

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, January 21, 1938, at 2:30 p.m.

PRESENT: Mr. Eccles, Chairman (part of meeting)
Mr. Ransom, Vice Chairman
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. Wyatt, General Counsel
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Dreibelbis, Assistant General Counsel

There were presented telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Kimball, Secretary of the Federal Reserve Bank of New York, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, Mr. Hays, Secretary of the Federal Reserve Bank of Cleveland, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Stewart, Chairman, and Mr. Hale, Vice President, of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on January 18, by the Federal Reserve Bank of Boston on January 19, by the Federal Reserve Banks of New York, Cleveland, Kansas City and San Francisco on January 20, and by the Federal Reserve Bank of Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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At this point Chairman Eccles joined the meeting.

There was presented a draft of letter to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, signed by Chairman Eccles, and reading as follows:

"I have received your letter of January 8, 1938, and note that at its meeting on January 5th the Board of Directors of the Federal Reserve Bank of St. Louis rescinded the resolution regarding the duties of the First Vice-President adopted at the executive session on December 15, 1937, and had adopted a substitute resolution designed to conform more closely to the requirement of the Federal Reserve Act that, 'The president shall be the chief executive officer of the bank * * * and all other executive officers and all employees of the bank shall be directly responsible to him.'

"I have shown your letter and the revised resolution to the other members of the Board; and, in view of all of the circumstances, we feel that there are no further suggestions which we wish to make to you on this subject."

After a discussion of the letter in the light of a memorandum addressed to Chairman Eccles by Mr. Wyatt under date of January 13, 1938, Mr. McKee moved that the letter be approved.

Carried, Messrs. Ransom and Szymczak voting "no".

Following the above action Chairman Eccles withdrew from the meeting.

In accordance with the action taken at the meeting of the Board on January 14, 1938, Messrs. Szymczak and Davis presented a memorandum, reading as follows:

"For the purpose of starting the work of expanding the Board's current information on business developments, the following program of procedure is recommended:

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"(1) A conference of the persons in charge of research work at the Federal Reserve banks with the Board's research staff to be scheduled for the morning of January 31. The purpose of this meeting would be to get suggestions and to discuss the methods of establishing contacts and reporting information to the Board. This meeting would be preparatory to a discussion of this subject at the Presidents' conference to be held in February.

Copies of a proposed telegram and letter calling this conference and explaining its purpose are attached. There is also attached a program for discussion, copies of which should be sent with the letter to the Reserve banks.

(2) The plan to use the facilities of the Reserve banks in obtaining additional current business information to be placed on agenda for the coming conference of Reserve bank presidents.

(3) Conference on this subject to be held in Washington at an early date with selected Chairmen or other Class C directors of the Reserve banks.

(4) Also a conference with managing directors of Federal Reserve bank branches.

"The initiation of the work need not be delayed pending the conferences with Class C directors and branch managers.

"In order properly to organize this work it will be necessary to assign an experienced member of the Division of Research and Statistics to devote his entire time to this project. This person will have to keep in touch with the work at the different Federal Reserve banks and also cultivate direct contacts with concerns doing a national business that may furnish currently useful information about their plans and operations.

"It is recommended that the Division of Research and Statistics be instructed to expedite this work in every possible way and to make such recommendations about additional personnel and expenses as may be necessary for the purpose."

The telegram referred to in the memorandum which was addressed to the Presidents of all Federal reserve banks, read as follows:

"In connection with formulation of a program for expan-

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"sion of information on current business developments the Board would like to have the person in charge of statistical work in your bank at a conference in Washington on the morning of January 31. The meeting is preparatory to a discussion of this matter at the next conference of Federal reserve bank Presidents. Letter follows."

The letter proposed to be sent to the Presidents of all Federal reserve banks was in the following form:

"The Board is anxious to obtain additional information on current business conditions and is attempting to devise a program for achieving this end. At this time it appears desirable to direct our efforts both toward establishing closer contacts with business men and trade groups and toward assisting other agencies in expanding and improving current business statistics. We feel that the Reserve banks can assist us greatly, particularly in establishing and maintaining business contacts and in keeping us informed regarding significant developments in important industries in their districts.

