

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

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Wyatt, General Counsel
Mr. Dreibelbis, Assistant General Counsel

There were presented telegrams to Messrs. Kimball and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, Vice President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard, Stewart and Hale, Secretaries of the Federal Reserve Banks of Chicago, St. Louis and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York and San Francisco on June 27, by the Federal Reserve Banks of Atlanta and Chicago on June 29, 1939, and by the Federal Reserve Banks of Philadelphia and St. Louis today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Ransom reported that the House of Representatives late last night had passed the bill (S. 2618), which had previously been passed by the Senate, extending the existing authority under which

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the Federal Reserve banks may use direct obligations of the United States as collateral security for Federal Reserve notes. He said that all that remained to be done was for the President to sign the bill and that doubtless it would be sent to the White House today for that purpose.

Attention was directed to the memorandum prepared by Mr. Piser under date of December 9, 1938, with respect to the Government security market and the System Open Market account.

It was agreed unanimously that consideration of the above matter should be deferred until a meeting at which all of the members of the Board are present.

Reference was made to the application which had been received from the organizers of the proposed "Johnson County National Bank and Trust Company, Johnson County, Kansas", to exercise fiduciary powers. Mr. Ransom explained the unusual circumstances under which this application had been submitted and read the following paragraph from a letter dated June 29, 1939, received from the Acting Comptroller of the Currency:

"As you know, the applicants for a charter expect to engage in trust activities largely, and it is from this source that successful operation is anticipated. No claim has been made that there is need for additional commercial banking facilities at this point, and there is nothing to indicate there is such a need. Inasmuch as the principal banking powers which will be exercised are fiduciary, the granting of such powers by the Board of Governors of the Federal Reserve System is of primary importance in giving consideration to the application for a charter. It is recommended that full trust powers be granted."

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It was also pointed out that another letter had been received from the Acting Comptroller of the Currency dated June 30, 1939, in which it was stated that, "you are respectfully informed that the application to organize the bank was approved by the Comptroller on June 29."

After discussion, upon motion by Mr. Ransom, the Board, by unanimous vote, approved the application made on behalf of such bank for full fiduciary powers effective if and when it is authorized by the Comptroller of the Currency to commence business and authorized the Secretary to send the following telegram to President Hamilton of the Federal Reserve Bank of Kansas City:

"Board has been advised that Comptroller of Currency has approved application for charter made on behalf of The Johnson County National Bank and Trust Company, Johnson County, Kansas, subject to a slight change in proposed title of bank, and Board has approved application made on behalf of such bank for full fiduciary powers, effective if and when such bank is authorized by Comptroller of Currency to commence business. After Comptroller of Currency has authorized bank to commence business, its board of directors should adopt a resolution ratifying application of the organizers for fiduciary powers, and a certified copy of such resolution should be furnished to you for transmittal to Board for its records. When copy of such resolution has been received by Board, a formal certificate issued in the name of the bank as finally determined and covering its authority to exercise fiduciary powers will be forwarded. Please advise organizers of bank accordingly."

Consideration was then given to a letter dated June 23, 1939, from President Schaller of the Federal Reserve Bank of Chicago in response to the Board's letter of May 16, 1939, in regard to the action of the directors of the Chicago bank in voting to establish, if and when the Board of Governors may request a review of rates due to

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disturbances in our markets which might result from political developments abroad, a rate of 4% on advances to individuals, partnerships and corporations, including nonmember banks, on direct obligations of the United States, on a margin not to exceed 10% of the par value of such obligations offered as collateral. Mr. Schaller's letter stated that the matter had been brought up at the June meeting of his board of directors, at which only five directors were present, with the result that no change was made in the resolution passed at the meeting on April 27, 1939, and inquired whether the Board of Governors would wish to have the matter brought up at some future meeting when the Deputy Chairman and other members of his board of directors are present.

Mr. Schaller's letter was discussed by members of the Board and laid on the table for the time being.

At this point Messrs. Bethea, Clayton, Thurston, Wyatt and Dreibelbis left the meeting.

Consideration was given to a memorandum dated May 8, 1939, from Mr. Goldenweiser, containing information with respect to the duties and salaries of Messrs. Currie and Thomas, Assistant Directors of the Division of Research and Statistics, a memorandum dated May 9, 1939, from Chairman Eccles, recommending that Mr. Currie's salary be increased from \$8,500 to \$9,000 per annum, and a memorandum dated June 22, 1939, from the Personnel Committee, recommending that the salary of Lauchlin Currie be set at \$9,000 per annum, effective July 1, 1939.

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There was a discussion following which Chairman Eccles moved that Mr. Currie's salary be fixed at \$9,000 per annum, effective July 1, 1939.

Mr. McKee moved to amend the Chairman's motion to provide also for an increase in the salary of Woodlief Thomas from \$9,000 to \$9,250 per annum, effective July 1, 1939.

The amended motion was put by the chair and lost, Messrs. Eccles, Davis and Draper voting "no" and Messrs. McKee and Ransom voting "aye".

The original motion was then put by the chair and carried, Messrs. Eccles, Ransom, Davis and Draper voting "aye" and Mr. McKee voting "no".

Both Mr. Davis and Mr. Draper said that in voting on these motions at this time they did not wish to be understood as indicating the position they might take on a recommendation for an increase in the salary of Mr. Thomas if and when presented at a later date through the Personnel Committee.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. S. Eccles
Chairman.