

MEMBERS OF THE SENATE COMMITTEE ON POST OFFICE
AND CIVIL SERVICE

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Dr. Frank P. Graham, of North Carolina
Hubert H. Humphrey, of Minnesota

William Langer, of North Dakota
Ralph E. Flanders, of Vermont
Raymond E. Baldwin, of Connecticut
Edward J. Thye, of Minnesota
Zales N. Ecton, of Montana
Robert C. Hendrickson, of New
Jersey

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

August 5, 1949.

Personal and Confidential

Honorable Burnet R. Maybank, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

Dear Senator Maybank:

You will recall that I wrote you under date of March 14 regarding the bill to increase the compensation of officials of the Government, including the members of our Board. For your convenient reference I am enclosing herewith a copy of my earlier letter, as well as of the enclosures which accompanied it.

I am now advised that the Senate Committee on Post Office and Civil Service has ordered reported the bill H.R. 1689, with some changes from the form in which it recently passed the House. The bill, however, in the form in which it passed the House and as ordered reported by the Senate Committee, still provides that members of the Board of Governors of the Federal Reserve System shall receive compensation at the rate of \$16,000 per annum. Cabinet members are to be compensated at \$25,000 per annum and the bill sets up other groups of officials to receive salaries of \$20,000, \$18,000 and \$17,500, in addition to the \$16,000 group in which the Board is placed, and one or two lesser salaried groups. These classifications made by the bill seem to suggest that the status and responsibilities of the Board of Governors are relatively less than those of numerous other officials, including some assistants and deputies. As you are aware, however, because of the growth in recent years of the nation's banking structure, the tremendous public debt and the problem of its management, the responsibilities of the Board of Governors, which have always been of great importance, have been greatly enlarged, not only in an absolute sense but also relative to many other Federal agencies.

When the Federal Reserve System was first established, the salaries of Reserve Board members were placed on an equal basis with those of Cabinet heads, and this is the situation today. While I do not urge that this equality be maintained in the present bill, I do feel that the proposed subordination of the Board in salary status is detrimental to the System's best interests. As pointed out in my earlier letter, I feel that the standards of membership on the Board should be

Honorable Burnet R. Maybank

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at the very highest level, and to have such a standard we must have salaries sufficiently attractive to the most outstanding men in the country who are available to serve. I feel very strongly that the compensation provided for the Board members in the pending bill is not commensurate with the duties and responsibilities placed upon them. I hope, therefore, that you will take whatever steps you may deem necessary to obtain an amendment to the bill to place the members of the Board in the \$20,000 bracket instead of the low bracket of \$16,000.

As I have previously stated, my recommendation in this matter is not based on any personal or selfish motive, since I was not influenced to take this position on account of the salary. I am, however, very conscious of the necessity for maintaining the effectiveness and prestige of the Federal Reserve System.

I am sending a similar letter to Senator Robertson and, as I stated in my earlier letter to you, because of the rather delicate and personal character of this matter I have not taken it up with anyone else in the Congress except you and Senator Robertson.

With warm personal regards,

Sincerely,

Thomas B. McCabe,
Chairman.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

March 14, 1949.

PERSONAL AND
CONFIDENTIAL

The Honorable Burnet R. Maybank,
United States Senate,
Washington, D. C.

Dear Senator Maybank:

I was talking with Senator Willis Robertson on Sunday and mentioned the salary scale of the members of the Board of Governors of the Federal Reserve System, as specified in S. 498 which has just been reported out by the Committee on Post Office and Civil Service. I will appreciate it very much if you will read the copy of my letter to Senator Robertson supplementing our conversation.

Since this is a delicate and personal matter, I have not spoken to anyone else in the Congress except you and Senator Robertson. But I will appreciate it if you will use your good offices with the members of your Committee and other Senators to restore the original recommendation of the President to place the members of the Board of Governors in the \$20,000 bracket instead of the lower bracket of \$16,000 specified in S. 498.

I think the reasons outlined in my letter to Senator Robertson and in the letter of the Board to the Bureau of the Budget, both of which are enclosed, give convincing reasons for this request for special consideration.

