

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 30, 1937, at 11:15 a. m.

PRESENT: 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

Mr. Goldenweiser, Director of the Division of Research and Statistics

Mr. Smead, Chief of the Division of Bank Operations

Mr. Dreibelbis, Assistant General Counsel

There was presented a letter dated March 9, 1937, from Representative Henry B. Steagall, Chairman of the Banking and Currency Committee of the House of Representatives, inclosing, at the request of Congressman Patman of Texas, a copy of bill H. R. 5010 (a bill establishing the monetary policy of the United States for the regulation of the value of money, acquiring the stock of the Federal reserve banks, and for other purposes) for consideration by the Board and any report or suggestions that the Board might wish to make in connection with the bill. The letter and inclosure had been circulated among the members of the Board prior to consideration at this meeting. In connection with the discussion of the bill, reference was made to a bill, S. 1990, recently introduced in the Senate by Senator Thomas of Oklahoma, for the regulation and stabilization of agricultural and commodity prices through the regulation and stabilization of the value of the dollar.

At the conclusion of the discussion, Mr. Goldenweiser was requested to analyze the two

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bills and, in consultation with Counsel, to prepare for consideration by the Board a report which might be used as a basis for a reply to Chairman Steagall's letter.

There was also presented a draft of a letter, which had been circulated among the members of the Board, to Mr. William Matthews, Trust Officer, The Fulton National Bank, Atlanta, Georgia. The letter read as follows:

"This refers to your letter of February 25, 1937, to Mr. Ransom, inquiring whether certain practices of your bank in connection with the operation of its trust department comply with the requirements of Regulation F.

"It is understood that a single committee, consisting wholly of directors who are not officers of the bank, performs all of the functions of the committees referred to in subsections (b) and (c) of section 6 and in section 8 of Regulation F, except those relating to audits of the trust department. In other words, such committee performs the functions of the committee to approve the acceptance of fiduciary accounts and approve or ratify the closing out or relinquishment of such accounts, the trust investment committee, and the examination committee, with the above mentioned exception. The Board is of the opinion that, where the committee consists wholly of directors who are not active officers of the bank, it is permissible under Regulation F for a single committee to perform all of such functions.

"It is further understood that the latest audit of the trust department was made at the direction of the board of directors by independent accountants who submitted their report to the board and, it is assumed, were responsible only to it. The Board is of the opinion that such procedure satisfies the requirements of Regulation F with respect to audits of the trust department."

Upon motion by Mr. McKee the letter was approved, Mr. Ransom not voting for the reason that the procedure referred to in the letter was put into effect at the time the trust department of The Fulton National Bank was under his supervision as Executive Vice President of the bank and he felt it would not be appropriate for him to pass on the procedure as a member of the Board.

Consideration was given to a draft of a letter to Mr. L. R. Rounds, Vice President of the Federal Reserve Bank of New York, reading as

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follows. The letter had been circulated among the members of the Board:

"Reference is made to your letter of January 30, 1937, with respect to the retirement of officers and employees of your bank who have attained the age of 65 years. You inquire whether, in view of the Board's letter of January 21, 1937, X-9798, the Board feels that its advance approval should be obtained for the payment of salary for the month of January in any case where the officer or employee becomes 65 years of age during November or December of the previous year and where, in accordance with the present policy of your bank, the retirement of the officer or employee would become effective on February 1, or whether the Board wishes to review only the particular cases where it becomes necessary to request the Retirement Committee for an extension of service and where such extension runs into a succeeding year. A request to the Retirement Committee for such extension is not necessary, of course, under the Rules and Regulations of the Retirement System where an officer or employee is retired at the end of the quarterly period in which he attains 65 years of age.

"As stated in the Board's letter of January 21, 1937, it is felt that officers and employees of the Federal Reserve banks should not be retained in the service of the bank beyond the end of the calendar year in which they attain the age of 65 years. The Board also feels that it should not make an exception to its policy on the basis outlined in your letter with respect to employees who reach age 65 in November or December. It is suggested, therefore, that in the case of an officer or employee at your bank who becomes 65 years of age in November or December of any year arrangements be made for his retirement not later than January 1 of the following year, unless there are circumstances of exceptional character which you feel justify retention of the officer or employee beyond that date."

