A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 15, 1937, at 10:10 a.m.

PRESENT: Mr. Eccles, Chairman
         Mr. Ransom, Vice Chairman
         Mr. Broderick
         Mr. Szymczak
         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. Smead, Chief of the Division of Bank Operations
         Mr. Parry, Chief of the Division of Security Loans
         Mr. Blattner, Assistant Director of the Division of Research and Statistics
         Mr. Bradley, Assistant Chief of the Division of Security Loans
         Mr. Solomon, Assistant Counsel

There was presented for consideration a revised draft of the statement prepared by the Division of Research and Statistics in accordance with the action taken at the meeting of the Board on May 21, 1937, for publication in the Federal Reserve Bulletin as an introduction to special articles subsequently to appear in the Bulletin from time to time.

The draft of statement was discussed and approved unanimously as follows, with the understanding that the statement will be given a prominent place in the forthcoming issue of the Federal Reserve Bulletin:

"Analyses of the Banking Structure"

"As a part of its function to keep the Board of Governors informed of developments within the fields of its re-

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"Responsibilities, the Board's staff regularly pursues studies of problems in finance, money, credit, and banking. It has been the Board's policy to make material of this kind available to the public through the Federal Reserve Bulletin. Recent issues have presented data on international capital movements, interest rates charged by banks, State laws relating to bank reserves, earnings and expenses of member banks, laws relating to branch banking, large deposit accounts, and liquidity of banks. It is the Board's purpose in the pursuance of this policy to publish such pertinent material in more frequent sequence, and in the near future it contemplates publication of factual material on the following subjects among others:

- Changes in the banking structure and bank assets and liabilities over the past 15 years
- Bank suspensions
- Bank profits
- Branch banking
- Group banking

"In this issue of the Bulletin tabulations given at pages [insert page numbers] present a detailed analysis by States of the banking structure on December 31, 1935, accounting for 15,863 banking institutions. Incorporated banks of deposit, generally referred to as commercial, although some of them reported no demand deposits on December 31, 1935, numbered 14,949. Of these 5,386 were national, 998 State members of the Federal Reserve System, 7,642 insured nonmember, and 923 uninsured banks. Other institutions included in the total of 15,863 are 39 cash depositories, 138 private banks, 79 Morris Plan and industrial banks, 567 mutual savings institutions, 9 branches of foreign banks, 77 trust companies without deposits, and 5 other financial institutions without deposits.

The tabulations distribute the 14,949 so-called commercial banks by States and geographic divisions on the basis of the amount of loans and investments, amount of deposits, ratio of demand to total deposits, ratio of total capital account to total deposits, and according to the population of the city in which located. Analyses are also presented of banks not on the Federal Reserve par list and of banks with capital stock less than the applicable minimum statutory requirements for Federal Reserve membership or for the establishment of national banks."

Thereupon the members of the staff left the room and the Board
went into executive session.

At the conclusion of the session Messrs. Morrill and Carpenter reentered the room. Mr. Broderick then stated that the Board had considered the matters covered by his final report on the survey made by him at the request of the Board of the operations and functions of the Board’s organization and of the personnel of the Board’s staff and salaries of its employees, which had been circulated among the members of the Board under date of March 29, 1937. He thereupon filed the report with the Board’s secretary. He also stated that the following resolution had been adopted by the Board by unanimous vote:

"That the Secretary shall be the chief administrative officer of the Board in its relations with the divisions of its staff and with the Federal Reserve banks.

"Subject to the advice and direction of the Personnel Committee, or, upon reference to the Board by the Committee, subject to the advice and direction of the Board, he shall be in charge of developing ways and means of coordinating the conduct of the work of the various divisions with a view of promoting efficiency, economy and expeditious handling. He shall be constantly informed as to the status of all questions referred to the various divisions for study and report.

"He shall arrange, in cooperation with the various divisions, for at least one survey each year of their personnel and expenses, and the results of such surveys shall be submitted to the Personnel Committee for its consideration prior to presentation to the Board.

"He shall standardize the form and manner of presentation of the budget estimates and assemble and summarize them not later than December 1st of each year for the consideration of the Personnel Committee prior to presentation to the Board."

