A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 14, 1939, at 2:30 p. m.

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

Mr. Bethea, Assistant Secretary
Mr. Smead, Chief of the Division of Bank Operations

Mr. Harrison, President of the Federal Reserve Bank of New York

This meeting was called for the purpose of discussing with Mr. Harrison the salary situation at the New York Bank and particularly the recommendations for salary increases which had been submitted to become effective January 1, 1939. The meeting had originally been scheduled for 11:00 a.m. on March 13, but had been postponed.

Mr. Szymczak, at the suggestion of the Chairman, explained the reasons which prompted the Board to adopt the new procedure for the consideration of changes in officers' salaries of which the Presidents had been advised in the Board's letter of December 28, 1938 (S-138), and asked Mr. Harrison to state his views with respect thereto and to amplify the information submitted in support of the salary recommendations which had been made by his Board of Directors. He also suggested that Mr. Harrison discuss any other questions relating to this subject which he would like to take up at this time.

Mr. Harrison stated that he was glad to have the opportunity to meet with the Board for the purpose of reviewing the salary situation at the Bank. He said that he understood the difficulty which confronted the Board in having all twelve Reserve banks submit salary recommendations at one time and that one possible solution would be to have a different Reserve bank submit its recommendations each month so that the Board could consider the salaries of one bank each month throughout the year. Speaking for his own institution, he said that he thought it was desirable to continue to consider the bank as a whole in formulating salary recommendations in order that proper consideration may be given to the division of duties and responsibilities within the bank and to the relationship of the various officers in the organization. He then outlined the procedure followed by the Bank in dealing with the salary question.

Mr. Harrison pointed out that, on the basis of total resources of over $6,500,000,000 the New York Bank was the largest bank in the world. He said there were thirty nine officers and about 2,260 employees, or a ratio of about 1 to 60. After allowing for the fact that operations of the Reserve bank differ materially from those of a commercial bank with branches, he stated that in his opinion this was not a bad ratio. He pointed out that, while at one time the official staff of the New York Bank had been down to thirty-two, it was the practice of the Bank to regard all Assistant Counsel and, in fact, practically everyone receiving $5,000 per annum or over, as officers. He added that little, if any, reduction in salary expenses would accrue from reducing the number of officers under these circumstances as they would remain on the payroll in unofficial capacities. He also indicated that salaries of employees, as well as those of junior officers, were practically at the market rate for persons having comparable qualifications. He stated that when you got beyond junior officers there was a disparity between salaries paid in the Reserve bank and those paid by commercial banks and that the higher up you went the greater this disparity became. He said that the management of the New York Bank had kept close watch of the aggregate salary liability of the institution and that, as a matter of fact, he felt that an unduly conservative policy had been followed with respect to replacements following deaths and resignations during the last few years. He also said that he had made it a point to confer with the Board's examiners following each examination and ask for suggestions as to improvements which might be made in the organization and as to their views with regard to officers and employees. In response to a query by Mr. Szymczak, Mr. Harrison stated that he did not think the officers of the New York Bank were over-worked although he did indicate there were periods when the official staff was under pressure.

Chairman Eccles and the other members of the Board interrupted Mr. Harrison frequently to ask questions with respect to various phases of the problem and to elicit additional information regarding the basis for the recommendations which had been submitted by his Board of Directors for increases in officers' salaries. Mr. Harrison discussed the individual qualifications, duties and responsibilities of the officers on behalf of whom such recommendations had been made, except in the cases of the three officers in the group who received the highest salaries, i.e., Messrs. Sproul, Rounds and Knoke.

At Mr. Harrison's suggestion and with the concurrence of the members of the Board, the meeting then went into executive session for the purpose of discussing the three recommendations referred to and Messrs. Bethea and Smead withdrew from the meeting.

At the conclusion of the discussion in executive session, the meeting adjourned.

L P Bethea
Assistant Secretary.

Approved:

M S Eccles
Chairman.