"We should appreciate receiving suggestions from you and from your research department as to what procedure is likely to produce the best results, and for this purpose, as stated in our telegram of January 21, we have called a conference of Reserve bank representatives to meet with the Board's research staff on February 1 in anticipation of a conference in Washington with the presidents of the Reserve banks in February on a date to be fixed later.

"We are enclosing two copies of a memorandum setting forth a tentative program of action to be discussed at these conferences."

(Secretary's note: The date for the conference of reserve bank representatives and the Board's research staff, which was set for January 31 in the telegram sent to the Presidents of all Federal reserve banks, was subsequently changed to February 1, 1938, to meet the convenience of the bank representatives.)

The various steps suggested in the recommended procedure were discussed and Mr. Goldenweiser stated that he contemplated that the

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person in the Division of Research and Statistics who would be selected to keep in touch with the work and make contacts with business concerns should be a senior member of the Division but that the individual had not yet been determined upon.

At the conclusion of a discussion, Mr. Szymczak moved that the recommendations as set forth in the memorandum be approved.

Carried unanimously.

At this point Mr. Goldenweiser left the meeting.

There was then presented a draft of letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of December 23, 1937, inclosing a copy of a letter from Mr. George C. Cutler, president of the Safe Deposit and Trust Company of Baltimore, in which he says that since the Board has decided not to make the amendment to Regulation L which he had suggested, permitting a director of a 'pure' trust company to serve one member bank, he would like to come to Washington at the Board's convenience to discuss the question of submitting to Congress an amendment to the Clayton Act which would accomplish the same result, and he asks whether the Board would submit such an amendment.

"Mr. Cutler's suggestion is apparently based upon the idea that while the Board's action with respect to the proposed amendment was intended to be consistent with the spirit and purpose of section 8 of the Clayton Act, it does not necessarily follow that the Board approves in its entirety the purposes of that section. Nevertheless, Mr. Cutler upon further consideration will no doubt realize that many of the factors upon which the Board's judgment with respect to the proposed amendment was based are present and apply with equal force in weighing the desirability of a change in the policy and objectives of the statute. Therefore, in fairness to Mr. Cutler the Board does not believe that he should be encouraged in the idea that the Board might

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"be sympathetic to legislation accomplishing what it has declined to do by amendment to its regulation. At the same time the Board is anxious at all times to have the benefit of any information which may throw light upon the problems within its jurisdiction and such members of the Board as may be available will be glad to discuss his suggestion further at such time as he may be in Washington. The Board will appreciate your advising Mr. Cutler accordingly."

Approved, Mr. Ransom voting "no".

At this point Messrs. Thurston, Wyatt and Dreibelbis left the meeting and consideration was then given to each of the matters herein after 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 20, 1938, were approved unanimously.

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

"In accordance with the recommendation contained in your letter of January 18 to Mr. Paulger, the Board approves the appointments of Donald M. Carlson and Charles J. Scanlon as regular assistant examiners for the Federal Reserve Bank of Chicago; they having been previously designated as assistant examiners in order that their services might be available to lend clerical assistance in examinations and are now being transferred permanently to examination work.

"No information is contained in your letter with respect to the appointees' indebtedness or outside business connections. The Board's approval of their appointments as assistant examiners is with the understanding, of course, that you have made sufficient investigation in each instance to determine that they are not involved in either of these matters to an extent which would have an undesirable effect

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"upon their services as assistant examiners for the Reserve bank.

"In order that the records may be complete, please advise as to the dates the appointments became effective."

Approved unanimously.

Letter to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board appreciates the full statement contained in your letter of January 12, 1938, with respect to the temporary arrangement proposed to be made by your bank with Mr. McConkey pending the selection and training of someone to fill the place made vacant by his retirement as counsel for the bank.