Appreciating your many courtesies, and with warmest regards,

Sincerely,

Thomas B. McCabe,
Chairman.

Enclosures 2

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

PERSONAL AND
CONFIDENTIAL

March 14, 1949.

The Honorable A. Willis Robertson,
United States Senate,
Washington, D. C.

Dear Senator Robertson:

Supplementing the conversation which I had with you in the Shoreham Hotel on Sunday, I am enclosing copy of a letter to the Budget Bureau giving the Federal Reserve Board's views with respect to the bill which the President was about to offer the Congress, providing for an increase in the rate of compensation of heads and assistant heads of executive departments and of other officers.

I understand that the Senate Committee on Post Office and Civil Service has just reported out S. 496 and that this bill has reduced the salary scale of members of the Board of Governors from \$20,000, as recommended by the President, to \$16,000. As I told you on Sunday, I am very anxious to raise the standard of membership on the Board to the very highest level and to do this we must have the salary sufficiently attractive to the most outstanding men in the country who are available to serve.

The Task Committee of the Hoover Commission has recommended that the Board be reduced from seven members to three, and if the Congress should approve this recommendation it would be vitally necessary to have an attractive salary scale. As you know, the salaries and expenses of the Federal Reserve System do not entail any charge on the Federal budget, as the System is not only self-supporting but earns a substantial surplus, 90 per cent of which is now turned over to the Treasury at the end of the calendar year.

As you are aware, this recommendation is not based on any personal, selfish motive as I was not influenced to

The Honorable A. Willis Robertson - (2)

take the position on account of the salary. But my reason is a much broader one, and one that is actuated by a desire to increase the effectiveness and prestige of the System.

You are the first member of the Senate to whom I have spoken, and since it is a delicate matter for me to speak of it to others, I will confine my plea to you and Senator Maybank.

With warmest regards,

Sincerely,

Thomas B. McCabe,
Chairman.

August 10, 1949.

Board of Governors

Mr. Cherry

H. R. 1689, Increasing the
Compensation of Heads and Assistant Heads
of Executive Departments and Independent
Agencies.

The above-mentioned bill, which passed the House on July 8, 1949, was reported with several amendments by the Senate Committee on Post Office and Civil Service yesterday. One of the amendments made by the Committee increases the compensation of the Comptroller of the Currency and the Chairman of the Board of Directors of the Reconstruction Finance Corporation from \$16,000 to \$18,000 per annum.

Under date of August 5, Chairman McCabe again sent letters to Senator Maybank and Senator Robertson urging that they take appropriate steps to amend the bill so as to increase the compensation of members of this Board from \$16,000 (as now provided in the bill) to \$20,000 per annum.

On the basis of inquiries which I made of several officers of the Senate this bill may come up for Senate consideration any day without previous notice being given.

cc: Mr. Morrill
Mr. Thurston
Mr. Coleman
Mr. Carpenter
Mr. Vest

AKC:sad:dls

August 18, 1949.

Honorable Scott W. Lucas,
United States Senate,
Washington, D. C.

Dear Senator:

In accordance with your suggestion I am enclosing a memorandum on Federal Reserve Board salaries as proposed in H. R. 1689, which I mentioned briefly to you at Burning Tree Club last Saturday. I am also enclosing a copy of a proposed amendment, which I hope will be offered by Senator Long as Chairman of the Committee which reported the Bill, or by Senator Maybank as Chairman of the Banking and Currency Committee, or by Senator Robertson as Chairman of the Subcommittee on Federal Reserve.

I trust the memorandum will justify your supporting the amendment, which provides for an increase in Board Members' salaries from \$15,000 to \$20,000, instead of to \$16,000 as provided in the pending Bill reported to the Senate. This would be the first increase in the Members' salaries since the Banking Act of 1935.

I assure you I greatly appreciate your interest in and understanding of this matter.

Sincerely yours,

M. S. Eccles.

Enclosures

MSE:mmm

August 18, 1949.

Honorable J. William Fulbright,
United States Senate,
Washington, D. C.

