annum, although at that time and for several years previously he had been receiving \$40,000 per annum, but you stated that a majority of your directors recommended that his salary be continued at the latter figure. In that connection you referred to the fact that at that time Mr. Sailer was 62 years old and stated that, if the pension plan then under consideration were 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.' The pension plan became operative on March 1, 1934, and retirement thereunder was provided for at age 65.

"On January 5, 1934, Chairman Case advised the Board that your directors, subject to the approval of the Federal Reserve Board, had fixed the salary of Mr. Sailer as Deputy Governor at \$35,000 per annum for the year 1934, although this was in excess of the appraised value of his services, as determined by your directors in July, 1933. In considering the matter, the Board had in mind among other things the objective appraisal made by your directors as well as the fact that Mr. Sailer was receiving a salary in excess of that of the highest salaried officer of any other Federal reserve bank, and on January 23, 1934, the Board advised Mr. Case that it disapproved the salary at the rate of \$35,000 per annum. It stated, however, that it was willing to approve a salary at the rate of \$30,000 per annum and that, pending further action by your board of directors in the matter, it had approved the payment of salary to Mr. Sailer at the latter rate. Chairman Case wrote the Board on March 29, 1934, that your board of directors had approved a salary at the rate of \$30,000 for Mr. Sailer as Deputy Governor but that they felt that a great injustice would be done Mr. Sailer by a reduction of twenty-five per cent of his annual salary and they would appreciate the opportunity of an early discussion of the matter with the Board. As a result, a committee of your directors consisting of Messrs. Davison and Woolley, together with Governor Harrison, met informally with the Board in Washington on April 20, 1934, and discussed particularly Mr. Sailer's compensation, following which, on April 27, 1934, the Board advised Mr. Case that it had reviewed the considerations presented by your

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"directors as a basis for their action and had reached the conclusion that no change should be made in its previous action. The correspondence indicates, however, that Mr. Sailer was paid for some months, beginning January 1, 1934, at the rate of \$35,000 per annum, contrary to the action taken by the Federal Reserve Board. On August 30, 1934, Mr. Case advised the Board that the difference between the salary paid Mr. Sailer and the salary approved by the Board was adjusted by a refund on August 1, 1934.

"Following the reorganization of the Board of Governors last February the new membership was faced with the responsibility of passing upon salaries of officers of the Federal reserve banks for the period from March 1 to December 31, 1936. Chairman Eccles reported to the Board that he had discussed with President Harrison the salaries fixed by the board of directors of the New York Bank for Vice Presidents and others, including particularly the salary of Mr. Sailer, and that Mr. Harrison had stated that, if the Board were unwilling to approve a salary for Vice President Sailer until December 31, it should be approved at least until August 2, 1936, on which date Mr. Sailer would be 65 years of age and would be eligible for retirement under the retirement system of the Federal reserve banks. Thereupon, by unanimous vote, the Board approved a salary at the rate of \$30,000 for Mr. Sailer as Vice President until August 31, 1936, with the understanding that he would be retired on that date, and on March 11, 1936, Mr. Eccles advised Mr. Case that 'for the reasons which I communicated to you during our telephone conversation on March 7, the Board has approved the salary fixed by your directors for Mr. Sailer for the period March 1, to August 31, 1936'.

"However, on July 31, 1936, Mr. Harrison advised the Board that your board of directors had voted to authorize him to request the retirement committee of the retirement system of the Federal reserve banks to permit your bank to retain Mr. Sailer in its service for a period of approximately five months ending December 31, 1936, and that he (Mr. Harrison) would appreciate receiving the Board's approval of the action of your directors in fixing Mr. Sailer's salary at \$30,000 per annum for the period from September 1 to December 31, 1936, inclusive. This communication was considered at a meeting of the Board on August 14, 1936, at which time the Board voted to adhere to the position taken in its letter to your bank of March 11, 1936, and requested Vice Chairman Ransom to advise Mr. Harrison that the Board had felt that

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"its action as stated in that letter disposed of the matter and that the Board did not feel justified in reversing its position.

"On August 19, 1936, Mr. Ransom reported at a meeting of the Board that he had advised Mr. Harrison over the telephone of the Board's attitude with respect to Mr. Sailer's salary and that after several subsequent telephone conversations Mr. Harrison expressed a desire to discuss the matter with the Board and had come to Washington for that purpose. Mr. Ransom also submitted to the Board a letter of August 18, 1936, from Mr. Harrison which the latter had handed to Mr. Ransom and which gave the reasons underlying the action taken by your directors in fixing a salary for Mr. Sailer for the further period from September 1 to December 31, 1936. Thereupon, Mr. Harrison was invited into the meeting and reiterated and amplified the views expressed in the letter which he had handed to Mr. Ransom.

