

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 22, 1938, at 11:45 a.m.

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

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:

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Kimball, Hays, Young and Stewart, Secretaries of the Federal Reserve Banks of New York, Cleveland, Chicago and St. Louis, respectively, Mr. Thomas, Chairman of the Federal Reserve Bank of Kansas City, 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 Banks of St. Louis and San Francisco on July 19, by the Federal Reserve Banks of New York, Cleveland, Chicago, Kansas City and San Francisco on July 21, 1938, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of July 15, 1938, the Board of Governors approves the payment of a salary at the rate of \$4,500 per annum for the remainder of the calendar year to Mr. A. W. Mills, as Assistant Auditor of your bank. Please advise date on

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"which Mr. Mills will assume his new duties."

Approved unanimously.

Telegram to Mr. Logan, Vice President of the Federal Reserve Bank of New York, referring to his telephone conversation with Mr. Dreibelbis, Assistant General Counsel for the Board, with respect to the making of payments by the Federal Reserve Bank of New York, on behalf of the Bank of England, to certain member banks for the account of American corporations for the purchase of American aircraft by the British Air Ministry, and stating that the Board approves the position of the New York bank as indicated in the proposed cable reply to the incoming cable from the Bank of England, the contents of both of which were dictated over the telephone. The telegram also requested that the Board be furnished with copies of both cables in due course.

Approved unanimously.

Letter to the Massachusetts Bonding and Insurance Company, Boston, Massachusetts, reading as follows:

"Receipt is acknowledged of your letter of July 1, 1938, regarding the bonds which were executed on April 27, 1937, by Messrs. Jack Powell Goldschmid and Laurie Turner Walker covering them as assistants to the Federal Reserve Agent at the Federal Reserve Bank of St. Louis with the title of Federal Reserve Agent's Representative.

"At the time of the execution of these bonds, Mr. Goldschmid was stationed at the branch of the Federal Reserve Bank located at Little Rock, Arkansas, and Mr. Walker was stationed at the branch located at Memphis, Tennessee. However, effective June 24, 1938, Mr. Goldschmid was transferred to the Memphis Branch, and effective June 27, 1938, Mr. Walker was transferred to the Louisville, Kentucky, Branch of the Federal Reserve Bank. In view of the provisions of these bonds, the Board of Governors of the Federal Reserve System concurs in your understanding that the bonds cover Messrs. Walker and

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"Goldschmid at their new locations."

Approved unanimously.

Letter to Honorable Henry Morgenthau, Jr., Secretary of the Treasury, reading as follows:

"Until something over a year ago it was the practice of commercial telegraph companies to charge for telegrams on the basis of counting each digit in numbers and amounts contained in telegrams as one word. For several years this basis has been used by the Federal Reserve leased wire system and the reimbursable telegrams sent to and from the Federal Reserve banks and their branches over the system for the Treasury accounts listed below have been billed on that basis:

Contingent Expenses - Treasury Department

Expense of Loans - Treasury Department

Contingent Expenses - Public Moneys - Treasury Department

Emergency Relief Act - Treasury Administrative Expenses

Emergency National Banking Act - Treasury Department

Adjusted Compensation Payments - Administrative Expenses - Treasury Department

Exchange Stabilization Fund - Treasury Department

Public Debt Service - Treasury Department

"With the adoption of teletype equipment the reason for this basis of counting words no longer exists, since it requires approximately the same amount of time to send a figure as it does to send a letter in a word. Therefore, beginning August 1, 1938, the basis of counting words now generally used by commercial telegraph companies, as set forth in the following paragraph, will be used in determining the per word cost of messages sent over the Federal Reserve leased wire system:

'Groups of figures are to be counted at the rate of five figures to the word. Example: 52341 is one word. Periods, decimal points, commas, colons, semicolons, dashes, hyphens, or fraction bars, when forming part of a group of figures, are to be each counted as one figure. Example: 70-32 is one word. The characters, \$, L, &, etc., are each one word. Example: \$5.89 is two words. Ordinal numbers are to be counted as one word for each five characters or fraction thereof. Example: 10th is one word. Mixed groups of letters and

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"figures, other than ordinal numbers, are to be counted at the rate of one word for each uninterrupted sequence of five letters or less in the group and one word for each uninterrupted sequence of five figures or less in the group. Example: ALB2C3 is six words. ABC123 is two words."

"This change will result in a reduction in the number of words in the business handled over the leased wire system and in a corresponding increase in the cost per word, but, of course, will have no effect upon the cost of operating the leased wire system as a whole. The new per-word cost will apply to all messages sent over the main lines of the leased wire system (lines between the Board's office in Washington and the twelve Federal Reserve banks). Telegrams transmitted only between the head office of a Federal Reserve bank and its branch will be billed at the per-word cost of operating the branch line or the main lines whichever is less. When a telegram is transmitted over the main lines and also over a branch line, there will be no additional charge for transmission over the branch line except in the case where a telegram is sent to a Federal reserve bank for its own information with instructions that the message be sent also to a branch of the bank for the information of the branch. In such a case, inasmuch as there are two messages involved, there will be a regular main line charge for transmission of the message to the parent Federal reserve bank and another charge (based on the per-word cost of operating the branch line or the main lines whichever is less) for transmission of the wire from the head office of the bank to its branch.

"It is assumed that the change in word count will not affect the procedure now followed in the transmission of telegrams over the Federal reserve leased wire system for the accounts listed above, and this letter is merely for the purpose of bringing the change to the attention of the Treasury so that it will be familiar with the matter when vouchers are submitted on the new basis."

Approved unanimously, with the understanding that similar letters would be sent to other Government agencies for the account of which more than a nominal amount of telegraph business had been handled during the past year.

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Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. ...  
Chairman.