

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 10, 1939, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Davis
Mr. Draper

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. Ransom stated that the Secretary of the Treasury called him on the telephone this morning, in the absence of Chairman Eccles, and after referring to newspaper reports relating to the press statement issued by the Board on Saturday with respect to its recommendation that a committee of Congress be appointed to study monetary measures and objectives, inquired (1) whether any effort had been made to advise him in advance of the statement and (2) whether the President had been advised of the statement. Mr. Ransom replied, he said, that he did not know whether Chairman Eccles had attempted to communicate with the Secretary or the President. The Secretary then stated, Mr. Ransom said, that the Board's statement should with propriety have been brought to the attention of the Fiscal and Monetary Committee and indicated that he would like to know whether it had been communicated to the

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Committee. The Secretary also said, Mr. Ransom stated, that he had tried at all times to keep the Board informed regarding anything the Treasury was doing that was of concern to the Board; that he felt the same policy should be pursued by the Board in relation to matters of interest to the Treasury; and that he was going to have a press conference this afternoon and unless he changes his mind he would have to say that he had not been consulted about the Board's statement and had no information regarding it other than what he had read in the newspapers. Mr. Ransom stated that he told the Secretary that in his opinion the Board had likewise tried to cooperate with the Treasury in fields where they had joint responsibilities.

Mr. Ransom said he explained to the Secretary that in his opinion the Board's statement was merely supplemental to its annual report and the statement issued on March 3, 1939, relating to proposals for the stabilization of prices and stated that the pending Brown Bill (S. 2045), in connection with which the Board had received a request for a report, did not seem to him to be the best solution of the problem. He told the Secretary that the Board's statement pointed up the necessity for a careful study in this and other fields mentioned in the Board's annual report. Mr. Ransom made the further statement that the Secretary requested that the other members of the Board who were in Washington be advised of the conversation and particularly of the questions asked by the Secretary at the beginning of the conversation. A full statement of Mr. Ransom's telephone conversation with the Secretary has been

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placed in the Board's files.

During the ensuing discussion it was pointed out that on several occasions the Treasury had not conferred with the Board when matters of concern to it were under consideration by the Treasury Department, one recent case in point being the reply made by the Secretary on March 22, 1939, to a letter received by him from Senator Wagner, Chairman of the Senate Banking and Currency Committee, in which questions were asked relating to the Administration's gold policy. Mr. Goldenweiser stated that while the Treasury's reply to Senator Wagner's letter had not been submitted to the Board for consideration, he had been asked by the Director of Research and Statistics of the Treasury to read the draft and make unofficial suggestions thereon which he had done very hurriedly.

At the conclusion of the discussion, the opinion was concurred in that in the absence of Chairman Eccles and Mr. McKee no more definite answers to the questions asked by the Secretary could be made than had been made by Mr. Ransom and that Mr. Ransom should call Chairman Eccles on the telephone and advise him of the conversation with the Secretary. Mr. Ransom said that he would proceed accordingly.

(Secretary's note: Subsequently Mr. Ransom reported that he had talked with Chairman Eccles over the telephone and that the latter had expressed agreement with the opinion that the Board's statement was in the nature of a supplement to the annual report, that it was not a matter which ordinarily would be taken up with the Treasury since it went no further

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than to suggest the appointment of a committee for the purpose of seeking a solution to problems discussed in the Board's annual report; and that for that reason it had not been suggested that it be taken up with anyone else. Chairman Eccles also suggested that the Secretary be advised that he (Chairman Eccles) would return to Washington tomorrow morning and that the matter would be considered by the Board at that time. Later in the day Mr. Ransom also talked to Mr. McKee.)

Mr. Szymczak reported briefly on the discussions which he had had with directors of the Federal Reserve Bank of Dallas during his recent trip to Dallas.

At this point Messrs. Thurston, Wyatt and Goldenweiser left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 7, 1939, were approved unanimously.

Letter to Honorable Francis Biddle, United States Circuit Court of Appeals, Third Judicial Circuit, Philadelphia, Pennsylvania, reading as follows:

"The Board has received your letter of April 4, 1939, in which you submit your resignation to be effective immediately, as a Class 'C' director of the Federal Reserve Bank of Philadelphia.

"The Board accepts your resignation with sincere regret, and has asked me, in the absence of Chairman Eccles, to express to you its deep appreciation of the services you rendered the Federal Reserve Bank during your incumbency on its directorate."

Approved unanimously.

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

"Relet April 7. Board approves appointment of Earl H. Sollenbarger as an assistant examiner. Please advise us of effective date. It is assumed he has no outside business connections which would have an adverse effect on his services as an assistant examiner."

Approved unanimously.

