

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, December 15, 1943, at 2:45 p.m.

PRESENT: Mr. Ransom, Vice Chairman

Mr. Szymczak

Mr. McKee

Mr. Draper

Mr. Evans

Mr. Morrill, Secretary

Mr. Bethea, Assistant Secretary

Mr. Clayton, Assistant to the Chairman

Mr. Thurston, Special Assistant to the
Chairman

Mr. Smead, Chief of the Division of Bank
Operations

Mr. Leonard, Director of the Division of
Personnel Administration

Mr. Dreibelbis, General Attorney

Reference was made to a memorandum dated December 8, 1943, from the Personnel Committee with respect to the reappointment of branch directors appointed by the Board whose terms expire December 31, 1943, which Mr. McKee had asked to be brought up for discussion at a meeting of the Board in order to raise a question with respect to the recommendation of the Personnel Committee that Philip C. Ferguson, a director of the Oklahoma City Branch who has been on active duty as an officer with the Marine Corps since March 1942, be not reappointed as a director of the Branch. Mr. McKee said that there was nothing in the file to indicate anything detrimental to Mr. Ferguson, and that, in view of the fact that he had been on active duty as an officer of the Marine Corps, had been wounded in the New Georgia campaign in the

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South Pacific, and was at present in the United States Naval Hospital at San Diego, California, he thought it would be more appropriate to communicate with Mr. Ferguson and give him an opportunity to say whether he would be available for further service as a director of the Oklahoma City Branch.

Mr. Clayton stated that there were some unfavorable factors in the situation, and at his request Mr. Leonard stated that Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, had advised him that there had been some embarrassment about the appointment of Mr. Ferguson because it was thought by some that it had been a political appointment, and that Mr. Ferguson had left Oklahoma City early in 1942 to enter the Marine Corps as a captain without advising anyone at the Oklahoma City Branch. Mr. Leonard also stated that there was a precedent for not reappointing as directors men who were on active duty in the military service in that Henry G. Chalkley, Jr., a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, had not been reappointed due to the fact he was on active duty as an officer in the United States Navy. Mr. Leonard went on to say, however, that the Personnel Committee had held a meeting this morning at which the question of branch directors was reconsidered and that a telegram to Mr. Ferguson had been prepared which might meet Mr. McKee's suggestion.

Mr. Ransom thought that the telegram to Mr. Ferguson should state that the Board would like to reappoint him as a director of the

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Oklahoma City Branch but that before doing so it would like to know whether he would serve.

After a further discussion, the following telegram to Major Philip C. Ferguson at the United States Naval Hospital in San Diego, California, was approved unanimously:

"Board of Governors would like to reappoint you as director of the Oklahoma City Branch Reserve Bank for term beginning January 1, 1944. Can you serve? Best wishes for your speedy recovery."

In connection with this action, the Board approved the reappointment of Mr. Ferguson as a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1944, upon receipt of advice from him that he would serve, with the understanding that, in the event he indicated he would not accept reappointment, the Board would authorize the Chairman of the Federal Reserve Bank of Kansas City to ascertain informally whether Arthur B. Adams, Dean of the College of Business Administration of the University of Oklahoma, Norman, Oklahoma, would accept appointment as director of the Oklahoma City Branch and that the appointment would be tendered if he would accept.

At this point Mr. Thurston withdrew from the meeting.

Mr. Szymczak stated that at the meeting of the Personnel Committee this morning a decision had been reached to make certain other changes in the recommendations it had originally submitted to the Board in its memorandum of December 8, 1943, referred to at the opening of this meeting, so as to recommend at this time the reappointment of all

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Branch directors appointed by the Board whose terms expire December 31, 1943, except the following:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Howard Kellogg	Buffalo
W. Frank Roberts	Baltimore
George M. Wright	Charlotte
E. W. Palmer	Nashville
I. N. Barnett, Jr.	Little Rock
Perry B. Gaines	Louisville
H. D. Myrick	Helena
Jack B. Martin	El Paso
George G. Chance	Houston
George T. Gerlinger	Portland
Herbert S. Auerbach	Salt Lake City
Charles F. Larrabee	Seattle

In accordance with this recommendation, the following were reappointed as directors of the respective branches of the Federal Reserve Banks shown, each for a term of three years beginning January 1, 1944:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Ed. L. Norton	Birmingham
F. D. Jackson	Jacksonville
E. F. Billington	New Orleans
R. C. Branch	Memphis
M. E. Noonan	Denver
John D. Clark	Omaha
H. M. Cartwright	San Antonio

