

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

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman

Reference was made to the draft of annual report of the Board of Governors for the year 1937 which had been prepared in the Division of Research and Statistics and copies of which had been sent to the members of the Board. Mr. Ransom stated that he felt after reading the text, that it should be entirely rewritten. He said that it was his thought that the report should be a full and logically arranged statement and particularly should set out the principal actions of the Board in an orderly way so that anyone reading the report could refer to the policy record and ascertain how each member of the Board voted on each question.

Thereupon, Mr. Ransom moved that Mr. Goldenweiser, Director of the Division of Research and Statistics, be requested to rewrite the report completely without regard to the present draft and to submit the revised draft for consideration at the earliest possible date.

Carried unanimously, with the understanding that Mr. Goldenweiser would be relieved as soon as possible of other duties

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in order to enable him to devote the necessary time without interruption to complete the revised draft.

There were presented telegrams to Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, Messrs. Young, Stewart and Powell, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and Minneapolis, respectively, Mr. McKinney, President of the Federal Reserve Bank of Dallas, and Mr. Sargent, Secretary 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 February 23, and by the Federal Reserve Banks of Richmond, Atlanta, Chicago, St. Louis, Minneapolis and Dallas on February 24, 1938, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Messrs. Smead, Chief of the Division of Bank Operations, Wyatt, General Counsel, and Dreibelbis, Assistant General Counsel, joined the meeting.

Attention of the members of the Board had been called to a reply received from Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, under date of February 11, 1938, to the Board's letter of February 8 with respect to the salary proposed by the board of directors of the Federal Reserve Bank of St. Louis for Mr. Frank D. Rash who had been appointed Managing Director of the Louisville Branch.

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The reply reviewed the circumstances which had been considered by the board of directors in making the appointment and renewed the request that the salary at the rate of \$10,000 per annum, fixed by the directors for Mr. Rash in the new position, be approved.

After a discussion, during which it was stated that Mr. Nardin would probably attend the meeting of Class C directors which had been arranged by the Board on March 2 for the purpose of discussing plans for the expansion of business information obtained by the Board, it was agreed unanimously that action on the salary proposed for Mr. Rash should be deferred with the understanding that the matter would be discussed by Messrs. Davis and McKee with Mr. Nardin when the latter is in Washington.

Mr. Goldenweiser entered the room at this point.

Reference was then made to the decision reached at the meeting of the Board on December 28, 1937, that the terms of the appointive members of the Personnel Committee should be from March 1 to March 1 of each year and that the appointments of Messrs. Davis and McKee as members of the Personnel Committee should be continued until March 1 of the current year. The suggestion was made that the action of the Board be amended to provide that the terms of the appointive members of the Personnel Committee be from April 1 to April 1 of each year and that members of the Board who are not designated as members of the executive committee of the Federal Open Market Committee might be selected to serve as members of the Personnel Committee.

This suggestion was approved and the appointments of Messrs. Davis and



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McKee as members of the Board's Personnel Committee were continued until April 1, 1938.

There was presented a memorandum dated February 17, 1938, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, at the termination of her temporary appointment on February 21, 1938, Mrs. Elizabeth F. Longley, a clerk in the Division of Research and Statistics, be appointed on a permanent basis, with no change in her present salary at the rate of \$1,440 per annum, subject to her passing satisfactorily the usual physical examination. The circulation of Mr. Goldenweiser's memorandum among the members of the Board had not been completed on February 21 and in order that Mrs. Longley's appointment might be continued until the question of her permanent appointment could be decided, her temporary appointment was extended by the Board for a period of thirty days from February 21, 1938. It was pointed out that Mrs. Longley's husband is employed in a clerical position in the General Accounts Division of the Treasury Department, with salary at the rate of \$1,800 per annum and that his appointment is indefinite and subject to termination. Question was raised as to whether (1) the Board should follow a policy of not employing married persons whose spouses are employed by the Government and (2) whether, in view of the fact the Division of Research and Statistics has certain contacts with the General Accounts Division of the Treasury Department as a source of certain information collected

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by the Division, it would be advisable for the Board to continue the employment of Mrs. Longley. On the first point Mr. Davis recommended that, inasmuch as the husband's salary is small and his employment is subject to termination, the first question be not raised by the Board in this case. With respect to the second question, Mr. Goldenweiser stated that the relations between the Division of Research and Statistics and the General Accounts Division of the Treasury Department were not of a confidential character and that he could assure the Board that no embarrassment to the Board or to the Treasury would arise out of the employment of Mrs. Longley and her husband in the respective divisions.

