

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, May 27, 1941, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
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. Smead, Chief of the Division of
Bank Operations
Mr. Dreibelbis, Assistant General Counsel
Mr. Vest, Assistant General Counsel
Mr. Williams, Assistant Counsel

There was presented a letter dated March 20, 1941, from Senator Taft to Chairman Eccles, with which were enclosed copies of Senate Bills 25 and 952, and which stated that these bills were introduced by Senator Taft to carry out the recommendations of the Board of Governors, the Presidents of the Federal Reserve Banks, and the Federal Advisory Council in their special year-end report, that the bills were referred to the Committee on Banking and Currency, and that Senator Glass, Acting Chairman of the Committee, had stated that he had introduced a bill to extend the existing powers with respect to the stabilization fund and alteration of the weight of the dollar and that this bill would be called up shortly. The letter also stated that Senator Taft would be very much obliged if the Board would let him

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know whether it still adhered to the position taken in the year-end report and whether it would support the two bills introduced by him if he should ask Senator Glass to conduct hearings thereon, and stated that in case the two bills were not satisfactory in every respect, he (Senator Taft) would be glad to discuss with the Board their modification to conform more closely to the desires of the Board.

During a discussion of Senator Taft's letter and the action to be taken in connection therewith, it was stated that the Board had received the usual routine requests from the Senate Banking and Currency Committee for reports on the two bills introduced by Senator Taft, as well as on S. 1540 introduced by Senator Glass to extend the time within which the existing powers relating to the stabilization fund and alteration of the weight of the dollar might be exercised, but that in accordance with the agreed practice of the Board no reports had been prepared on the bills. Reference was also made to the fact that the Board had taken the position that reports with respect to pending bills should be submitted to the appropriate Congressional committees, upon request of the committees, rather than to an individual member of such committees.

At the conclusion of the discussion it was agreed unanimously that Chairman Eccles should advise Senator Taft, either by telephone or letter whichever he thought would be more satisfactory in the circumstances, that so far as he knew there had been no change in the position taken in the year-end report, that it was his feeling that a comprehensive program as proposed in the year-end report would be a sound and proper approach to the problem of establishing monetary and credit controls, that while it was

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difficult to say at the present time how important these controls were, they were not as important at this time as direct controls through control of prices, priorities, and taxes, that the monetary and credit problem should not be dealt with as a piecemeal matter, that the question of renewal of the powers relating to the stabilization fund and alteration of the weight of the dollar was largely an academic matter for the reason that these powers likely would not be used and therefore were the least important part of the credit and monetary picture, that the Administration had responsibility for economic, social and monetary problems, and that if the Administration desired an extension of the powers referred to in the bill introduced by Senator Glass that was sufficient reason for the Board, under the circumstances, not to oppose the extension.

During the discussion of the above matter Mr. Parry entered the room, and at the conclusion of the discussion Messrs. Thurston, Parry, and Williams withdrew from the meeting.

Reference was made to memoranda dated May 22 and 23, 1941, from Mr. Szymczak in which he raised, for consideration in the light of the Balderston salary report, certain questions with respect to maximum salaries for Presidents and First Vice Presidents of Federal Reserve Banks, and presented recommendations with respect to salaries fixed by the boards of directors of certain Federal Reserve Banks for officers of the respective Banks.

It was agreed unanimously that the questions relating to maximum salaries of Presidents and First Vice Presidents should be placed on the docket for consideration at the regular meeting of the Board to be held on Friday, June 13, 1941, when it was believed that all of the members of the Board would be present.