Dear Bill:

I am enclosing a memorandum on Federal Reserve Board salaries as proposed in H. R. 1689, which I discussed with you over the telephone last week. I am also enclosing a copy of a proposed amendment, which I hope will be offered by Senator Long as Chairman of the Committee which reported the Bill, or by Senator Maybank as Chairman of the Banking and Currency Committee, or by Senator Robertson as Chairman of the Sub-committee on Federal Reserve.

I trust the memorandum will justify your supporting the amendment, which provides for an increase in Board Members' salaries from \$15,000 to \$20,000, instead of to \$16,000 as provided in the pending Bill reported to the Senate. This would be the first increase in the Members' salaries since the Banking Act of 1935.

I assure you I greatly appreciate your interest in and understanding of this matter.

Sincerely yours,

H. S. Eccles.

Enclosures

MSE :mm

August 18, 1949.

Honorable Robert A. Taft,
United States Senate,
Washington, D. C.

Dear Senator:

I am enclosing a memorandum on Federal Reserve Board salaries as proposed in H. R. 1689, which I discussed with you over the telephone last week. I am also enclosing a copy of a proposed amendment, which I hope will be offered by Senator Long as Chairman of the Committee which reported the Bill, or by Senator Maybank as Chairman of the Banking and Currency Committee, or by Senator Robertson as Chairman of the Sub-committee on Federal Reserve.

I trust the memorandum will justify your supporting the amendment, which provides for an increase in Board Members' salaries from \$15,000 to \$20,000, instead of to \$16,000 as provided in the pending Bill reported to the Senate. This would be the first increase in the Members' salaries since the Banking Act of 1935.

I assure you I greatly appreciate your interest in and understanding of this matter.

Sincerely yours,

M. S. Eccles.

Enclosures
MSE:mmm

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 19, 1949

To Governor Eccles

Subject: The Bill, H.R. 1689

From Mr. Cherry

There is listed below the Commissions and Boards (other than the Board of Governors) the present salary of whose members is \$15,000 per annum and who are increased by the bill H.R. 1689 to \$16,000 per annum, showing the date on which such salaries were increased to \$15,000 per annum:

Members Home Loan Bank Board. Increased from \$10,000 to \$15,000 per annum on August 10, 1948.

Board of Directors of the FDIC. Increased from \$10,000 to \$15,000 per annum on August 5, 1947.

Members (other than Chairman) of the Atomic Energy Commission. Salary established at \$15,000 when Commission was created on August 1, 1946.

Members (other than the Chairman) of the Council of Economic Advisors. Salary fixed at \$15,000 at the time the Council was created on February 20, 1946. The bill, however, increases the salaries of Council members to \$17,500.

Except for these four agencies the salaries of whose members has been fixed or increased to \$15,000 per annum within the last three years, the Board of Governors is the only agency which does not receive a substantial increase in compensation under the bill.

The bill increases the salaries of the members of the Federal Power Commission, the Federal Trade Commission, the National Mediation Board, the Railroad Retirement Board, the Securities and Exchange Commission, the Civil Service Commission, the Tariff Commission and the Board of Directors of the Tennessee Valley Authority from \$10,000 to \$16,000 per annum.

Members of the Interstate Commerce Commission, National Labor Relations Board and the United States Maritime Commission are increased from \$12,000 to \$16,000 per annum.

WCC

August 19, 1949.

Dear Bob:

In line with our telephone conversation this afternoon I am enclosing herewith -

1. Copy of the Senate Committee's report accompanying bill H. R. 1689, covering increasing rates of compensation of the heads and assistant heads of Executive Departments and Independent Agencies;
2. A memorandum in support of increasing the compensation of the Members of the Board of Governors of the Federal Reserve System from \$15,000 to \$20,000, instead of from \$15,000 to \$16,000 as reported in the referred to bill;
3. Copy of the proposed amendment which the Board hopes to have offered on the floor of the Senate.

I have talked to Senators Taft, Lucas and Fulbright about this matter and have sent them a copy of the memorandum and of the proposed amendment. I expect to see Senators Maybank, Robertson and Tobey on Monday and get their support for the amendment -- as you know they are the Chairman and ranking members of the Senate Banking & Currency Committee.

