

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 15, 1938, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, 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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 14, 1938, were approved unanimously.

Memorandum dated January 14, 1938, from Mr. Paulger, Chief of the Division of Examinations, recommending that, for the reasons stated in the memorandum, the salary of Mr. George H. Folsom, Federal Reserve Examiner, be increased from \$3,500 to \$4,200 per annum, effective as of January 16, 1938.

Approved unanimously.

Memorandum dated January 12, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Eveline M. Burns, an expert in the social security field, be engaged as a consultant to prepare a survey of the major problems

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which are emerging in connection with the monetary effects of the working of the unemployment insurance sections of the Social Security Act in which the Board or individual members of the Board may be interested or consulted by other agencies. The memorandum also recommended that Mrs. Burns' compensation be fixed on a fee basis at the rate of \$3.00 per hour for the time actually consumed on the work, and that she also be allowed reimbursement for traveling expenses, for the trips between New York and Washington, in accordance with the Board's travel regulations, and for stenographic charges incurred outside of Washington in connection with the work, the total expense to the Board not to exceed \$750. The memorandum stated that Mrs. Burns would do the work in New York, but would be willing to come to Washington when requested to discuss the material and that it was expected that the survey could be completed in not more than the equivalent of 30 working days.

Approved unanimously.

Letter to Mr. Joseph Wayne, Jr., Class A Director of the Federal Reserve Bank of Philadelphia, prepared in accordance with the action taken at the meeting of the Board on January 11, 1938, and reading as follows:

"Chairman Eccles brought to the attention of the other members of the Board your letter of January 8 in regard to your desire to suggest at the next meeting of the board of directors of the Federal Reserve Bank of Philadelphia that Mr. Sinclair's salary be increased. The members of the Board appreciate the ability which Mr. Sinclair has brought to bear upon the administration of the affairs of the Federal

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"Reserve Bank of Philadelphia and are in sympathy with your desire to recognize the quality of services that he has rendered by an appropriate increase in salary. They have therefore asked me to advise you that they would be willing to consider favorably an increase to an amount not exceeding \$25,000 per annum when fixed by the board of directors of the bank.

"The figure above mentioned is one which the Board feels should represent the top salary at the Federal reserve banks, with the possible exception of certain banks, such as New York and Chicago, where special circumstances exist. In your letter you stated that the salary rate mentioned by you is very much below the amount paid by the leading banks and trust companies in Philadelphia. That point of view has been presented from time to time in connection with salaries at other Federal reserve banks, but it seems to the Board that there are a number of important factors affecting such a comparison that should not be overlooked. Member banks are required to provide the capital of the Federal reserve banks and must maintain on deposit with them at least the amount of the reserves required by law. The operating officers of Federal reserve banks do not have to solicit deposits, nor do the reserve banks have to compete with other similar institutions in order that they may continue in existence and maintain or improve their relative position in the community. They are not under the constant necessity of looking for sound loans or investments and reviewing them continuously after being taken into their portfolios, for the purpose of making net earnings sufficient to pay interest to depositors as well as dividends to stockholders. They are not confronted with the dangers to commercial institutions from rumors and misrepresentations as to their financial solvency or ability to meet withdrawals. They are not ordinarily affected by changes in management which sometimes happen in commercial banks due to dissatisfaction among stockholders or the competition of conflicting interests to gain control, nor are Federal reserve bank officials subject to the risk of loss of status or position as the result of mergers or consolidations, such as frequently take place in commercial institutions. The Federal reserve banks are, in effect, agencies of the Government which are not operated for profit but to serve the public interest and, therefore, are not in competition with other institutions in the same cities or elsewhere. Consequently, it seems to the Board that the ordinary commercial considerations are not applicable to the salaries

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"of the chief executives of the Federal reserve banks but that such salaries must be considered from the standpoint of the public nature of the institutions served.

"The Board, therefore, has asked me to advise you of its general position and trusts that, having been informed regarding it, you will be in better position to advise your associates and that they will be in full agreement with its soundness."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the 'Liberty Bank and Trust Company', Allentown, Pennsylvania, became a member of the Federal Reserve System on January 15, 1938, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of December 29, 1937,

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"with which you enclosed a letter dated December 27, 1937, addressed to you by Bank Employees' Union No. 21,030, A. F. of L., Karl H. Strutz, President, together with a copy of an enclosed proposed agreement between the Federal Reserve Bank and the Bank Employees' Union, Local No. 21,030, covering wages, hours, and conditions of employment.

"While the Board has received communications from some of the other Federal Reserve banks with respect to possible union activities, your letter is the first instance in which, so far as the Board's records show, a Federal Reserve bank has been furnished with a copy of a proposed agreement covering wages, hours, and conditions of employment, and has been asked for a conference for the purpose of consummating a signed agreement between the bank and an employees' union.

"The Federal Reserve banks were created by Congress to perform certain specified functions, among which are services performed as fiscal agents, depositaries and custodians for the United States Treasury and other Governmental departments and agencies. Under the terms of the law the banks are subject to the general supervision of the Board of Governors of the Federal Reserve System and all compensation provided by the directors of the Federal Reserve banks for their officers and employees is subject to the approval of the Board of Governors. In view of the special character of the Federal Reserve banks and of the functions placed upon them by Congress, the Board is of the opinion that they should follow the same general procedure as that followed by the Federal Government with respect to their relationships with employees' unions. For your information as to the policy of the Government in these matters there is inclosed a memorandum from Mr. Gaston, of the Treasury Department, to Secretary Morgenthau on the discussion of the union activities of Federal employees at the President's press conference on July 9, 1937. There is also inclosed for your information a copy of instructions relative to employees' unions issued by the Acting Commissioner of Internal Revenue to deputy commissioners, collectors of internal revenue, and others, relative to employees' unions.

"It is suggested, therefore, that in discussing the matter with Mr. Strutz you advise him that, for the reasons which have been indicated, your bank is not free to enter into an agreement with a union with respect to these matters. In this connection, it is assumed that your bank has interposed no objections to its employees joining any union of their own choice and that your bank is willing to discuss

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"with its employees any matters affecting the terms and conditions of their employment. If such is the case, you may find it desirable to advise Mr. Strutz to that effect."

Approved unanimously.

Thereupon the meeting adjourned.

Robert M. Mowbray
Secretary.

Approved:

W. Steeles
Chairman.