Upon motion by Mr. Broderick, the letter was approved unanimously with the understanding that before it was transmitted Mr. Morrill would ascertain from Mr. Rounds whether the position taken by the Board would involve at this time any specific cases at the Federal Reserve Bank of New York which should be given special consideration.

Reference was made to a memorandum dated November 11, 1936, from Mr. Smead, stating that, since the question had been raised as to whether the weekly statement of condition of Federal reserve banks issued by the Board complied with the law as regards the maturity classification of

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Government security holdings of the Federal reserve banks, he desired to bring to the Board's attention the manner in which certain classes of paper held by the Federal reserve banks were reported in the statement. The memorandum pointed out that bills payable in foreign currencies are included in the item "Bills bought in the open market", that foreign loans on gold are included in the item "Other bills discounted", and that the character of the money held as reserve by the Federal reserve banks was shown in the weekly statement as "Gold certificates on hand and due from U. S. Treasury", "Redemption fund -- Federal reserve notes", and "Other cash". The file had been referred to Counsel and under date of March 2, 1937, Mr. Owens, Assistant Counsel, had attached a memorandum stating that consideration had been given to the points mentioned by Mr. Smead and to the legal sufficiency of the weekly statement of condition in general and the conclusion had been reached that it complies with the requirements of section 11(a) of the Federal Reserve Act.

Upon motion by Mr. Broderick, it was voted unanimously to make no change at this time in the form of the weekly statement of condition of Federal reserve banks; it being understood that, should the assets or liabilities of the Federal reserve banks change in such a way as to make desirable a further consideration of changes in the statement, Mr. Smead will bring the matter to the attention of the Board.

There was also presented a memorandum dated February 18, 1937, from Mr. Vest, Assistant General Counsel, submitting a revision of the by-laws of the Federal Reserve Bank of Kansas City as approved by the board of directors of the bank on February 4, 1937. The memorandum pointed out that the revised by-laws provide for an executive committee consisting

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of three directors, that the nine directors of the bank shall serve as members of the executive committee in regular rotation for terms of three months each, that each member during his term shall serve as chairman of the committee for one month, and that the executive committee shall hold a regular meeting on the day prior to the regular meeting of the board of directors and special meetings when called. The memorandum also stated that the by-laws provide for an administrative committee consisting of two directors who are members of the executive committee and the President (or in his absence the First Vice President or, in the absence of both, the Vice President next in rank), that the committee shall have the authority of a discount committee and certain other functions, and that it shall meet each business day. Mr. Morrill had attached a memorandum to the file pointing out that, inasmuch as the Chairman of the board of directors of the bank would be a member of the executive committee only three months out of every nine, and Chairman of the executive committee only one month out of every nine, there was some question whether the arrangement would be a desirable one, and that it appeared that two members of the board of directors would be paid fees and per diem for attendance at daily meetings of the administrative committee.

After a discussion, Mr. Morrill was requested to inquire of the Chairman of the Federal Reserve Bank of Kansas City as to the reasons which prompted the changes in the bank's by-laws.

In connection with memoranda dated March 24 and March 26, 1937, from Mr. Morrill submitting drafts of the separate records required by section 10 of the Federal Reserve Act to be kept by the Board of actions taken by the Board and by the Federal Open Market Committee during the

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year 1936 on questions of policy, Mr. Ransom stated that Chairman Eccles had suggested that the copies of Mr. Morrill's memoranda and the drafts of the policy records attached thereto, which had been furnished to the members of the Board, be read carefully and that each member send to Mr. Morrill a memorandum containing his suggestions with respect to the drafts in order that any questions requiring consideration may be determined and submitted to the Board for a decision.

It was unanimously agreed that the members of the Board should proceed in accordance with Chairman Eccles' suggestion.