"You suggest in your letter that the bank might find it desirable to employ at a relatively small salary a young man of the best training and a high degree of ability, who would probably have had little experience or at least limited experience in the practice of law, and that to such person Mr. McConkey's counsel and advice would be very valuable. You also state that if a man of more experience were found to whom you would need to pay a somewhat larger salary at the start, the services of Mr. McConkey would be needed for a shorter period.

"The Board would prefer the latter course. In view of the fact that Mr. McConkey will be sixty-nine years of age next July, it is felt that it is highly important that, in the interest of insuring adequate legal services for the bank, a capable young lawyer experienced in the practice of law be selected who could be trained in a short time to carry on the legal work of the bank without the assistance of Mr. McConkey. Such a person should be able to qualify himself in the course of a few months to perform such work without the retention of outside counsel except in special circumstances. While he would command a higher salary than a man with less experience, the additional expense would be justified and your objective of keeping the total of the compensation for the new man and the payment to Mr. McConkey below the amount previously paid to Mr. McConkey as Vice President and General Counsel of the bank still could be achieved.

"The above comments are prompted by the desire of the

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"Board to be as helpful as possible in this situation. In the light thereof and the feeling of assurance which the Board has that you will meet the situation in a way that will be most advantageous to the bank, the Board approves your making a temporary arrangement with Mr. McConkey to give legal advice to the bank, with the understanding that it is unlikely that, in any event, it will be necessary to continue the arrangement beyond the end of the current year, and that the amount paid to Mr. McConkey during the year, including retainer fees, will not exceed \$5,000."

Approved unanimously.

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

"Reference is made to Mr. Dillistin's letter of January 3, 1938, transmitting with favorable recommendation a request of the 'West Side Trust Company', Newark, New Jersey, for a further extension of the time within which to complete compliance with the following condition:

- '21. Such bank shall, as soon as practicable and in any event within six months from the date of admission to membership, dispose of any loans which may be secured in whole or in part by its own stock or obtain the substitution of other adequate security for each such loan.'

"The bank was admitted to membership on January 6, 1934, and the Board has granted six extensions of the time within which the bank might comply with the provisions of the condition, the last of which extensions expired on December 31, 1937.

"The number of shares held as collateral has been materially reduced since 1934, and the bank now holds as collateral to loans only 364 shares of its own stock out of a total of 43,000 outstanding. It is understood that the shares are held as part collateral to the balances due on the loans of four of the individuals who, subsequent to the time the bank was examined for membership, assumed their liability on the indebtedness to the bank of Nathan Bilder, Trustee, in connection with which the stock was acquired as collateral, and it appears that progress has been made in the liquidation of the indebtedness so assumed by the

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"guarantors. The Board, therefore, in accordance with the recommendation of your office, extends to December 31, 1938, the time within which the West Side Trust Company may complete compliance with condition numbered 21.

"It is understood that the management expected to dispose by the first of the year of the 2,103 shares of its own stock which it had acquired account of debts previously contracted and which were carried in its investment account at the time of the examination of the bank as of August 14, 1937, and it is assumed, of course, that you will follow the matter to a conclusion."

Approved unanimously.

Letter to Mr. John Nichols, Chief, Division of Examination, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with your request made to Mr. Paulger, Chief of the Board's Division of Examinations, the Board of Governors hereby grants written consent, in accordance with the provisions of subsection (k) (2) of section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an investigation or examination of the Camden Safe Deposit and Trust Company, Camden, New Jersey, in connection with the plans for strengthening the banking situation in Camden which have been under discussion for some time and which it is understood have now reached a point where they may be put into effect."

Approved unanimously.

Letter to Mr. H. R. Stutsman, Special Assistant to the Commissioner, The United States Golden Gate International Exposition Commission, Washington, D. C., reading as follows:

"Thank you for your letter of January 8, in which you offer us an opportunity to place our publications on display at a special booth to be established in the Federal Building at the Golden Gate Exposition.

"Since the Board does not now have any publications

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"of a character which would be appropriate for general distribution at the exposition, it is not practicable for it to take advantage of the opportunity offered. If during the year we publish anything that might possibly have a wide popular appeal, we should be glad to get in touch with you."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

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