At the conclusion of the discussion, upon motion by Mr. Davis, the permanent appointment of Mrs. Longley in accordance with Mr. Goldenweiser's recommendation was approved, effective upon her passing satisfactorily the usual physical examination.

Under dates of February 5 and 18, 1938, Mr. Davis had received from Mr. Wood, Deputy Chairman of the Federal Reserve Bank of Chicago, letters recommending approval by the Board of an increase in the salary of Mr. J. H. Dillard, Vice President of the Federal Reserve Bank of Chicago, from \$12,000 to \$14,500 per annum, which was the salary paid to him prior to September 1, 1936, as vice president of the bank. The letters had been circulated among the members of the Board with the understanding that the matter would be given consideration at this meeting. As it appeared that prior to writing the letter of February 18, Mr. Wood had discussed the matter with President Schaller of the Federal

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Reserve Bank of Chicago, it was suggested that, before action was taken by the Board on the matter, it might be well to discuss it with President Schaller when he is in Washington next week in connection with the Conference of Presidents and the meeting of the Federal Open Market Committee.

It was unanimously agreed that action should be deferred in accordance with this suggestion with the understanding that the matter would be discussed by Messrs. Davis and McKee with President Schaller when he is in Washington.

Mr. Ransom raised the question whether any action should be taken by the Board with respect to bill H.R. 9291, introduced by Representative Kopplemann on February 1, 1938, to provide for the creation of an Intermediate Credit Corporation for commerce and industry, to aid in financing small and medium sized commercial and industrial establishments, and for other purposes. Mr. Wyatt reviewed briefly the provisions of the bill and Chairman Eccles expressed the opinion that it appeared that no active consideration was being given to the bill and that inasmuch as no request for a report on the bill had been received and it was very unlikely that any program adopted with respect to financial aid to small businesses would be made effective through the medium of this bill, there appeared to be no call for action by the Board at this time.

The opinion expressed by Chairman Eccles was concurred in by the other members of the Board.



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At 1:10 p.m. the meeting recessed and reconvened at 3:00 p.m. with the same attendance as at the morning session with the exception that Mr. Thurston was not present.

Reference was made to the memoranda prepared by Mr. Smead and Mr. Longstreet, of the Division of Research and Statistics, on the reserve position of member banks during the week ending January 14, 1938, to which consideration was given at the meeting of the Board on February 8, and it was stated that a draft of the review of the month for the March Federal Reserve Bulletin which contained factual information regarding the survey had been sent to the members of the Board.

During the ensuing discussion, the members indicated that they would have no objection to the review in substantially the form presented, and Messrs. Goldenweiser and Thurston were authorized to make such revisions in the draft of the review, as in their opinion, may be necessary in the light of the discussion at this meeting.

Reference was also made to the memorandum submitted by Mr. Smead under date of February 7, 1938, on the subject of deposits of foreign central banks and nonmember clearing banks with Federal Reserve banks, which was considered at the meeting of the Board on February 8, 1938. Chairman Eccles stated that he felt that the question of the policies of the Federal reserve banks with respect to the maintenance of nonmember clearing accounts should be reviewed and suggested that the matter be referred to the Presidents' Conference for that purpose.

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At the conclusion of a discussion, it was decided to request an expression of opinion of the Presidents' Conference as to the desirability and advisability of: (a) Permitting nonmember banks to have clearing accounts at Federal reserve banks, (b) Adopting a uniform policy at all Federal reserve banks with respect to permitting the maintenance of such accounts, (c) Advising nonmember banks of the willingness of the Federal reserve banks to open such accounts, and (d) Permitting the use of such accounts for purposes not specifically stated in paragraph 1 of section 13 of the Federal Reserve Act.