"In the course of the discussion it was pointed out to Mr. Harrison that in the letter advising the bank of the Board's action upon salaries of officers it had expressly excepted Mr. Sailer's salary from those approved for the entire remainder of the year ending December 31 and had limited its approval of Mr. Sailer's salary to August 31, 1936, coupled with a statement of its understanding that he was to be retired as of that date. Mr. Harrison was also advised that it had been the feeling of the Board that the action taken concluded the matter and that the Board had not expected that there would be a request from the New York Bank for the approval of salary for an additional period. Mr. Harrison stated, however, that he had not so understood the Board's letter of March 11 and that he felt that it was highly desirable for reasons which he explained that Mr. Sailer's services be retained until the end of the year. The Board then took the action extending to December 31 its approval of a salary at the rate of \$30,000 per annum for Mr. Sailer, of which you were advised in its letter of August 20, 1936, in which it was stated that such action was taken 'with the definite understanding that he will retire on or before the latter date, that there will be no further request for approval of any compensation for him, and that this action is final'.

"While it has taken a number of pages to make this review, the Board hopes that you have not been unduly burdened by reading it, and trusts that it has made entirely clear the Board's position in the matter."

Approved unanimously.

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Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 24 advising of the appointments of Mr. Gidney as Vice President, and of Mr. Dillistin and Mr. Roelse as Assistant Vice Presidents, at their present salaries, which salaries have heretofore been approved by the Board, and of the action of the Directors of your bank in recommending that Mr. Gidney be continued as Assistant Federal Reserve Agent so long as there is no Federal Reserve Agent at your bank or until the law with respect to the office has been changed.

"Careful consideration has been given to the recommendation that Mr. Gidney be continued as Assistant Federal Reserve Agent, including the statement that your Directors expressed the opinion that there would be no conflict of duties and responsibilities by reason of Mr. Gidney's holding both the office of Vice President in charge of the Examination Department and the office of Assistant Federal Reserve Agent. While the Board is fully appreciative of the factors which prompted your Directors in making this recommendation, it is of the opinion, after consultation with counsel, that it would not be consistent with the intent of the Federal Reserve Act for an official of the bank to serve in such dual capacity. As stated in the Board's letter to you under date of September 14, it expects that when Assistant Federal Reserve Agents and Alternates are not engaged in work connected with the issuance and retirement of Federal Reserve notes they will be expected to perform other work in the bank not inconsistent with their duties as Assistant Federal Reserve Agents and Alternates, respectively. It is expected, however, that Assistant Federal Reserve Agents will resign their positions with the bank and be placed upon the Agent's payroll, and that their primary responsibilities will be in the Agent's department, and that they will work for the bank only at such times as their services are not required in the Agent's department. The duties of an Assistant Federal Reserve Agent, after the transfer of the non-statutory duties of the Agent to the bank, will be in connection with the issuance and retirement of Federal Reserve notes and the holding in custody of collateral pledged with the Agent as security therefor. It is clear that, under the circumstances, a person holding the titles of Vice President and Assistant Federal Reserve Agent would regard his position

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"as Vice President as much the more important of the two and would necessarily expect to devote little or no time to his duties as Assistant Federal Reserve Agent, a position which after the transfer of the non-statutory duties of the Agent to the bank will be regarded as non-official.

"The Assistant Federal Reserve Agent should be a person of unquestioned integrity who is capable of performing all duties connected with the issuance and retirement of Federal Reserve notes, but need not be a person who is qualified to act for the Agent in connection with the duties placed upon him by Section 30 of the Banking Act of 1933.

"Pending the appointment of a Federal Reserve Agent at the Federal Reserve Bank of New York, it is requested that the Vice President in charge of examinations report directly to the Board of Governors with respect to any violations of law by directors and officers of State member banks and of unsound banking practices in order that the Board of Governors may determine in each case the steps to be taken to comply with the requirements of that Section."

Approved unanimously.

Letter to Mr. Dillistin, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of September 24, 1936, and, in accordance with the recommendation contained therein, the Board approves the appointment of Mr. E. P. Neilan as examiner on a permanent basis for the Federal Reserve Bank of New York."

Approved unanimously.

Letter to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of September 16, in reply to the Board's letter of September 8, with respect to the appointment of an assistant Federal Reserve agent to serve after the non-statutory duties of the Federal Reserve agent are transferred to the Federal Reserve bank.

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"In your letter you state that Mr. A. E. Post has been elected Secretary of your Board, effective October 1, and that, subject to the approval of the Board of Governors, his salary as Secretary was fixed for the remainder of 1936 at the rate of \$3,500 per annum, and recommend that Mr. Post's salary as assistant Federal Reserve agent be fixed for the period October 1 to December 31, 1936, at the rate of \$4,500 per annum.