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The following actions with respect to salaries of officers of Federal Reserve Banks were then taken:

Salaries of officers of the Federal Reserve Bank of New York for the period from April 1, 1941, to March 31, 1942, inclusive, were approved unani-
mously as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of New York</u>		
Ray M. Gidney	Vice President	\$20,000
L. Werner Knoke	Vice President	20,000
James M. Rice	Vice President	17,500
George W. Ferguson	Assistant Vice President	10,000
J. Wilson Jones	Assistant Vice President	14,000
Herbert H. Kimball	Assistant Vice President	9,500
John W. McKeon	Assistant Vice President	12,000
Silas A. Miller	Assistant Vice President	9,500
Arthur Phelan	Assistant Vice President	11,000
Harold V. Roelse	Assistant Vice President	12,000
Valentine Willis	Assistant Vice President	13,000
Wesley W. Burt	Manager, Government Bond Department	8,000
Donald J. Cameron	Manager, Foreign Department	9,500
Edwin C. French	Manager, Collection Department	10,000
Myles C. McCahill	Manager, Service Department	8,000
Wm. F. Sheehan	Manager, Bank Examinations Department	13,000
Frederick Stocker	Manager, Cash Custody Department	5,500
Rufus J. Trimble	Assistant General Counsel	12,000
R. H. Brome	Assistant Counsel	5,000
J. H. Wurts	Assistant Counsel	5,000
Wm. H. Dillistin	General Auditor	15,000
<u>Buffalo Branch</u>		
Robert M. O'Hara	Managing Director	12,000*
Reginald B. Wiltse	Assistant Manager	9,000
Halsey W. Snow	Cashier	7,000

*For the period beginning April 1 and ending December 31, 1941 when Mr. O'Hara's retirement will become effective.

The Secretary was requested to advise Mr. Ruml, Chairman of the Federal Reserve Bank of New York:

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(1) That the Board was unwilling to approve salaries at the rates of \$27,500 and \$10,000 per annum fixed by the directors for Walter S. Logan, as Vice President and General Counsel, and Todd G. Tiebout, as Assistant General Counsel, but approves for the period from April 1, 1941, to March 31, 1942, inclusive, a salary at the present rate of \$25,000 per annum for Mr. Logan and a salary at the rate of \$9,500 per annum for Mr. Tiebout if fixed by the directors at such rates.

On the action with respect to Mr. Logan's salary Mr. Szymczak voted "no", as he felt that an increase to the rate of \$26,500 per annum would be justified.

(2) That the Board approves the salary fixed by the directors at the rate of \$17,500 per annum for R. G. Rouse as Vice President for the month of June 1941, that it was not willing to approve for Mr. Rouse the salary fixed by the directors at the rate of \$20,000 per annum for the period from July 1, 1941, to March 31, 1942, inclusive, but approves a salary at the rate of \$18,500 per annum for that period if fixed by the directors at that rate.

(3) That the proposal that the Federal Reserve Bank of New York pay the expenses incurred by Mr. Williams in traveling between Cambridge and New York presents certain questions which make it appear desirable to the Board that the part-time arrangement with Mr. Williams be reviewed, that, accordingly, Mr. Szymczak would discuss the matter with Messrs. Ruml and Sproul in the near future, and that in the meantime the Board approves for Mr. Williams, for the month of June 1941 a salary at the rate of \$22,000 per annum with the understanding that he will spend two days a week at the Bank and that the salary paid him by the Bank will be at the rate of one-third of his regular annual salary.

Action with respect to salaries fixed by the directors for officers at the Federal Reserve Bank of Chicago was deferred pending a further discussion by Mr. Szymczak with President Young.

The Secretary was requested to advise Mr. Force, Chairman of the Federal Reserve Bank of San Francisco,

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that the Board had given further consideration to the salaries fixed by the directors of the San Francisco Bank for Ira Clerk, as First Vice President, and W. M. Hale, as Vice President, and approved salaries at the rates of \$19,000 per annum for Mr. Clerk and \$16,500 per annum for Mr. Hale for the period from May 1, 1941, to April 31, 1942, inclusive, if fixed by the directors at those rates.