I hope Senator Maybank will succeed in getting Senator Long, the Chairman of the Committee which reported the bill, to offer the amendment or to agree to support it if it is offered by someone else, preferably Senator Maybank or Senator Robertson.

Anything you or the Federal Advisory Council can do to get support for this amendment will be greatly appreciated by the Board.

Sincerely yours,

Hon. Robert V. Fleming,
Riggs National Bank,
Washington, D. C.

COMPENSATION OF MEMBERS OF THE BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

H. R. 1689 proposes salary increases in the Executive Department and independent agencies of the Government "based upon their respective responsibilities", in the words of the Committee report. Increases of as much as 50 to 60 per cent are proposed for some Boards and Commissions but less than a 7 per cent increase is provided for the members of the Board of Governors of the Federal Reserve System.

When the Board was established in 1913 as an independent agency of Congress charged with primary responsibility for national monetary and credit policies, the salaries of Board members were placed on a par with those of Cabinet members. H. R. 1689, which increases Cabinet salaries from \$15,000 to 25,000 per annum, increases Board members salaries from \$15,000 to only \$16,000. At the same time Under-Secretaries and a number of other officials whose salaries for the most part have been from \$10,000 to \$12,000 would be increased to \$20,000. Various other officials having only the status of assistants in administrative capacities would receive salaries ranging from \$17,500 to \$20,000.

It is apparent that "based upon their respective responsibilities" the Board would thus be relegated to a place far down the scale. This would convey the idea to the entire banking system that the Board's status and responsibilities have diminished over the years, becoming relatively less than those of many other officials heretofore receiving much less compensation than Board members. This is not the case. Over the years the Board's responsibilities have increased tremendously, notably under the Banking Acts of 1933 and 1935.

As the governing body of the Federal Reserve System consisting of 12 Federal Reserve Banks and their 24 branches, employing nearly 20,000 people and serving nearly 7,000 member banks, the Board performs central banking functions of crucial importance to the management of the public debt in connection with Government financing and refinancing operations which directly affect the capital markets. It has numerous other responsibilities, among the most important of which are regulation of stock market extensions of credit; determination of reserve requirements of member banks which hold 85 per cent of the commercial banking deposits of the nation; discount rates; direct and guaranteed loans to industry; and banking operations in the foreign field.

It has statutory responsibility for salaries and personnel at all Federal Reserve Banks, including appointments and salaries of the Presidents who receive from \$25,000 to \$50,000, as well as First Vice Presidents, and many other matters such as furnishing currency for the public, collection and clearance of checks, bank supervisory and examination functions, and fiscal agency operations for the Government.

The Board's responsibilities are therefore extensive and of major importance calling for specialized knowledge, experience, and the highest competence in judgment in the complex field of central banking. In order to attract outstanding men to this public service the salaries should be commensurate with the Board's responsibilities.

The bill as originally introduced, with the reported support of the President, proposed salaries of \$20,000 for Board members and a higher figure for the Chairman. Authorization in the bill to place the Board on a reasonable parity with Government officials carrying heavy responsibilities would not entail any charge in the Federal Government as all System costs are met out of operating revenues and are not paid for by Government appropriations.

(~~\$~~20,000)

Proposed Amendment to the bill H. R. 1689 to
increase rates of compensation of the heads and
assistant heads of executive departments and
independent agencies.

On page 7, at the end of line 23, insert "the members
of the Board of Governors of the Federal Reserve System,".

On page 9, lines 19 and 20, strike out "members of the
Board of Governors of the Federal Reserve System;".

(~~\$~~18,000)

Proposed Amendment to the bill H. R. 1689 to increase rates of compensation of the heads and assistant heads of executive departments and independent agencies.

On page 9, line 3 after the comma following the word "Currency" insert "the members of the Board of Governors of the Federal Reserve System,".

On page 9, lines 19 and 20, strike out "members of the Board of Governors of the Federal Reserve System;".

August 22, 1949.

Governor Szymczak

Board Members' Salaries

Governor Eccles

H. R. 1689

I am attaching hereto a copy of a memorandum on Federal Reserve Board salaries as proposed in H. R. 1689 and a copy of the proposed amendment.

