

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal reserve banks was held in Washington on Wednesday, November 18, 1936, at 5:15 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Broderick  
Mr. McKee  
Mr. Davis

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

Messrs. Harrison, Sinclair, Fleming, Leach, Newton, Schaller, Martin, Peyton, Hamilton, McKinney and Day, Presidents of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco, respectively.

Mr. Strater, Secretary of the Presidents' Conference

Mr. Burgess, Vice President of the Federal Reserve Bank of New York

President Harrison stated that the Presidents' Conference had completed its program and that advice of the actions taken would be transmitted to the Board in the minutes of the Conference which would be prepared by the secretary and forwarded to the Board.

Chairman Eccles referred to the transfer of the non-statutory duties of the Federal reserve agents' departments to the Federal reserve banks and stated that he felt that the results of this action had justified the position taken by the Board in the matter, and had brought the

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Presidents in closer contact with the Board. He expressed the opinion that the future of the Federal Reserve System was more secure at the present time than it had been for several years and that the banks should bear in mind that, while the stock of the banks was owned by the member banks, the reserve banks were created for the public benefit and that they had an opportunity to enhance the prestige of the System by demonstrating that they act in the interest of the public. One of the important tasks of the future, Chairman Eccles said, was the unification of the functions of the Federal agencies having supervision over banks, and that the manner in which the Federal Reserve System discharged its responsibilities would determine the extent to which the function of supervision would be placed in the System. Chairman Eccles also expressed the confidence of the Board in the officers of the Federal reserve banks and said that the Board desired to do everything within its power to earn and retain the confidence of the officers and directors of the Federal reserve banks.

Mr. Broderick expressed appreciation of the treatment accorded him by the Federal reserve banks on his recent visits to the Federal reserve banks and branches and stated that he had found that the banks were working with the Board in a common purpose and were actuated by the same spirit of helpfulness and cooperation.

President Harrison stated that he believed one of the things that should be watched by the Federal reserve banks and the Board was a growing feeling among directors of the banks that their responsibilities had

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been reduced to a point where it was questionable whether they could render valuable service as members of the boards of directors of the banks. This feeling, President Harrison stated, was largely due to the fact that the directors were denied information as to the reasons for decisions of the Federal Open Market Committee and the transactions handled in the System Open Market Account, and the restrictions imposed by the Board in connection with the approval of salaries of officers of the banks. President Harrison felt that if the present trend continued the banks would find it extremely difficult to obtain the services of the type of men the banks should have as directors and that the matter was one that should have the careful consideration of the Board and the banks.

Mr. McKee inquired whether the boards of directors of the Federal reserve banks should be given information regarding open market policies and operations when the presidents of the Federal reserve banks who are not members of the Federal Open Market Committee, or are only alternate members, are not furnished such information. Chairman Eccles raised the question whether commercial bankers who are members of the boards of directors of the Federal reserve banks should be given the possible advantage of receiving valuable information regarding open market policies before it is given to the general public, but thought that the question whether the presidents who are not members of the Committee or are only alternate members should be furnished with such information was a matter that should have the consideration of the Federal Open

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Market Committee. In this connection, Chairman Eccles pointed out that the present arrangement relieved the directors of the Federal reserve banks of any responsibility for the open market operations of the System. President Harrison stated that his directors felt that, while they were without responsibility as regards open market operations, inasmuch as they did not know what the policies of the System were with respect to open market matters, they were not in possession of the information necessary to enable them to discharge intelligently other responsibilities resting upon them such as the establishment of the discount rates of the Federal reserve banks.

President Harrison also stated that he felt that nothing that the members of the Board could do would be more conducive to good relations between the Federal reserve banks and the Board than visits at the Federal reserve banks by the members of the Board for two or three days at a time in order that they might become better acquainted with the operations of the banks and their problems.

President Fleming inquired whether the Board had made any change in its policy with respect to its current expenses. Chairman Eccles replied that because of the increased duties placed upon the Board by the Banking Acts and the Securities Exchange Act of 1934 it had been necessary for the Board to increase greatly its activities which had resulted in a substantial increase in its expenses, and that, while the Board had taken the position that its expenses should be kept at a minimum without sacrificing efficiency, the Board was faced with a period of greater



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activity and increased expenses at a time when the Federal reserve banks, because of a reduced volume of work, had been able to reduce their operating costs substantially.

President Fleming then inquired whether, in fixing salaries of employees of the banks for the year 1937, the banks should proceed on the basis of the new personnel classification plans submitted to, but not yet approved, by the Board. He expressed the opinion that since the revised plan for the Cleveland bank had been prepared living costs had increased materially and the application of the plan might result in injustices to some employees. Chairman Eccles stated that the revised personnel classification plans had not been passed upon by the Board and that in the absence of further information from the Board regarding the matter the banks should consider adjustments in salaries for the year 1937 independently of such plans.

Thereupon the meeting adjourned.

Chesley Maurice  
Secretary.

Approved:

W. H. Eccles  
Chairman.