"The Board has fixed the salary of Mr. Post as assistant Federal Reserve agent at the rate of \$4,500 per annum, effective October 1, the date that the non-statutory duties of the agent are to be transferred to the bank. It also approves, effective October 1, the salary, at the rate of \$3,500 per annum, fixed by your Board for Mr. Post as Secretary of the Board of Directors of your bank. The approval of a total salary of \$8,000 for Mr. Post is with the understanding that it will be reviewed along with the budget at the end of the year."

Approved unanimously.

Letter to Mr. Stewart, Assistant Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of September 21, in which you state you have reason to believe that at the next meeting of the Board of Directors of the St. Louis bank, to be held on October 7, you will be elected Assistant Vice President and Secretary at your present salary of \$10,000 per annum; and recommend that Mr. Frank S. Parker, now Acting Assistant Federal Reserve Agent, be appointed Assistant Federal Reserve Agent at his present salary of \$2,400 per annum; that Mr. William E. Peterson, now Acting Assistant Federal Reserve Agent, be appointed Alternate Assistant Federal Reserve Agent at his present salary of \$4,000 per annum; and that Mr. William Hagedorn be appointed Alternate Assistant Federal Reserve Agent at his present salary of \$1,620 per annum.

"Under date of September 14 the Board advised Mr. Martin that it approved a salary at the rate of \$10,000 per annum for you as Assistant Vice President and Secretary if and when fixed at that rate by your Board of Directors.

"In accordance with your recommendation, the Board approves the appointment of Mr. Frank S. Parker as Assistant



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"Federal Reserve Agent at his present salary of \$2,400 per annum, such appointment to become effective on the date on which the non-statutory duties of the agent are transferred to the bank. The Board also approves the appointments of Mr. William E. Peterson and Mr. William Hagedorn as Alternate Assistant Federal Reserve Agents at their present salaries of \$4,000 and \$1,620, respectively, to become effective as of the same date. These appointments are approved with the understanding that all three of these employees will remain upon the Agent's payroll and be solely responsible to him, or during a vacancy in the office of Agent to the Board of Governors, for the proper performance of their duties. It is suggested that Messrs. Parker and Peterson execute new oaths and bonds on or before the date their appointments become effective. Mr. William Hagedorn should execute the usual oath of office and bond before entering upon his duties as Alternate Assistant Federal Reserve Agent. Before forwarding the bonds of Messrs. Parker, Peterson, and Hagedorn to the Board for approval they should be examined by your counsel to determine whether their execution complies fully with the rules printed on the reverse side of the form.

"As indicated in the Board's letter of September 14, 1936, to President Martin, during such time as the Assistant Federal Reserve Agent and Alternates are not engaged with their duties as such it is assumed that they will perform other work in the bank which is not inconsistent with their work as Assistant Federal Reserve Agent and Alternates, respectively, with the authorization of the Federal Reserve Agent and the approval of the President of the bank."

Approved unanimously.

Telegram to Mr. Sargent, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Relets September 18 and 24 with further reference to purchase of banking quarters by First Trust and Savings Bank of Pasadena, California. You state that banking quarters have been set up on bank's books at \$838,369.26 instead of \$785,000 as proposed in the plan submitted to and approved by the Board, substantially all of the difference representing a transfer to bank building account from furniture and

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"fixtures account, and you request advice as to the Board's views with respect to such increase. Inasmuch as practically all of the increase represents merely an adjustment between two fixed asset accounts and not an additional expenditure, the Board, on the basis of the information submitted and in view of the circumstances, will interpose no objection to the adjustment. However, if you have any additional information which you feel would cause the Board to take a different position, the Board will be glad to consider it."

Approved unanimously.

Cablegram to Governor Tsouderos, Bangrece, Athens, Greece, reading as follows:

"Board of Governors of Federal Reserve System has asked me to express to you its appreciation of your courtesy in advising it in your radiogram 29th September regarding your currency."

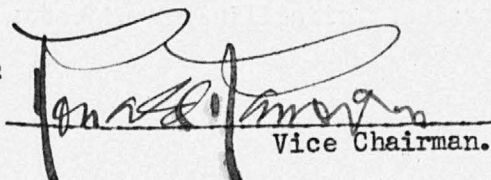
Approved unanimously, together with a telegram to President Harrison of the Federal Reserve Bank of New York, reading as follows:

"Following radiogram from Athens, Greece, dated September 29th received today 'We beg to inform you that we have decided in agreement with the Government to attach our currency to the pound. Purchase price shall be fixed each time by a decision of the Governor of the Bank between a minimum rate of 540 drachmae and a maximum of 550 drachmae to the pound. Have issued such decision as from 29 of September fixing purchase price at 546 dr and sale price at 550 dr to the pound Governor Tsouderos Bangrece'."

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Vice Chairman.