The following were reappointed as directors of the respective branches of the Federal Reserve Banks shown, each for a term of two years beginning January 1, 1944:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Francis H. Bird	Cincinnati
Robert E. Doherty	Pittsburgh
Y. Frank Freeman	Los Angeles

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Mr. Szymczak stated that the Personnel Committee also recommended that the Chairmen of the Federal Reserve Banks concerned be requested to ascertain informally whether the following would accept appointments as directors of the respective branches of the Federal Reserve Banks shown for terms beginning January 1, 1944, and that the appointments be tendered if they would accept:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Malcolm E. Holtz, a farmer of Great Falls, Montana	Helena
George A. Slaughter, a farmer of Wharton, Texas	Houston
Henry A. Dixon, President of Weber College, Ogden, Utah	Salt Lake City

Approved unanimously.

Mr. Szymczak also stated that the Personnel Committee recommended (1) that the Chairman of the Federal Reserve Bank of Dallas be requested to ascertain informally whether Mr. J. R. Parten, President of the Woodley Petroleum Company of Houston, Texas, and Chairman of the Board of Directors of the Premier Oil Refining Company of Texas, would accept appointment as Class C director of the Federal Reserve Bank of Dallas for the term beginning January 1, 1944, to succeed Mr. J. B. Cozzo, (2) that the appointment be tendered if he would accept, and (3) that Mr. Parten be designated as Deputy Chairman of the Dallas Bank for the year 1944. Mr. Szymczak went on to say that the Personnel Committee had in mind that Jay Taylor would resign as Chairman and

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Federal Reserve Agent at the Dallas Bank due to the demands being made upon him by his active service as a lieutenant colonel in the United States Army and that at the appropriate time Mr. Parten would be designated Chairman and Federal Reserve Agent to succeed Colonel Taylor.

Approved unanimously.

The Personnel Committee, Mr. Szymczak said, also recommended (1) that, if and when Colonel Taylor resigned in accordance with this program, appropriate steps be taken to ascertain informally whether Galen H. McKinney, Vice President of the Waples Platter Company, Fort Worth, Texas, would accept appointment as Class C director of the Federal Reserve Bank of Dallas for the unexpired portion of Colonel Taylor's term ending December 31, 1945, (2) that the appointment be tendered if he would accept, and (3) that upon the designation of Mr. J. R. Parten as Chairman and Federal Reserve Agent Mr. McKinney be designated as Deputy Chairman of the Dallas Bank.

Approved unanimously.

Mr. Szymczak stated further that, pursuant to the action of the Board in deciding not to reappoint St. George Holden as a Class C director and Deputy Chairman of the Federal Reserve Bank of San Francisco, the Personnel Committee recommended (1) that Y. Frank Freeman, now a director of the Los Angeles Branch, be appointed as Class C director of the Federal Reserve Bank of San Francisco for the term beginning January 1, 1944, subject to Mr. Ransom ascertaining whether he would

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be willing to serve in that capacity, it being understood that if he were willing to accept such appointment he would not continue to serve as a director of the Los Angeles Branch, and (2) that Harry R. Wellman, one of the remaining Class C directors, be designated Deputy Chairman of the Federal Reserve Bank of San Francisco for the year 1944.

Approved unanimously.

Mr. McKee stated that he had noticed that some memoranda containing recommendations with respect to the appointment of Class C directors of the Federal Reserve Banks had been circulated to the Board for approval by the Personnel Committee, and that it was his understanding that all recommendations with respect to the appointment of Class C directors should be circulated simply for consideration prior to discussion at a meeting of the Board. He said that he would like to suggest that as a matter of procedure all recommendations of this kind in future be brought up at a meeting of the Board for discussion.

Mr. McKee's suggestion was approved unanimously.

At this point Mr. Leonard withdrew from the meeting.

Mr. Szymczak then presented the following memorandum which he had addressed to the Board under date of December 10, 1943, and which had been circulated to the other members of the Board prior to consideration at a meeting:

"Attached is a letter dated December 7 from Mr. A. M. Creighton, Chairman of the Board of the Federal Reserve Bank of Boston, together with enclosures, from which it will be noted that the Board of Directors of

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"the Boston Bank voted, subject to the approval of the Board of Governors, to purchase two parcels of real estate adjacent to the premises of the Bank for a consideration of \$300,000 and to authorize the officers of the Bank to select and employ conveyancers to render their opinion in regard to the title to such real estate and assist with and supervise the conveyance thereof to the Bank, the compensation to the conveyancers to be as agreed upon by the officers with the approval of the Board of Governors.