I have furnished a copy of each to the following Senators, to whom I have talked in person or on the telephone:

Maybank
Taft
Robertson
Lucas
Fulbright
Tobey

Senator Maybank, Chairman of the Banking & Currency Committee, has agreed to bring this matter up before the Committee tomorrow in order to get the support of that Committee for the amendment, and he will then introduce it on the Floor of the Senate should the Executive Salary Bill come up. Senators Robertson and Tobey have agreed to support Senator Maybank in order to get the support of the Committee. Senators Taft and Fulbright indicated they would support the amendment should it come up on the Floor of the Senate.

At least three of the Senators I talked to are against the entire Bill, but if there is to be a bill passed they are in favor of increasing the Board Members' salaries, as they feel the proposed bill unjustly discriminates against the Board.

Senator Long, Chairman of the Civil Service Committee, the Committee reporting out the Bill, is a new member of the Banking & Currency Committee and Senator Maybank hopes to get his support for the amendment.

Attachments. Copy of this memorandum sent to each Board Member with the exception of Chairman McCabe to whom a copy had already been given.

MSE:VE:dls

September 26, 1949

Chairman Thos. B. McCabe
Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Tom:

Attached is a wire in which I know you will be interested. Langer is a difficult man for us to influence, but apparently we got results.

Immediately after Roger showed me your letter, Paul Miller, one of our directors who is close to Senator Thye, called him on the telephone, and I notice Thye introduced an amendment to the Compensation Bill before Congress which would increase the salaries of the Federal Reserve Board members to \$20,000. While I think we have to give Hap Atwood credit too for Thye's action, as he called on Thye in Washington and discussed this matter with him, I suspect it was Paul Miller's telephone call that did the business. Miller and Thye are close.

Last Friday the top labor leader in the city visited me here at the bank at my request, and we discussed the best approach to Senator Humphrey. I have just had a telephone call from this labor leader and he told me he called Senator Humphrey on the telephone on Saturday and discussed the matter with him. He said Humphrey is very sympathetic to the increase in salaries and has agreed definitely to support the Thye amendment. Before Humphrey left for Washington, we invited him to a luncheon here at the bank and took him through the institution. We are all friendly with him and I believe he feels kindly toward the Federal Reserve Bank of Minneapolis.

Otis Preston of this bank is close to Roy Weir, the labor representative from Minnesota in the House. Otis will discuss the matter with Weir this morning, hopeful that he will approach Humphrey.

I called Towle, manager of our Helena Branch, immediately after I had seen your letter, and he telephoned me Friday that his friends had already contacted Ecton of Montana and that Ecton had pledged his support for the increase in salaries of the Board of Governors.

Chairman Thos. B. McCabe
September 26, 1949
Page 2

This covers the four Senators from the Ninth Federal Reserve District who are on the Post Office and Civil Service Committee - Thye, Humphrey, Ecton, and Langer. If the Bill receives a committee recommendation as it is, without the Thye amendment, we will go to work on the other Senators.

I am in full agreement with your point of view that a bill such as this, unamended, would be a distinct blow to the prestige of the Federal Reserve System, and you can count on us here at the Federal Reserve Bank of Minneapolis to back you up right down the line on this issue.

Regards,

J. N. Peyton

PRESIDENT

JNP:B

cc to other Board members

W. SNDO30 GOVT PD-SN WASHINGTON DC 24 1932A

HON JOHN PEYTON

FEDERAL RESERVE BANK MPLS

FRANK VOGEL OF BISMARCK NOTIFIED ME OF YOUR FEELING AND THAT OF
STATE OFFICIALS THAT FEDERAL RESERVE OFFICIALS ARE BEING DISCRIMINATED
AGAINST IN THE EXECUTIVE PAY BILL WHICH COMES UP ON SENATE FLOOR
MONDAY. YOU CAN BE CERTAIN THAT I APPRECIATE THIS INFORMATION AND
WILL DO EVERYTHING POSSIBLE ALTHOUGH AS YOU KNOW THE DEMOCRATS RUN
THE SHOW. REGARDS

LANGER

9/28