

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 2, 1941, at 2:30 p.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. Smead, Chief of the Division
of Bank Operations

Mr. Szymczak stated that in accordance with the understanding at the meeting of the Board with the Presidents of the Federal Reserve Banks on September 28, 1941, the committee of presidents appointed to make recommendations with respect to a basis for the payment by the Federal Reserve Banks of supplemental compensation to employees had met and a draft of plan had been prepared which he would like to present for consideration by the Board at this time.

There was read a statement of the proposed plan, together with a draft of letter to the Presidents of the Federal Reserve Banks, which contemplated the payment of supplemental compensation within the limits of a basic percentage, to be fixed by each Bank, of salary not in excess of \$3,000, and a percentage, not to exceed one-half of the basic percentage, of additional salary up to an

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agreed amount, and that the basic percentage fixed by each Bank would not exceed the percentage by which the average cost of living for the three most recent months exceeded the 1935-1939 average, it being understood that the cost of living index would be a limiting factor for administrative purposes only and not necessarily to determine the actual amounts of supplemental payments, and that each Bank would be guided by such factors as the local employment situation, the policy followed for other banks in the area, the extent to which the Reserve Bank had changed salaries during recent months, and any change that might take place in living costs.

In this discussion of the proposed plan, all of the members present expressed the opinion that the extra compensation should not be related entirely to a cost of living index and Chairman Eccles suggested that the draft of letter be revised to state that, to enable the Banks to meet the competitive conditions caused by increased living costs and the larger opportunities for employment at higher salaries, the Board approved the adoption by the Federal Reserve Banks of plans for the payment of extra compensation of not to exceed 10 per cent of the first \$1,800 of salaries of less than \$6,000, it being understood that the total salary and extra compensation in any case would not exceed \$6,000. It was also suggested that the letter should state that the Board's action applied to salaries of both officers and employees of not to exceed \$6,000 and that the Board reserved the right at any time to change or cancel the authority

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granted for the payment of supplemental compensation.

These suggestions were approved unanimously, with the understanding that the letter to the Federal Reserve Banks would be submitted for approval at the meeting of the Board tomorrow and that Mr. Szymczak would advise Mr. Davis, Chairman of the Presidents' Conference Committee, by telephone of the Board's conclusions before the letter was sent.

Mr. McKee read a letter addressed to him under date of September 30, 1941 by Mr. Sproul, President of the Federal Reserve Bank of New York, stating that at the recent Presidents' Conference he and Messrs. Peyton and Fleming were appointed as members of the committee to consider certain questions with respect to foreign accounts maintained by the Federal Reserve Banks, that it had been agreed that, as a prerequisite to action by the committee, a study should be made by appropriate subcommittees of the accounting and legal aspects of the relations between the Federal Reserve Banks with respect to the foreign accounts, and that it would be appreciated if Mr. McKee, who at the meeting on September 28, 1941, was designated by the Board of Governors to sit with the Presidents' committee, would designate representatives of the Board on the accounting and legal subcommittees.

Upon recommendation by Mr. McKee, Messrs. Smead and Dreibelbis were designated to serve on the respective subcommittees, with the understanding that Mr. Dreibelbis, because of the demands being

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made on his time in connection with problems arising under Regulation W, would be at liberty to have such other members of the Legal Division as he might find necessary to assist him in the work.

Mr. Szymczak referred to a memorandum addressed to him on October 2, 1941, by Mr. Morrill in connection with a letter received by Mr. Ransom under date of September 25, 1941, from Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, suggesting that the Board follow up the invitation to the Supervisors of State Banks to meet with the Board which was extended by Mr. Ransom by telegram and referred to by Mr. Peyton in his talk before the convention of State Bank Supervisors in St. Paul last week. The memorandum proposed in response to an inquiry from Mr. Ransom, that a letter be addressed to the President of the National Association of Supervisors of State Banks suggesting that the next time he was in Washington, or when he met some member of the Board, the matter of developing arrangements for a closer contact between the Association and the Board be discussed.

Upon recommendation by Mr. Szymczak, Mr. Morrill was requested to prepare such a letter.

At this point Mr. Smead left the meeting 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 September 26, 1941, were approved unanimously.

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The minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on September 28, 1941, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on September 29, 30, and October 1, 1941, were approved and the actions recorded therein were ratified unanimously.

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

"Referring to your letter of September 17 with which you transmitted a communication dated September 11 from a number of concerns engaging in the business of selling and installing roofing and siding, as you know the time of the staff and the Board has been almost wholly occupied in other problems, a number of which were discussed at a recent meeting, so that it has not been possible to advise you sooner with respect to arrangements for a conference with representatives of this particular group. However, we wish that you would advise them that if they will indicate a date on which it will be convenient for them to come to Washington and the names of the people who would constitute the party, we will endeavor to arrange for a conference at that time, when members of the Board's staff who are handling this subject can meet with them."

Approved unanimously.

Letter to Mr. Feinstein, Executive Director of the National Supply Association of America, Boston, Massachusetts, reading as follows:

"I am in receipt of your letter of September 30 in regard to the down payment requirement and maturity limitation of Regulation W as applied to plumbing and heating material.

"It would be our suggestion that it would be helpful if you would first discuss the whole matter with

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"Mr. Roy Young, President of the Federal Reserve Bank of Boston, since you are located in that city, and then, after having discussed the matter, if you wish to pursue the subject further with the Board, that you prepare a detailed statement in writing of your position and the reasons therefor, which you may be assured, will be fully and carefully considered. If at that time it seems desirable to have a conference on the subject, we will take the matter up with you for the purpose of arranging a convenient time. I am sending a copy of this letter to President Young for his information."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. C. C. C.

Chairman.