"The two parcels of real estate adjacent to the building comprise a land area of 13,996 square feet, having a ten story building on one piece and a six story building on the other. They were sold in 1919 for \$1,465,000 and in 1924 for \$1,250,000. In 1923 the Boston Five Cents Savings Bank loaned \$1,000,000 on a first mortgage on these properties and now holds a first mortgage thereon in the amount of approximately \$760,000. It has agreed to the sale of the properties by the owners for \$300,000, free of mortgage. They are currently assessed for a total of \$637,000.

"Several tenants are now occupying the two buildings, the Federal Reserve Bank occupying five floors of the smaller building. It is understood that all of the leases other than the Federal Reserve expire within the next year or two except the lease to Fairfield Ellis Insurance Company, which runs to 1952. That lease, however, provides that it may be terminated by payment of \$40,000 up to 1945 and thereafter by payment of \$30,000.

"Mr. Creighton advised Mr. Smead over the telephone on Thursday morning that all but two of his Directors favor the purchase of the land at this time for the price stated above, that the architect has prepared preliminary drawings of a building to be constructed on the property, and that the Directors will consider these drawings at a meeting on December 20. It was Mr. Creighton's view that the Bank is in need of additional space and that the land should be bought now regardless of whether building operations are undertaken in the immediate future or at a later date. He feels that the price at which the land can now be obtained is an exceptionally good one and may not be available later if the option is not exercised at this time. The option is in the name of Mr. Norman W. Kenny, who obtained it on behalf of the Reserve Bank.

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"It is recommended that the Federal Reserve Bank of Boston be authorized to employ conveyancers to render to the Bank their opinion in regard to the title to the two parcels of real estate and that the Bank be authorized to purchase the property for \$300,000 provided it obtains a clear title thereto.

"Mr. Creighton has promised to send to the Board a copy of the report submitted by the architect."

Mr. Szymczak stated that the Reserve Bank building at Boston was in unsatisfactory condition, was in need of extensive alterations, and was not adequate to take care of the present space requirements of the Bank's organization. He went on to say that when Chairman Eccles and he were in Boston recently they were of the opinion from what they could see that the property which the Bank proposed to purchase was a good buy, that the Bank's board of directors was in favor of the proposed purchase except for Messrs. Forbes and Allen who were opposed to the proposal simply because no one was in a position to state categorically what the space requirements of the Bank would be a year or two from now, and that speed was important because an option to purchase the property had been secured on behalf of the Reserve Bank which would expire January 2, 1944.

In the course of the discussion which followed, Mr. Ransom stated that he felt an independent appraisal should be made of the property before the Reserve Bank exercised the option to purchase.

At the conclusion of the discussion, the Secretary, upon motion by Mr. Szymczak and by unanimous vote, was authorized to advise Mr. Creighton, Chairman of the Federal Reserve

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Bank of Boston, that the Board would interpose no objection to his Bank's employing conveyancers to render their opinion in regard to the title to the two parcels of real estate adjacent to the Bank building referred to in his letter of December 7, 1943, and that, in accordance with the recommendations of the directors of his Bank, the Board approved the purchase of the two parcels of real estate at a cost of \$300,000, provided the owners were able to execute and deliver to the Bank a quit-claim deed giving to the Bank a good, clear, and merchantable title in fee simple to such real estate. The Secretary was also asked to advise Mr. Creighton that it would be desirable from the standpoint of the protection of the Bank's record in connection with the acquisition of this property for him to obtain before the transaction was consummated an independent appraisal showing that the present worth of the property was not less than the amount proposed to be paid therefor.

At this point Chairman Eccles, Mr. Thurston, and Mr. Thomas, Assistant Director of the Division of Research and Statistics, joined the meeting.

