

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 26, 1941, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice 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. Wyatt, General Counsel
 Mr. Paulger, Chief of the Division of Examinations
 Mr. Smead, Chief of the Division of Bank Operations
 Mr. Leonard, Assistant Chief of the Division of Examinations
 Mr. Dreibelbis, Assistant General Counsel

There was presented a letter to Mr. Alfred H. Williams, Dean of the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania, reading as follows:

"In view of your appointment as President of the Federal Reserve Bank of Philadelphia, effective July 1, 1941, the Board accepts your resignation as of that date as Class C director and deputy chairman of the Bank tendered in your letter of June 24."

Approved unanimously.

On behalf of the Personnel Committee, Mr. Szymczak moved that effective July 1, 1941, Warren F. Whittier, Class C director of the Federal Reserve Bank of Philadelphia, be appointed Deputy Chairman of the Bank for the remainder of the current year to succeed Mr. Williams.

Carried unanimously.

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Mr. Carpenter read a memorandum dated June 4, 1941, from Mr. Szymczak suggesting that the Board consider, and if practicable adopt, at least tentatively, maximum salaries for the President and First Vice President of each Federal Reserve Bank, and stating that after such maximum salaries had been fixed a review would be made of other official positions at the Federal Reserve Banks and suggested maximum salaries for such positions would be submitted to the Board for consideration. The memorandum compared the salaries suggested by the Balderston salary study, which had been made at the direction of the Chairmen's Conference, with the present salaries of Presidents and First Vice Presidents and with the tentative maximum salaries for these positions fixed by the Board in 1939 and suggested that certain questions presented by the Balderston report be considered by the Board.

There followed a general discussion of the questions raised in Mr. Szymczak's memorandum and of the basis upon which maximum salaries for the Presidents and First Vice Presidents might be established.

At the conclusion of the discussion, upon motion by Mr. Szymczak, it was agreed unanimously that maximum salaries for the positions of President and First Vice President at the Federal Reserve Banks should be established by the Board as follows, with the understanding (1) that the Board's action would not affect salaries now being paid Presidents and First Vice Presidents which were in excess of the maximum salaries

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but that the Board would not approve any further increases in these salaries, (2) that in all other cases these maxima represented rates beyond which the Board would not be willing to go and, therefore, that such salaries should not be fixed for new appointees as Presidents or First Vice Presidents at the beginning of their service or until they had demonstrated that such salaries were justified, and (3) that Mr. Szymczak would submit to the Board for consideration at a later date suggested maximum salaries for other official positions at the Federal Reserve Banks:

| <u>Federal Reserve Bank</u> | <u>President</u> | <u>First Vice President</u> |
|---|------------------|-----------------------------|
| Richmond, Atlanta, St. Louis Minneapolis, Kansas City, and Dallas | \$20,000 | \$15,000 |
| Boston, Philadelphia, Cleveland, and San Francisco | \$25,000 | \$18,000 |
| Chicago | \$30,000 | \$22,500 |
| New York | \$45,000 | \$34,000 |

In connection with the above action, Mr. Szymczak was requested to have prepared for consideration by the Board a draft of letter which would be sent under confidential cover to the Chairman of each Federal Reserve Bank advising him of the establishment by the Board of the maximum salaries for the positions of President and First Vice President at the Bank and the considerations upon which the Board's action in establishing the maximum salaries was based.

Mr. Szymczak then moved that, at the appropriate time, the board of directors

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of the Federal Reserve Bank of Richmond be advised that the Board was not willing to approve the salary fixed by the directors at the rate of \$25,000 per annum for Mr. Leach as President of the Bank but approves for him a salary at the rate of \$21,000 per annum for the year ending May 31, 1942, if fixed by the directors of the Bank at that rate.

Carried unanimously, with the understanding that advice of this action would be included in the letter to Chairman Lassiter advising him of the Board's action in fixing maximum salaries for the President and First Vice President of the Richmond Bank.

Consideration was then given to a memorandum dated June 3, 1941, from Mr. Clayton submitting, in response to a request from Chairman Eccles, a draft of reply to the letter received from Mr. Morgenthau, Secretary of the Treasury, under date of May 23, 1941, on the subject of bank holding companies, which reply was discussed at the meetings of the Board on May 27 and 28, 1941. There was further discussion of the question whether, in the light of events leading up to Mr. Morgenthau's letter and particularly the request of the President of the United States that the Treasury, the Board of Governors, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, work out a program with respect to bank holding companies, further action by the Board was called for.

All of the members of the Board indicated that they had reached the conclusion that a further letter should be addressed to Mr. Morgenthau in response to his letter of May 23 and the Secretary

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was requested to have prepared for consideration a draft of letter along lines suggested during the discussion.

Mr. Ransom stated that the National Association of Supervisors of State Banks had invited Chairman Eccles to address the annual convention of the Association at St. Paul on September 25, that Chairman Eccles had replied that it would not be possible for him to arrange his program to accept the invitation, that the Association then requested that he (Mr. Ransom) or some other member of the Board address the convention, and that, although he had refrained heretofore from accepting similar invitations and was reluctant to accept now, he was inclined to make an exception as this was a possible means of establishing closer relations between the Board and the members of the Association. In the event he attended and spoke at the convention, Mr. Ransom said, he would like to have authority from the Board to say to the Association that at some convenient time in the future the Board of Governors would be glad to meet with members of the Association in Washington for a one or two-day conference for the purpose of discussing problems of mutual interest and that if the Association desired to accept the invitation the Board would be glad to appoint a committee to work with a committee of the Association on arrangements for the conference.

All of the other members of the Board concurred in the opinion that Mr. Ransom should address the convention and the authority requested by him in that connection was granted by unanimous vote.