Attention was then directed to the memorandum prepared by Mr. Smead under date of January 28, 1938, with respect to changes in designation of reserve and central reserve cities. Consideration had also been given to this memorandum at the meeting of the Board on February 8. Chairman Eccles stated that he felt it would be desirable to present to the Presidents' Conference for consideration the question whether the reserve city designation of any city in which there is no Federal reserve bank, branch, or agency should be terminated.

It was agreed unanimously to request the opinion of the Conference as to whether (a) the present list of reserve cities is satisfactory, and, if not, as to the formula or plan that should be followed in determining the designation of reserve cities, and, (b) the Board of Governors should terminate the reserve city designation of any city in which there is no Federal reserve bank, branch, or agency upon application of the member banks in that city.

Reference was then made to memoranda dated January 26 and



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February 15, 1938, from Mr. Smead with respect to the report of the Standing Committee on Collections of the Presidents' Conference, dated December 17, 1937, which reviewed the problems presented by the check collection facilities being offered to correspondent banks by certain member banks in the Cleveland district with respect to which certain opinions were expressed by the committee. Reference was also made to the action taken by the Board on February 23, 1938, in approving the submission to the forthcoming Presidents' Conference of certain topics relating to the report of the Standing Committee on Collections and the suggestion was made by Chairman Eccles that the opinion of the Conference be requested as to the desirability of modifying the time schedules of the Federal reserve banks so that member banks would be given immediate credit for items payable in their own Federal reserve bank or branch cities and one or two day deferred credits for all other items, and, if such a modification were considered desirable, as to the policy to be favored with respect to direct sendings.

The reference to the Presidents' Conference of this question was approved unanimously.

It was agreed that the Chairman of the Presidents' Conference should be advised that it was assumed that the Conference would desire to consider the three questions referred to above and submit its findings at the next meeting and that in connection with the answers prepared by the Conference to the questions, the Board would like to have a statement of the reasons advanced for and against the conclusions reached.

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Reference was made to the conference called for Wednesday, March 2, 1938, of Federal reserve bank directors to consider plans for expanding the business information obtained by the Board, and inquiry was made as to the procedure to be followed at the meeting.

By unanimous vote, Messrs. Davis and Goldenweiser were requested to prepare a program for the meeting.

At this point Messrs. Wyatt, Smead, Goldenweiser and Dreibelbis left the meeting and 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 February 24, 1938, were approved unanimously.

Letter to Mr. Perry B. Gaines, Carrollton, Kentucky, reading as follows:

"This refers to your letter of February 16, 1938, addressed to Chairman Eccles, regarding your eligibility to serve as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis while serving as Master Commissioner of the Carroll Circuit Court.

"It is understood that, under section 392 of Carroll's Kentucky Statutes, the Master Commissioner for each circuit court is appointed by such court and that, under other sections of the law, the principal duties of the Master Commissioner include the settlement of accounts of insolvent estates, the making of conveyances of real property, the execution of partition deeds, and the maintenance for public inspection of a docket of all actions referred to him. It is also understood that the fees of the Master Commissioner are fixed by statute for various specified services and that,

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"where the amount is not agreed upon by the parties, he is entitled to a fee of \$3.00 for each day that he is actually engaged in the performance of his duties.

"It is noted that you state in your letter that you know of no duties incident to the position of Master Commissioner which would in any way be incompatible with the duties of a director of a Federal Reserve bank.

"On the basis of the understanding above stated, the Board offers no objection to your serving as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis while serving as Master Commissioner of the Carroll Circuit Court."

Approved unanimously.

Memorandum dated February 16, 1938, from Mr. Carpenter, Assistant Secretary, submitting for approval by the Board a draft of entries for the policy record required by Section 10 of the Federal Reserve Act to be kept by the Board, covering actions taken by the Federal Open Market Committee on December 1, 1937.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. H. Hester  
Chairman.