Chairman Eccles stated that it had been the custom of the Presidents' Conference to appoint committees and subcommittees of the Conference and in many cases to associate with such committees and subcommittees members of the Board or its staff, that the list of existing committees which Mr. Szymczak had recently referred to him for consideration was quite extensive, and that it had occurred to him that if the Board were not careful it would be led into embarrassing situations. He thought it was proper for the Presidents to have a

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conference and to appoint any committees or subcommittees it might require composed of members of the conference or other officers or employees of the Reserve Banks, but he did not think that members of the Board or the Board's staff should serve as members of such committees. He said that it seemed to him that, to the extent the Presidents' Conference or committees thereof wished to make recommendations, this should be done in a manner similar to that pursued by the Federal Advisory Council, and that the Board might wish to refer matters of System importance to the Presidents' Conference for consideration from time to time.

Mr. McKee suggested that the Board was partly responsible for this situation in that on occasions it had suggested that a member of the Board or its staff serve on Presidents' Conference committees or subcommittees for the purpose of keeping in touch with various matters. Chairman Eccles agreed with this and said that he was merely expressing a feeling that it was a matter to which the Board should give consideration.

Mr. Ransom said that in looking over the list of committees he noticed that Mr. Szymczak was serving on three committees and Mr. Evans on one, and that there were numerous committees or subcommittees on which a member of the Board's staff had been appointed as an associate member.

Mr. Szymczak stated that he did not think members of the Board

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should serve on committees of the Presidents' Conference.

Mr. McKee indicated that he thought it might be entirely appropriate for staff members to serve on certain committees which were concerned with purely operating matters, and that the Presidents' Conference Committee on Collections was an operating committee of the type he had in mind.

Chairman Eccles said that in connection with the research activities of the System, for example, there should be better coordination, and he referred to the statement he had made on November 8, 1943, to the Chairmen's Conference. He went on to say that at that time he had proposed that Mr. Goldenweiser head up a System staff committee composed of representatives of the research departments at several of the Federal Reserve Banks, and that as far as he knew this committee had been functioning satisfactorily. He had also suggested that a committee consisting of a member of the Board, a member of the Chairmen's Conference, and a member of the Presidents' Conference might constitute an advisory group which could do a good job of coordination in the field of research from a System standpoint, and he thought that the Federal Reserve System should take the lead in studying postwar problems. The Chairman referred to the fact that there were already in existence the Committee for Economic Development and the National Planning Association, but he said that the System had an obligation to keep abreast of developments and to make an important contribution in this field. He also said that so far as the research departments of the Reserve

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Banks were concerned, of course, they had a responsibility for advising their operating managements, but that there should be a program from a System point of view, and he referred to the fact that the Board was still looking for a qualified individual to serve in the Division of Research and Statistics as a national director who would represent its research staff in contacts with similar staffs at the Reserve Banks. He said, however, that he had received an interesting letter dated November 29, 1943, from Mr. Williams, President of the Federal Reserve Bank of Philadelphia, in which Mr. Williams had stated that the creation of the two committees which he (Chairman Eccles) had suggested would make the organizational aspect of research more complex inasmuch as the Presidents' Conference already had a committee and a subcommittee to deal with the problem. Chairman Eccles read extracts from Mr. Williams' letter, at the conclusion of which he stated that leadership in the field of research should be headed up in the Board and that he felt strongly that either Mr. Goldenweiser or a director to be selected should head up a committee on which the research people of the Reserve Banks would be represented. Such a staff committee, he said, could then submit recommendations to the coordinating committee of three to which he had referred.

Mr. McKee thought that studies which were national in scope should be initiated by the Board whereas those which were local or related only to a particular Reserve district should be initiated in the field.

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Chairman Eccles pointed out that he was thinking particularly in terms of postwar planning and that he would like the Board members to be thinking about the matter so that they could discuss it more fully later.

The Chairman said that another matter which he wanted to mention was the fact that the Presidents' Conference had recently inaugurated the practice of holding meetings outside of Washington, whereas he felt that it was more appropriate that all such meetings be held in Washington. He said that the Federal Reserve System would survive only so long as it functioned as a System and that, if the present practice continued, the Reserve Banks might be regarded as private banking institutions and the System as a whole would not be effective. He pointed out that if anything went wrong in any of the Reserve Banks the Board had to assume the responsibility and, as the agent of Congress, had to answer any criticisms.

Chairman Eccles then read portions of a letter which he had received under date of November 27, 1943, from Mr. Davis, President of the Federal Reserve Bank of St. Louis, which, like the letter from Mr. Williams, was in response to a letter he (Chairman Eccles) had sent to the Presidents of all of the Federal Reserve Banks transmitting a copy of the statement which he had made before the Chairmen's Conference regarding the System's activities in the field of research and postwar planning. The Chairman thought that Mr. Davis' letter

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merited careful consideration, particularly the suggestion which he made that the System undertake the preparation of a comprehensive statement of its views, not only upon the major fiscal and monetary problems but also upon the broader economic problems which will face the country after the war, and that such a statement be framed with a view to its being published.

