

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, July 26, 1937, at 2:30 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
Mr. Goldenweiser, Director of the Division
of Research and Statistics
Mr. Thomas, Assistant Director of the
Division of Research and Statistics
Mr. Currie, Assistant Director of the
Division of Research and Statistics

Reference was made to the revised statement prepared by Messrs. Davis, Goldenweiser and Thurston pursuant to the request made at the meeting of the Board on July 23, 1937, on the subject, "Objectives of Monetary Policy", for possible use in replying to the request received under date of July 2 from Senator Smith for a report on bill S. 1990 (Thomas bill). The statement was discussed paragraph by paragraph and a number of changes were suggested.

At the conclusion of the discussion Mr. Goldenweiser was requested to revise the statement to incorporate the suggested changes and to submit copies of the revision to members of the Board for further consideration prior to approval by the Board.

At this point Messrs. Thurston, Wyatt, Goldenweiser, Thomas and Currie left the meeting and consideration was then given to each of the

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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 July 23, 1937, were approved unanimously.

Telegrams to Mr. Yaeger, Vice President of the Federal Reserve Bank of Minneapolis and Mr. Gilbert, First Vice President of the Federal Reserve Bank of Dallas, 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.

Telegram to Mr. Carl Newman, President, Calavo Association, Santa Ana, California, reading as follows:

"Board of Governors has appointed you director of Los Angeles Branch of Federal Reserve Bank of San Francisco for unexpired portion of term ending December 31, 1937. Please wire acceptance collect."

Approved unanimously.

Letter to Mr. Taylor, Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board approves the changes in the personnel classification plan of the Federal Reserve Bank of Cleveland requested in your letter of July 21, 1937, as indicated by the revised Form A pages inclosed therewith.

"It is noted, however, that on all of the pages submitted with your letter of July 21, 1937, the date these pages were submitted in their original form, June 14, 1937, is shown as the date of the bank's letter submitting the pages. It is also noted that on a number of these pages the date such pages were approved in their original form, June 28, 1937, is shown as the date of the Board's letter of approval. In view of the provision in paragraph 3 of

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"the Board's Instructions Relating to the Operation of the Personnel Plans that 'any change in the personnel classification plan, whether in name of department, title of position, description of work, or in maximum annual salary, should receive the approval of the Board before it becomes effective,' and since all of the pages submitted with your letter of July 21, 1937 involve changes in titles and/or the description of work, it is suggested that the date of your letter submitting these revised pages, July 21, 1937, be shown on the pages as the date of the bank's letter submitting the pages, and that the date of this letter be shown as the date of approval of such pages. Corresponding changes will be made in the Board's copy of your personnel classification plan."

The changes referred to in the first paragraph of the above letter were changes in the title for the position "Audit Examining Clerk" at the head office, Cincinnati and Pittsburgh branches to "Audit Senior Clerk" and minor revisions in the description of work of certain positions in the Audit Department at the head office and branches and the Currency and Coin Department of the Pittsburgh branch.

Approved unanimously.

Letter to Mr. Schaller, President of the Federal Reserve Bank of Chicago, stating that the Board approves the changes in the personnel classification plan of the bank, as requested in his letter of July 20, 1937, to provide for increases in the maximum salaries for the positions of "Planning Specialist" and "Cost Accountant" in the Planning Department of the bank.

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

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"Referring to your letter of July 19, 1937, the Board notes without objection the suggestion, approved at the meeting of the board of directors of the Federal Reserve Bank of Atlanta held on July 9, 1937, that at some time in the fall the directors of the bank meet in joint session with the directors of the several branches."

Approved unanimously.

Letter dated July 24, 1937, to Mr. E. B. Harshaw, Vice President, Grove City National Bank, Grove City, Pennsylvania, reading as follows:

"Your letter of July 16, 1937 addressed to the Federal Deposit Insurance Corporation has been referred to the Board of Governors for reply and was received by us on July 22, 1937. We regret that you have had so much difficulty in obtaining an answer to the question presented in your letter.

"Since your bank is a national bank, the question whether the distribution of coin banks to depositors constitutes an unlawful payment of interest on deposits depends upon the interpretation of the Board's Regulation Q, which relates to member banks, rather than upon the interpretation of Regulation IV of the Federal Deposit Insurance Corporation, which relates to insured nonmember banks. A copy of Regulation Q is inclosed herewith for your convenience.

"In a case which was presented to the Board some time ago it appeared that the coin banks there under consideration were used for the accumulation of coin or currency, or both; that such banks were distributed by loan, gift, or otherwise, to savings depositors or prospective savings depositors; that the coin banks were constructed so that money placed in them could not be removed without unlocking the banks; that the distributing bank retained the key or combination to the coin banks; and that the coin banks had no value except as devices to aid in the accumulation of savings and were not useful for any other purpose.

"In that case, the Board took the position that the distribution of coin banks of the type described above did not constitute a payment of interest on deposits within the meaning of section 19 of the Federal Reserve Act or the Board's Regulation Q. Accordingly, if the coin banks to which you refer are of the kind described above, the distribution

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"of such banks will not constitute a payment of interest on deposits. Of course, if the coin banks which you have in mind are substantially different from those described above, it is suggested that you communicate further with the Board."

Approved unanimously.

Letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of July 16, 1937, transmitting for the Board's information and files a report with respect to the indebtedness and outside business activities of, and ownership of bank stock by, officers and employees of the Federal Reserve Agent's Department occupying responsible positions.

"Under the revised procedure outlined in the Board's letter S-8, dated June 25, 1937, such reports need not in the future be submitted to the Board of Governors as the procedure contemplates that such reports with respect to the Assistant Federal Reserve Agents and other employees of the Federal Reserve Agent's Department occupying responsible positions will be submitted by the Federal Reserve Agent to the Board of Directors of the Reserve Bank, and the Board's examiners have been instructed to review the reports regarding indebtedness, outside business activities, and ownership of bank stock submitted to the Board of Directors, and to advise the Board of Governors of any unusual situations presented thereby.

"It has been noted that the report as submitted to the Board of Governors included information regarding yourself, as Chairman of the Board and Federal Reserve Agent. In view of the transfer to the banks of the non-statutory duties previously performed in the offices of Chairmen and Federal Reserve Agents and the placing of the Chairmanship upon an honorarium basis, the procedure set forth in the Board's letter S-8 does not require that the reports submitted to the Board of Directors of the Reserve Bank with respect to the Federal Reserve Agent's Department include information regarding the Federal Reserve Agent."

Approved unanimously, with the understanding that a copy of the letter would be sent to the Presidents of all Federal reserve banks.

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Mr. Morrill submitted a recommendation, which had been approved by the Personnel Committee, that the Board authorize the purchase of arm chairs, tables, settees, ladders, trucks, die for stamping initials on metal, wiping cloths, "A" extension trestles, lamps, paper bailer and wire, toilet room supplies, and ring binder, and for the laying of carpets and felt floor cushion, as listed in purchase orders Nos. 1797, 1802, 1804, 1805, 1806, 1807, 1808, 1810, 1811, 1815, 1816, 1817, 1818, 1819, 1821, 1822, 1823, and 1833, at a total cost of \$1,117.67, and of cotton rags and watering hose from the Procurement Division of the Treasury Department, as listed in purchase orders Nos. 201 and 202, for use in the Board's new building.

Approved unanimously.

Thereupon the meeting adjourned.

Walter Morrill
Secretary.

Approved:

W. S. C. C. C.
Chairman.