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The meeting then recessed and reconvened at 2:45 p.m. with the same attendance as at the morning session except that Mr. Dreibelbis was not present and Mr. Vest, Assistant General Counsel, was in attendance.

Mr. Wyatt referred to the position taken by the Commissioners of the District of Columbia that the Board's building was subject to taxation and that the Board was not entitled to the free use of water from the District mains, and he reviewed briefly the developments in connection with the matter leading up to the letter received by the Board under date of January 13, 1941, from Mr. Keech, Corporation Counsel, in which it was stated that the Commissioners would not be willing to abide by a decision of the Attorney General on the question. Mr. Wyatt stated that a bill had just been introduced in the House of Representatives by Congressman Steagall which would exempt the Home Owners' Loan Corporation building in the District of Columbia from taxation and that the question was presented whether the Board should ask for legislation granting a similar exemption to its building. He added that he would recommend against such a procedure for the reason that, in his opinion, the building is clearly exempt from taxation at the present time and an attempt to obtain specific legislation on the point would only confuse the matter. He made the further statement that he had been advised that if the matter was not settled by the date of the next advertisement of property on which the taxes were delinquent, the building would be advertised, probably in December,

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and would be offered for sale in January, which would present the question whether the Board desired to be in a position of having its building advertised in this manner, and that, if the Board wished, it could institute a suit to quash the assessments against the building or to enjoin the District Commissioners from advertising the property for sale or from collecting the assessed taxes. The whole question could be raised effectively in another way, it was pointed out, by the District turning off the water supply to the building.

In the discussion which ensued Chairman Eccles suggested that there were three possible courses of action open to the Board: (1) to ask Congress for legislation exempting the building from taxation, (2) to institute a suit to settle the matter, and (3) to take no action until the building was advertised for sale or the water supply to the building was shut off.

At the conclusion of the discussion of the matter, Mr. Ransom moved that no action be taken by the Board unless and until the building is advertised for sale or the water supply is to be shut off, in which event Counsel would be authorized to institute such legal steps as might be necessary to bring about a settlement of the matter.

Mr. Ransom's motion was put by the chair and carried unanimously, with the understanding that all actions taken by the Legal Division under this authority would be in consultation with, and subject to approval by, Mr. Ransom.

At this point Mr. Vest withdrew from the meeting.

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Reference was then made by Mr. McKee to the action taken at the meetings of the Board on April 11 and 17, 1941, in requesting that a statement be prepared, setting forth the Board's position with respect to the admission of banks to membership in the System, for use by the Board in the event it should decide to take up with Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, the matters referred to in his letter of March 19, 1941, to President Young of the Federal Reserve Bank of Chicago relating to the activities of the Federal Reserve Banks in encouraging member banks to join the Federal Reserve System.

Mr. McKee stated that, inasmuch as the letter was not addressed to the Board as such, one of the questions involved was whether any reply, other than the interim reply made by Mr. Young on March 22, 1941, should be made and, if so, whether it should be sent by the Board or by Mr. Young as President of the Chicago Bank.

A discussion of the matter disclosed the feeling on the part of the members of the Board that the matter should not be allowed to rest on Mr. Young's reply of March 22 but that he should address a second letter to Mr. Crowley which would state briefly the opinion that the System's policy with respect to encouraging membership in the Federal Reserve System was justified in the light of the legislative history of the provisions of the Federal Reserve Act relating to membership.

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Mr. Ransom moved that the Division of Examinations be requested to prepare a draft of letter as outlined above and that, upon approval by Mr. McKee, it be transmitted to Mr. Young with the suggestion that it be sent by him to Mr. Crowley.

Carried unanimously.

Messrs. Bethea, Carpenter, Clayton, Wyatt, Smead, Paulger, and Leonard then left the room.

Attention was called to the circular issued by the Civil Service Commission under date of May 16, 1941 (No. 260), transmitting a copy of Standard Form 47 which had been adopted for obtaining affidavits from government employees as to their membership in subversive organizations. In connection with this matter reference was made also to the executive order issued by the President on June 12, 1941, requiring the fingerprinting of all employees in the executive Civil Service whose fingerprints are not now on file in the Federal Bureau of Investigation or in the agency in which they are employed.

The two matters were discussed and it was voted unanimously that the Board's organization should fall in line with the executive departments and other government agencies that were subject to the provisions of the Hatch Act, by requiring that each of its employees execute the same form of affidavit or affirmation as was required of employees in such departments and agencies, and that steps should be taken to obtain from each member of the Board's staff fingerprints on an appropriate form, and that, when obtained, such fingerprint records should be filed by the Secretary with the Federal Bureau of Investigation.

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Mr. Morrill was requested to work out the necessary details, including appropriate forms, and to take the necessary steps to arrange for obtaining the affidavits and fingerprint records referred to. In this connection it was agreed that the members of the Board should take the lead in executing such affidavits and filing their fingerprints.

The action stated with respect to each of the matters herein-after 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 June 25, 1941, were approved unanimously.

Letter to Mr. Hays, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Cleveland as requested in your letter of June 20, 1941."

Approved unanimously.

Telegram to the Chairmen of all Federal Reserve Banks reading as follows:

"Board of Governors approves payment of regular semi-annual dividend by your Bank on June 30, 1941."

Approved unanimously.

Letter to Mr. Leedy, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring to your June 14 letter, it is noted that at its meeting on June 12, 1941, the Board of Directors

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"of your Bank authorized the Discount Committee to waive the commitment fee for advances in connection with National Defense work."

Approved unanimously.

Thereupon the meeting adjourned.

Bester Morrie
Secretary.

Approved:

W. Steeles
Chairman.