Letter to Mr. Merritt, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of March 23, 1939, reporting The First State Bank, Celina, Texas, for an apparent undue use of the bank's credit for the speculative carrying of commodities. You report that this is the first time that the bank has given cause to consider the question of undue use of bank credit for speculative purposes, that steps have been taken to correct the situation, and that the president has given assurances that the practices in question will not be permitted in the future.

"In view of the circumstances, and in accordance with your recommendation, the Board will take no action in this instance to suspend the bank from the use of the credit facilities of the Federal Reserve System."

Approved unanimously.

Letter dated April 8, 1939, to the Presidents of all Federal Reserve banks, reading as follows:

"The Board concurs in the action of the Conference of Presidents held March 6, 1939, in approving the following recommendations of the Standing Committee on Collections, contained in its report dated January 14, 1939. Paragraph numbers refer to corresponding numbers in the Committee's report.

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"(3) Country items payable in own Federal Reserve
Bank or Branch territory

"That each Federal reserve bank and branch give deferred credit of not to exceed two business days for all country items payable in its own territory, regardless of whether such items are received from its own member banks or from other Federal reserve banks and branches and their direct routing member banks.

"(4) Items payable outside own Federal Reserve
Bank or Branch territory

"That each Federal reserve bank and branch give deferred credit of not to exceed three business days for all items payable outside of its own territory when received from its own member banks.

"(5) and (6) Items routed direct either by ordinary
or air mail

"That each Federal reserve bank and branch give deferred credit of not to exceed three business days from date of dispatch for all items routed direct either by ordinary or air mail to other Federal reserve banks and branches, provided, however, that one and two-day deferred credit from date of dispatch be given for those items which can be collected in one and two days.

"(7) Member banks' own drafts on their commercial
bank correspondents

"That each Federal reserve bank and branch give deferred credit based on actual transit time for member banks' own drafts on their commercial bank correspondents.

"(10) Amend paragraph (c) of Section 2 of Regulation
D

"That, at an appropriate time, to be determined by the Board of Governors, Regulation D be amended to agree with Regulation J as it relates to uncollected funds.

"(11) Telegraphic advices regarding dishonored items

"That no wire costs be absorbed in connection with telegraphic advices regarding dishonored items received from a direct routing bank or from a Federal reserve bank or branch.

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"(12) Absorption of shipping charges on currency and coin received from nonmember remitting banks

"That no steps be taken at this time to bring about uniformity of practice on the part of Federal reserve banks with regard to the absorption of shipping expense on currency and coin received from nonmember remitting banks.

"(13) Cash letters prepared by nationally known corporations

"That, while there is no objection to the acceptance by Federal reserve banks from their member banks of deposits of checks where the cash letters are prepared by nationally known corporations but actually deposited by the member banks, no arrangements be made with member banks for the acceptance of deposits of checks directly from such corporations themselves for the credit of the member banks without first securing opinion of counsel that such acceptance is not in violation of laws relating to branch banking.

"(23) Sub-committee of the Standing Committee on Collections

"That a Sub-committee of the Standing Committee on Collections consisting of three persons, who are not members of the Standing Committee on Collections and who can devote their entire time to the development of the subject and a comprehensive report thereon, be appointed by the Conference of Presidents to make a study of the check collection system in its entirety to determine what improvements may be made.

"The recommendations contained in paragraphs (8) and (9) with respect to an amendment to Regulation J and a change in the check collection circular relating to direct routing and the recommendations contained in the report of the Committee of Counsel, paragraphs (14) to (22), are now under consideration. You will be advised with respect to these recommendations at an early date.

"The Board understands that the Standing Committee on Collections and the Committee of Counsel will meet in Chicago on April 19 for the purpose of considering the proposed regulation on noncash collections, amendments to Regulation J, and changes in the uniform paragraphs

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"of the cash and noncash collection circulars. In the circumstances, it is assumed that no Federal Reserve bank will make any of the changes which have been suggested in its cash or noncash collection circulars or in availability schedules until after these meetings have been held.

"In forwarding the revised time schedules between Federal Reserve bank and branch cities to the Board for approval, it will be appreciated if at the same time you will send us copies of the cash and noncash collection circulars with the proposed changes incorporated therein in order that the Board may have an opportunity to review them before they are released."

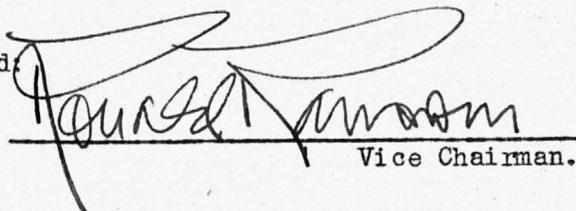
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved


Vice Chairman.