Mr. Ransom said that he felt it would be helpful if the Board would issue public statements from time to time on matters of national importance such as, for example, inflation or taxation. He felt strongly that the Board had been remiss in this respect in recent years, and that it had a great responsibility to say what its attitude was with respect to important questions of widespread public interest, and that even at this late date he would be disposed to issue a warning to the public on the need for higher taxes.

Chairman Eccles indicated that he agreed with Mr. Ransom's views and that he felt public statements which the Board had made in the past, even though they had been on controversial subjects, had not been detrimental to the System in any way. He concluded by saying that so long as such statements were carefully weighed, were free from partisanship and bias, and were made in the public interest, they would be a factor in increasing the effectiveness and prestige of the System.

At this point Messrs. Thurston, Smead, Dreibelbis, and Thomas withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

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The minutes of the meeting of the Board of Governors of the Federal Reserve System held on December 14, 1943, were approved unanimously.

Memorandum dated December 13, 1943, from Mr. Morrill, recommending that Howard L. Warwick, Jr., be appointed as an operator (duplicating devices) in the Secretary's Office on a temporary basis for an indefinite period, with basic salary at the rate of \$1,900 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory should develop in the investigation of his references his services may be terminated immediately.

Approved unanimously.

Memorandum dated December 13, 1943, from Mr. Smead, Chief of the Division of Bank Operations, submitting the resignation of Mrs. Charlotte M. Hugel as a clerk in that Division, to become effective on December 15, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Leland, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in Mr. Young's letter of December 9, 1943, the Board of Governors approves the appointment of Mr. Everett D. Jones as Federal Reserve Agent's Representative at the Detroit Branch, effective when he enters upon his duties, with

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"a salary at his present rate of \$3,500 per annum. This approval is given with the understanding that Mr. Jones will be placed upon the Agent's pay roll and will be solely responsible to the Federal Reserve Agent, or during a vacancy in the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with approval of the Federal Reserve Agent, and the Vice President in charge of the Branch perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

"Mr. Jones should not enter upon the performance of his duties as Federal Reserve Agent's Representative until his bond has been examined by your Counsel to determine whether its execution complies fully with the rules printed on the reverse side thereof following which the bond should be forwarded to the Board promptly for approval. Please advise us as to the date when Mr. Jones actually assumes his duties as Federal Reserve Agent's Representative.

"Please advise us also as to the action, if any, we should take with respect to releasing the bonding company from liability under the bond of Mr. Raether, who has submitted his resignation as Federal Reserve Agent's Representative to become effective December 15, 1943."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"For your information there is enclosed a copy of a memorandum received from the Navy Department, dated December 11, 1943, signed by William A. Coolidge, Chief of Finance Section, in connection with adjustments under Sections 5 and 6 of the guarantee agreements executed on behalf of the Navy Department."

Approved unanimously.

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At this point Messrs. Morrill, Bethea, and Clayton left the meeting and the Board went into executive session. At the conclusion of the executive session Mr. Szymczak reported to the Secretary that the Board had approved increases in the basic salaries of members of its staff as follows, effective January 1, 1944:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
J. P. Dreibelbis	General Attorney	\$12,000	\$15,000
George B. Vest	Assistant General Attorney	10,000	12,000
Woodlief Thomas	Assistant Director, Division of Research and Statistics	10,000	12,000

These increases were approved by the Board in the light of (1) the precedent previously established by the Board in fixing salaries at the rate of \$15,000 per annum for heads of the divisions of its staff and (2) the opinion expressed by Mr. Dreibelbis in a memorandum written by him under date of December 14, 1943, with respect to changes in the duties of Mr. Vest, and in connection with a memorandum from Mr. Evans of the same date with respect to changes in the duties of Mr. Thomas, that in view of the change in Mr. Vest's position in the Legal Division and his increased responsibilities resulting from the change, and in view of the change in Mr. Thomas' position in the Division of Research and Statistics and the increased responsibilities resulting from the change, appropriate increases in their salaries would come within the scope of increases permitted under the salary stabilization regulations.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. [Signature]
Chairman.