Salaries of Officers of other Federal Reserve Banks for the period from June 1, 1941, to May 31, 1942, inclusive, were approved unanimously as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of Richmond</u>		
J. S. Walden, Jr.	First Vice President	\$14,000
J. G. Fry	Vice President	12,000
George H. Keesee	Cashier and Secretary	9,000
Edward Waller, Jr.	Assistant Cashier	7,500
Waller W. Dillard	Assistant Cashier	6,500
Albert S. Johnstone	Assistant Cashier	6,000
Claude L. Guthrie	Assistant Cashier	5,800
Roger W. Mercer	Assistant Cashier	6,000
Maxwell G. Wallace	Counsel	8,000
R. S. Brock, Jr.	Auditor	5,400
<u>Baltimore Branch</u>		
W. R. Milford	Managing Director	12,000
John R. Cupit	Cashier	6,500
John A. Johnston	Assistant Cashier	5,000
Donald F. Hagner	Assistant Cashier	4,500
<u>Charlotte Branch</u>		
W. T. Clements	Managing Director	7,500
Robert L. Cherry	Cashier	5,000
Louis D. Brooks	Assistant Cashier	4,000

Action on the salary at the rate of \$25,000 per annum fixed by the directors of the Federal Reserve Bank of Richmond for Mr. Leach as President of the Bank for the year beginning June 1, 1941, was deferred pending consideration of the questions of policy raised by Mr. Szymczak relating to salaries of Presidents and First Vice Presidents.

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of Atlanta</u>		
W. S. McLarin, Jr.	President	\$17,500
Malcolm H. Bryan	First Vice President	10,500
H. F. Conniff	Vice President	7,500
V. K. Bowman	Assistant Vice President	7,000
C. R. Camp	Assistant Vice President	5,500
J. E. Denmark	Assistant Vice President	5,500
J. R. McCravey, Jr.	Assistant Vice President and Secretary	4,600
S. P. Schuessler	Assistant Vice President	5,500
E. P. Paris	General Auditor	7,000
Pollard Turman	Counsel	4,500
<u>Birmingham Branch</u>		
P. L. T. Beavers	Managing Director	6,000
H. J. Urquhart	Cashier	4,200
Leo W. Starr	Assistant Cashier	3,600
<u>Jacksonville Branch</u>		
Geo. S. Vardeman, Jr.	Managing Director	6,500
T. A. Lanford	Cashier	5,000
Winslow E. Pike	Assistant Cashier	3,600
<u>Nashville Branch</u>		
Joel B. Fort, Jr.	Managing Director	6,500
E. R. Harrison	Cashier	5,000
<u>New Orleans Branch</u>		
L. M. Clark	Managing Director	12,000
M. L. Shaw	Cashier	5,000
F. C. Vasterling	Assistant Cashier	4,000
<u>Savannah Agency</u>		
J. H. Bowden	Manager	4,000
Earle M. Looney	Assistant Manager	2,400
<u>Federal Reserve Bank of St. Louis</u>		
Chester C. Davis	President	25,000
F. Guy Hitt	First Vice President	18,000
Olin M. Attebery	Vice President	15,000
C. M. Stewart	Cashier and Secretary	10,000
A. H. Haill	Assistant Cashier	7,500
S. F. Gilmore	Assistant Cashier	7,000
F. N. Hall	Assistant Cashier	6,000
G. O. Hollocher	Assistant Cashier	4,500