Mr. Broderick also stated that members of the Board felt that letters addressed to the Board to which replies cannot be made at once should be followed up more promptly and that in every case where further
time may be required for the preparation of a full reply an immediate
acknowledgment should be sent. During the discussion that followed it
was stated that such acknowledgments should not be a mere matter of form
but should be drawn in such a manner as to indicate an appreciation of
the nature of the inquiry and the attention that would be given to it,
and that such acknowledgments as well as the subsequent more complete re-
plies should be made over the signature of the Secretary or an Assistant
Secretary. In that connection it was suggested in the interest of con-
serving the time of the Secretary that the number of letters prepared for
the signature of the Secretary be reduced as much as practicable by hav-
ing them prepared for the signature of an Assistant Secretary. There was
general agreement by the members of the Board with these statements and
it was understood that the Secretary should take the matter up with all
divisions of the Board's staff and arrange for carrying out the procedure
thus outlined.

Mr. Davis stated that pursuant to the action taken by the Board
on May 25, 1937, he had advised Mr. J. Frank Porter that the Board was
considering him for appointment as Class C director of the Federal Re-
serve Bank of Atlanta and that Mr. Porter had advised that he would be
willing to accept and that on or before the date he qualified as a Class C
director he would sever his connection as director of the Nashville branch.

Thereupon the following telegram to Mr. Porter was approved unanimously:

"Board of Governors has appointed you class 'C' director
of Federal Reserve Bank of Atlanta for unexpired portion of
term ending December 31, 1939. Please wire formal acceptance
collect."
Mr. Davis submitted the recommendation of the Personnel Committee that the Federal Reserve Agent at San Francisco be requested to indicate to Mr. George T. Gerlinger, President of Willamette Valley Lumber Company, Portland, Oregon, that the Board of Governors is considering him for appointment as director of the Portland Branch for the unexpired portion of the term ending December 31, 1937, and, at the end of the year, for the succeeding two-year term and to ascertain and advise the Board whether Mr. Gerlinger would accept the appointment if tendered.

Approved unanimously.

There was then presented a telegram received in the Board's offices this morning from Mr. Walter W. Smith, President of the Federal Advisory Council, requesting that the Board file with the Senate committee considering the Trust Indenture Act of 1937 the memorandum filed with the Board by the Federal Advisory Council on May 18, 1937, the supporting report prepared by the special committee appointed by the Council for the purpose, and a copy of the telegram received by the Board under date of June 12, 1937, from Messrs. Loeb and Brown which stated that the objections to the bill as set forth in the committee report applied with substantially equal force to the amended bill. Mr. Smith's telegram also requested that these documents be filed as soon as possible as it was understood that the hearings being conducted by the Senate committee might be concluded at any time.

Mr. Ransom stated the reasons why in his opinion it would be inadvisable for the Board to comply with Mr. Smith's request and said that he felt Mr. Smith should be advised of these reasons and the suggestion made
Mr. McKee moved that the matter be referred to Mr. Ransom for discussion with Mr. Smith in accordance with Mr. Ransom's suggestion.

Carried unanimously.

(Secretary's Note: Mr. Ransom subsequently stated that he had talked with Mr. Smith over the telephone advising him of the discussion at this meeting and that the Senate hearings on the bill had been adjourned until June 22, and that Mr. Smith had agreed that it would be preferable for the Council to file directly with the Senate committee the papers referred to in his telegram.)

There was then presented a letter dated June 14, 1937, from Senator Hugo L. Black reading as follows:

"Information has come to me that leads me to believe that any law providing for minimum wages and maximum hours should be applied to the Federal Reserve Banking System. I am sure that we have ample constitutional authority to do this, and I am writing to get your opinion.

"In this connection I will state that I believe that an investigation of the hours of work in the branch bank of the Federal Reserve System in Birmingham, would show hours ranging from as high as 48 hours to approximately 70 hours per week. It is also my belief that this investigation would disclose that the average salary for all of these employees, (excluding the officials) is in the neighborhood of $100. per month. I believe that it would be further disclosed that the hours have increased materially since January 1st, 1937.

"While figures appearing in the manual of the Board of Directors of the Federal Reserve Board indicate that perhaps this Birmingham wage scale is below the average, the information that has come to me indicates that the hours worked in the Federal Reserve Banking System are in many instances, wholly unreasonable and unnecessary.

"Since our Committee is now considering the measure providing for a minimum wage and maximum hours, I would appreciate it if you would give me any information you have on this subject.

"If there is any question about the working hours and wages
"of the employees of the Birmingham Branch of the Federal Reserve System, I would also be glad to have a list of these employees so that I might write each one of them directly, in order to confirm information that I have. If you do not have a list of the employees in Washington, I can write directly to the Manager of the Branch Bank in Birmingham, and to the Manager of the Atlanta, Georgia, Federal Reserve Bank.