Mr. Ransom then referred to the action taken by the Board at its meeting on December 29, 1936, in continuing on a month-to-month basis for a period not to exceed three months beginning January 1, 1937, the employment of Mr. Daiger as Special Assistant to the Chairman with salary at the rate of \$750 per month. Mr. Ransom stated that Chairman Eccles had advised that Mr. Daiger is now working on memoranda with respect to (1) Regulation A, Advances to and Rediscounts for Member Banks by Federal Reserve Banks, (2) public housing matters, (3) housing agencies, their inter-relationships and differences, and (4) Federal Housing Administration material on legislation, which he felt certain could be completed during the month of April and that, therefore, Chairman Eccles wished to recommend that the Board continue the services of Mr. Daiger at his present salary rate for the month of April or such part of the month of April as may be necessary to complete the memoranda.

Upon motion by Mr. Broderick, the continuation of the services of Mr. Daiger until not later than the close of April 30, 1937, in accordance with Chairman Eccles' suggestion, was approved, Mr. McKee voting "no".

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Mr. Davis stated that the Personnel Committee had been continuing its investigation of possible appointments by the Board to fill vacancies on the boards of directors of Federal reserve banks and their branches and that the committee desired to submit the following recommendations:

1. That Mr. A. E. Engbretsen, President of the Engbretsen Seed Company, Astoria, Oregon, be tendered appointment as a director of the Portland Branch of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1938;
2. That Mr. Albert Mitchell, President of the American National Livestock Association, Albert, New Mexico, be tendered appointment as a director of the Denver Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1937;
3. That Mr. Hobart D. Myrick, Square Butte, Montana, be tendered appointment as a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for the unexpired portion of the term ending December 31, 1937; and
4. That Mr. Carlyle Thorpe, General Manager of the California Walnut Growers Association, Los Angeles, California, be appointed a Class C director of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1939.

The information which had been gathered by the Personnel Committee with respect to the individuals referred to above was reviewed and it was pointed out that some of them had visited the Board's offices and had met members of the Board.

Thereupon Mr. Davis moved that the recommendations of the Personnel Committee be approved.

Carried unanimously.

Mr. Ransom stated that Chairman Eccles had suggested that, in order that the Board might have current information with respect to the effect upon the reserve position of member banks of the increase in reserve requirements which will become effective on May 1, 1937, it would be desirable for the Board to request the Federal reserve banks to make a survey

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of the reserve position of all member banks in the respective districts as of a recent period, with the understanding that the request should be held in strictest confidence.

There was some discussion of the period upon which the survey should be based and Mr. McKee suggested that the survey include information as to the deposit liabilities of central reserve city banks, reserve city banks and country banks as of January 1, 1936, July 1, 1936, and January 1, 1937, or dates near those dates, as well as information concerning the Government security holdings of central reserve city, reserve city and country banks. Mr. Smead suggested that the survey might include also separate figures for all member banks located in towns of 15,000 people or less.

At the conclusion of the discussion, upon motion by Mr. Broderick, Messrs. Smead and Goldenweiser were requested to prepare a telegram to the Federal reserve banks requesting that they make the survey along the lines suggested as of periods and dates to be determined by Messrs. Smead and Goldenweiser as being the most desirable, and emphasizing that the Board's request should be kept in strictest confidence.

Carried unanimously.

Mr. Broderick stated that, at the request of the Federal Reserve Bank of Cleveland, action on the bank's revised personnel classification plan had been withheld in order to afford the bank an opportunity to consider the question whether adjustments should be made in the salaries of employees in the lower salary ranges, and that Mr. Strater, Vice President of the bank, had discussed the matter with him and Mr. Smead in Washington this morning and had advised that the bank had been considering the desirability of a flat increase of ten percent in all salaries in the lower

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brackets. There followed a discussion of the question whether, in view of recent advances in the cost of living, it would be desirable to increase the compensation of the lower salaried employees at the Federal reserve banks and it appeared to be the consensus of the members present that, while they would be sympathetic to merited increases in the lower brackets, they would not look with favor upon flat percentage increases which would have no relation to the value of the services rendered or quality of work done. Mr. Broderick stated that the conference with Mr. Strater would be continued and a definite recommendation submitted to the Board in due course.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Smead and Dreibelbis 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 29, 1937, were approved unanimously.

Telegrams to Messrs. Stewart and Sargent, Secretaries of the Federal Reserve Banks of St. Louis and San Francisco, respectively, stating that the Board approves the establishment without change by the banks today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Joseph R. Kamm
Vice Chairman.

Chester Morris
Secretary.