

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 25, 1938, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman (First 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. Paulger, Chief of the Division of Examinations  
 Mr. Goldenweiser, Director of the Division of Research and Statistics  
 Mr. Dreibelbis, Assistant General Counsel

Mr. Davis submitted the following recommendations of the Personnel Committee with respect to the appointment of Class C directors at the Federal Reserve Banks of Atlanta and Minneapolis and of directors at the Jacksonville and Nashville Branches of the Federal Reserve Bank of Atlanta and the Seattle Branch of the Federal Reserve Bank of San Francisco:

That, subject to confirmation of his willingness to serve, Rufus C. Harris, President, Tulane University, New Orleans, Louisiana, be appointed a Class C director of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1940;

That W. D. Cochran, President, W. D. Cochran Freight Lines, Iron Mountain, Michigan, be appointed a Class C director of the Federal Reserve Bank of Minneapolis for the unexpired portion of the term ending December 31, 1940. Mr.

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Davis stated that while Mr. Cochran was a director and stockholder of The Commercial Bank, Iron Mountain, he had signified his willingness to sever his connection with the bank and dispose of his stock.

That, subject to confirmation of his willingness to serve, J. M. Tillman, President, Lake Wales Citrus Growers Association, Lake Wales, Florida, be appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1938;

That, subject to confirmation of his willingness to serve, A. W. Palmer, President, Kingsport Press, Kingsport, Tennessee, be appointed a director of the Nashville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1940;

That, subject to confirmation of his willingness to serve, Fred Nelson, dairy farmer, Seattle, Washington, be appointed a director of the Seattle Branch of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1938.

Mr. Davis moved that appointments be made by the Board in accordance with the above recommendations of the Personnel Committee.

Carried unanimously.

There was presented a draft of letter to Mr. Hamilton, President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of January 22, in which you advise that you wish to serve notice on Mr. Judd Jones, Assistant Cashier at Denver, that you no longer need his services and that you desire to transfer Mr. William Phillips, now Assistant Cashier at the Omaha Branch to Denver as Assistant Cashier, vice Mr. Judd Jones. You call attention to the fact that Mr. Phillips now receives a salary of \$4,800, the same as the salary paid to the Cashier at the Denver Branch, and ask the Board to interpose no objection to your continuing to pay Mr. Phillips the salary he is now receiving.

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"After reviewing this matter in the light of the statements contained in your letter, the Board approves a salary of \$4,800 per annum for Mr. William Phillips as Assistant Cashier of the Denver Branch from the date of his transfer to December 31, 1938. It will be appreciated if you will advise the Board when the transfer becomes effective and the date on which the services of Mr. Jones are terminated."

Approved unanimously.

There was also presented a draft of a letter to Mr. J. B. Doolin, retiring Class C director of the Federal Reserve Bank of Kansas City, reading as follows:

"It was with some reluctance that the Board allowed your term as class 'C' director of the Federal Reserve Bank of Kansas City to expire at the close of December 31, 1937 without reappointment. However, the Board recognizes that a peculiar situation exists on the Board of Directors of the Kansas City Bank in that in recent years all three of the class 'C' directors have lived at a considerable distance from Kansas City although it is almost imperative for the sake of satisfactory operation that at least one of the class 'C' directors should reside close at hand. The expiration of your term affords the Board the opportunity to correct the situation and the subject is now under careful consideration. The Board is appreciative of the services you have rendered as a class 'C' director particularly during the recent important years in the history of the Federal Reserve System and, therefore, it desired that you be advised as to its position in the present situation."

Approved unanimously.

Consideration was then given to a draft of letter to Senator Wagner, Chairman of the Banking and Currency Committee of the Senate, reading as follows:

"This is in response to your request for the comments of the Board of Governors of the Federal Reserve System

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"upon S. 2171, 'A Bill relating to the exclusion of certain deposits in determining the assessment base of banks insured by the Federal Deposit Insurance Corporation.'

"The purpose of this Bill is to exempt from assessments for deposit insurance purposes that portion of each bank's total deposit liabilities which consists of deposits received from and payable to other banks. This is a matter which primarily affects the Federal Deposit Insurance Corporation, but the Board is glad to offer the following comments relating to the effect of such legislation on the general banking and credit situation.

"As shown by the following tabulation, balances 'due to other banks' which would be exempted from assessment by the proposed Bill are concentrated very largely in the financial centers and constitute a substantial portion of the total deposits of the banks in those centers. The exemption under the Bill includes not only balances due to other insured banks in the United States, but also balances due to uninsured banks in the United States and banks in foreign countries.

Banks, Members of the Federal Reserve System, June 30, 1937.

Class of bank	Deposit liabilities as defined for insurance assessment purposes (in millions of dollars)	Due to other banks in United States	Due to banks in foreign countries
Central reserve cities:			
New York City	10,400	2,000	587
Chicago	2,500	200	6
Reserve cities (60)	14,200	2,800	34
Country banks	12,100	400	2

The amounts above are approximate and in round figures.

"To exempt from assessment for deposit insurance purposes balances due to other banks would relieve banks in the financial centers of some of the cost of accepting such deposits. It is reasonable to expect that such action would have the effect of encouraging the further concentration of interbank balances in such financial centers.

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"We hope that the above information will be of assistance to you in the consideration of the proposed legislation, and that you will advise us if further data are desired."

Approved unanimously.

At this point Chairman Eccles left the meeting.

Mr. McKee stated that, in accordance with the action taken at the meeting of the Board on December 10, 1937, he had given consideration to the question what steps should be taken in connection with the correction of criticized matters in State member banks in the Second Federal Reserve District and that he felt the matter should be taken up with President Harrison for the purpose of bringing about the adoption of a more positive policy toward effecting such corrections.

After a discussion, upon motion by Mr. Szymczak, it was agreed unanimously that Mr. McKee should discuss with Mr. Harrison, and such other officers of the bank as Mr. McKee may desire, the changes believed to be necessary for the purpose of bringing about the adoption of a policy in the examination department of the bank which will be satisfactory to the Board.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on January 24, 1938, were approved unanimously.

Thereupon the meeting adjourned.

Cheser Morie  
Secretary.

Approved:

W. Eccles  
Chairman.