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of St. Louis</u> (Continued)		
Lewis H. Carstarphen	General Counsel	\$ 7,000
L. H. Bailey	General Auditor	6,600
Henry H. Edmiston	Assistant Vice President	6,500
Howard H. Weigel	Assistant Vice President	3,600
<u>Louisville Branch</u>		
Charles A. Schacht	Managing Director	8,000
Fred Burton	Cashier	4,200
Stanley B. Jenks	Assistant Cashier	4,000
<u>Memphis Branch</u>		
W. H. Glasgow	Managing Director	10,000
S. K. Belcher	Cashier	5,300
C. E. Martin	Assistant Cashier	4,800
<u>Little Rock Branch</u>		
Arthur F. Bailey	Managing Director	9,000
Clifford Wood	Cashier	4,800
Clay Childers	Assistant Cashier	3,600
<u>Federal Reserve Bank of Minneapolis</u>		
J. N. Peyton	President	25,000
O. S. Powell	First Vice President and Secretary	15,000
E. W. Swanson	Vice President	10,000
H. I. Ziemer	Vice President and Cashier	9,000
H. C. Core	Assistant Cashier	6,500
O. R. Preston	Assistant Cashier	6,500
A. R. Larson	Assistant Cashier	5,500
W. E. Peterson	Assistant Cashier	5,500
A. W. Mills	Auditor	6,000
Thos. H. Hodgson	Assistant Counsel	5,500
<u>Helena Branch</u>		
R. E. Towle	Managing Director	8,000
A. A. Hoerr	Cashier	4,500
C. J. Larson	Assistant Cashier	4,250
<u>Federal Reserve Bank of Kansas City*</u>		
J. W. Helm	Vice President and Cashier	13,200
E. P. Tyner	Assistant Cashier	6,800
M. W. E. Park	Assistant Cashier	6,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of Kansas City*</u> (Continued)		
D. W. Woolley	Assistant Cashier	\$ 6,000
Wm. Phillips	Assistant Cashier	5,000
T. Bruce Robb	Manager, Research and Statistical Department	6,000
S. A. Wardell	Auditor	8,000
<u>Omaha Branch</u>		
L. H. Earhart	Managing Director	10,000
G. A. Gregory	Cashier	6,000
O. P. Cordill	Assistant Cashier	4,800
<u>Denver Branch</u>		
J. E. Olson	Managing Director	10,000
S. A. Brown	Cashier	5,400
H. L. Stempel	Assistant Cashier	3,600
<u>Oklahoma City Branch</u>		
G. H. Pipkin	Managing Director	8,100
R. O. Wunderlich	Cashier	5,700
R. L. Mathes	Assistant Cashier	4,300

*The directors of the Kansas City Bank fixed the salaries of the above officers for the period from June 1 to December 31, 1941, inclusive, and it was understood that the Board's letter to Mr. Caldwell would state that the Board approved the salaries for that period and also for the period from January 1 to May 31, 1942, inclusive, if fixed by the directors at the rates shown for the latter period.

The Secretary was requested to advise Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City:

(1) That the Board approves a salary for H. G. Leedy as First Vice President at the rate of \$16,000 per annum for the period from June 1, 1941, to February 28, 1942, inclusive, and that it also approves a salary at that rate for Mr. Leedy for the period from March 1 to May 31, 1942, inclusive, if fixed by the directors at that rate.

(2) That the Board is unwilling to approve the salary at a rate of \$8,000 per annum fixed by the directors for John Phillips, Jr., as Assistant Cashier of the Bank, but approves a salary for him

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at the rate of \$7,500 per annum for the period from June 1 to December 31, 1941, inclusive, if fixed by the directors at that rate, and that it also approves for Mr. Phillips a salary at the same rate for the period from January 1 to May 31, 1942, inclusive, if fixed by the directors at that rate.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Federal Reserve Bank of Dallas</u>		
R. R. Gilbert	President	\$20,000
E. B. Stroud	First Vice President and General Counsel	17,000
R. B. Coleman	Vice President	11,000
W. J. Evans	Vice President and Secretary	9,500
W. O. Ford	Cashier	9,000
E. B. Austin	Assistant Cashier	7,200
L. G. Pondrom	Assistant Cashier	6,600
R. O. Webb	Assistant Cashier	6,000
Mac C. Smyth	Assistant Cashier	4,800
W. H. Holloway	General Auditor	5,500
<u>El Paso Branch</u>		
J. L. Hermann	Managing Director	6,000
Allen Sayles	Cashier	4,200
<u>Houston Branch</u>		
W. D. Gentry	Managing Director	9,000
H. R. DeMoss	Cashier	4,800
<u>San Antonio Branch</u>		
M. Crump	Managing Director	7,500
W. E. Eagle	Cashier	4,800

The meeting then recessed and reconvened at 2:55 p.m. with the same attendance as at the conclusion of the morning session except that Mr. Vest was not present.