"I am sending this letter to you by Special Messenger, because our Committee will close hearings on Friday of this week, and thereafter we will take up the preparation of the bill."

During a discussion it was agreed that, inasmuch as all of the information requested by Senator Black with respect to salaries and working hours at the Birmingham branch of the Federal Reserve Bank of Atlanta is not available in the Board's files, the Board's Secretary should discuss the matter over the telephone with Mr. Parker, First Vice President of the Federal Reserve Bank of Atlanta, and that, if agreeable to him and President Newton, it would be desirable for Mr. Parker to come to Washington to discuss the matter with Senator Black. It was also agreed that Senator Black should be advised that the Board sees no reason why such minimum wage and maximum hour requirements as may be established by Congress should not be applied to the Federal reserve banking system, but that the Board does not feel it is in a position to express an opinion on any other aspects of the legislation as it is not acquainted with the proposals that may be under consideration.

Anticipating that Mr. Parker would arrange to come to Washington, it was agreed that Senator Black should be advised also that, as the Board's records do not contain sufficient information to enable it to answer Senator Black's inquiries regarding the Birmingham branch, the
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Board had communicated with the Atlanta bank and had been advised that Mr. Parker would come to Washington with such information as may be necessary and that it would be appreciated if Senator Black would advise what time it would be convenient for him to see Mr. Parker.

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 June 14, 1937, were approved unanimously.

Telegram to Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated June 15, 1937, from Mr. Wyatt, General Counsel, submitting the resignation of Mrs. Mildred Wainwright Dyas as a law clerk in the Legal Division, effective at the close of June 15, 1937. The memorandum stated that Mrs. Dyas had been absent from the office for twenty days and thirty minutes during the current calendar year, that she was entitled to annual leave of approximately thirteen days to date, but that, since she had been employed by the Board since May 10, 1933, it was recommended that the Board accept her resignation, without deductions from her salary on account of the excess leave which
Approved unanimously.

Letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of June advising that the directors of your bank, subject to the approval of the Board of Governors, have granted Vice President Coleman a vacation leave from August 30 to September 19, 1937, inclusive, and Assistant Vice President Ford one day's extra leave in addition to the usual two weeks' vacation period. The Board approves the action of the board of directors of your bank in granting vacation leave to Vice President Coleman and Assistant Vice President Ford as stated above."

Approved unanimously, together with a letter to the Presidents of all Federal Reserve banks, reading as follows:

"Referring to the Board's letters X-7303 of December 5, 1932, and X-9550 of April 16, 1936, in the future the approval of the Board of Governors need not be obtained for annual leave beyond the regular vacation period granted to officers and employees by the directors of your bank. It is requested, however, that a record be kept of all leave beyond the regular vacation period granted to officers or employees of your bank, and that such record be made available to examiners of the Board of Governors."

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

"Reference is made to your letter of June 12, 1937, requesting that the authority given by the Board in its letter of April 28, 1937, to purchase United States Government securities for account of foreign central banks, including the Bank for International Settlements, be increased from $50,000,000 to $100,000,000. The Board grants your request on the terms set forth in the letter of April 28."

Approved unanimously.

Letter to Mr. Rolf Nugent, Director, Department of Remedial Loans,
Russel Sage Foundation, New York, New York, reading as follows:

"A reply to your letter of February 19, 1937, with regard to personal loan departments of State and national banks, has been delayed in order to observe possible developments in connection with proposed legislation on a somewhat related subject, the extension of Title 1 of the National Housing Act. As you know, Congress has not extended the provisions of this title beyond April 1, 1937.

"The question whether national banks have authority to engage in personal loan business and to make loans at the rates of interest customarily charged in such business is one primarily for the Comptroller of the Currency and upon which it would not be appropriate for the Board to undertake to express any authoritative opinion. However, it may be suggested that, in view of the provisions of section 5197 of the United States Revised Statutes, which permit national banks to charge the maximum rate of interest on loans allowed by State law, one possible way of meeting the problem which you have in mind would be through securing amendments to the laws of the States defining personal loans and prescribing the conditions under which such loans may be made. It would seem that in this way national banks located in States in which such amendments were adopted would be enabled to make personal loans under conditions similar to those applicable to such loans by State institutions.

"You may be assured of the Board's interest in this problem and of its appreciation of your views on the subject."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowiel
Secretary.

Approved: 
Chairman.