Mr. Szymczak referred to the action taken at the meeting of the Board on May 15, 1941, in requesting that there be prepared data with respect to the hoarding of currency in the United States, and stated that at his request memoranda on the subject have been prepared by Mr. Smead and by Mr. Cherry, Assistant Counsel, and that

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Mr. Cherry's memorandum had been circulated among the members of the Board. The information contained in the memoranda as to the steps that might be taken to prevent the hoarding of currency, and the most effective means of preventing the improper use of currency by individuals unfriendly to the United States, were discussed and the members of the Board indicated agreement with the opinion that any plan along these lines would probably have to be based on an executive order by the President in order to be fully effective.

Chairman Eccles suggested that the Legal Division be requested to prepare a memorandum setting forth (1) the reasons for a decision if made by the Board, under its existing authority, not to issue further amounts of Federal Reserve notes in denominations larger than \$20; (2) the steps to be taken, and the reasons therefor, to require all currency of over \$20 denominations to be surrendered before a specified date, to require all persons surrendering such currency after that date to give their names and how they acquired the currency, and to authorize the imposition of fines or other appropriate penalties in case of evasion of the order to surrender; and (3) to require all banks to report all future payments of unusual amounts of currency.

Chairman Eccles' suggestion was approved unanimously with the understanding that Counsel's office would be requested to have the memorandum prepared in time for consideration by the members of the Board prior to the meetings of the Federal Open Market Committee and the Presidents' Conference in Washington on June 10 and 11, 1941.

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There was presented a letter addressed to Chairman Eccles by Secretary of the Treasury Morgenthau under date of May 23, 1941, and reading as follows:

"I have read with interest your letter of April 24, 1941 and the enclosures, all relating to the bank holding company bill recently introduced by Senator Glass. I find nothing in the material submitted which persuades me that the bill introduced by Senator Glass does not provide an effective way of meeting what is admittedly a problem.

"The Board apparently believes that existing bank holding companies should be permitted to continue to exist, but that some slight change should be made in the governmental machinery regulating their activities. Such a position is clearly in conflict with my views, and, in my judgment, with the recommendation made to Congress by the President in his monopoly message in 1938."

The letter was discussed but no action was taken.

At this point Messrs. Wyatt, Smead, and Dreibelbis left the room 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 May 26, 1941, were approved unanimously.

Memorandum dated May 26, 1941, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, submitting the resignation of Miss Dorothea Paetow, a clerk in that Division to become effective as of the close of business on May 25, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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Memorandum from Mr. Nelson, Assistant Secretary, submitting the resignation of Miles R. Ellison as a clerk in the Office of the Secretary, to become effective as of the close of business on May 31, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated May 26, 1941, from Mr. Morrill, Secretary, submitting the resignation of Mrs. Elva H. McKnew as a clerk in the Secretary's Office, to become effective as of the close of business on May 25, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated May 26, 1941, from Mr. Nelson, Assistant Secretary, recommending, with the concurrence of Mr. Clayton, that Mrs. Frederica R. Lockhart, Secretary to Mr. Clayton, be transferred to the position of clerk in the Office of the Secretary, with no change in her present salary at the rate of \$2,000 per annum, effective as of June 1, 1941.

Approved unanimously.

Letter to Mr. Curtis's, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"It is noted from your letter of May 19, 1941, that arrangements for a special election by member banks in

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"Group 2 will be made to choose a successor to Mr. Edward S. French, who has resigned as a Class B Director effective July 1, 1941.

"The Board does not contemplate making any changes in the classification of member banks in your District for electoral purposes, and, in view of your statement that you know of no reason why such classification should be changed, the classification which has been in effect since August 1935, will apply for the special election."

Approved unanimously.

Chester Morrill
Secretary.

Approved:

W. C. ...
Chairman.