

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 14, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Memorandum dated August 11, 1944, from Mr. Bethea recommending that the following increases in basic annual salaries of employees in the Secretary's Office be approved, effective August 16, 1944:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Secretarial and Administrative</u>			
Bass, Sampson H.	Supervisor, Accounting		
	Section	\$3,800	\$4,000
Pollard, Wayne A.	Accountant	3,200	3,400
Bare, Edith	Page	1,320	1,380
Caughron, Jean	Page	1,320	1,380
<u>Service Functions</u>			
Berry, Benjamin D.	Mail Clerk	1,560	1,680
Myers, Anna Mae	Page	1,320	1,380

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. Ruml, Chairman of the Federal Reserve Bank of New York, reading as follows:

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"The Board was glad to receive your letter of June 29, 1944, in which you present a question in connection with the procedure now in effect for the appointment of principal supervisory personnel in the research departments of the Federal Reserve Banks. When such questions as this exist, it is well to have them raised and cleared up so that they will not be the source of future misunderstandings. So far as we have been able to find, the views of your directors on this point have not previously been transmitted to the Board.

"As stated in your letter, it is true that under specific provisions of the law appointments of officers and employees of Federal Reserve Banks are the responsibility of the boards of directors of the respective Banks and, with the exception of appointments of Presidents, First Vice Presidents, and examiners, are not subject to approval by the Board of Governors. However, the existing procedure with respect to the appointment of the principal supervisory personnel in the research departments involves considerations in addition to the express provisions of law, and at the risk of repetition these considerations are reviewed below.

"Before 1936 the research and statistical work at each of the Federal Reserve Banks was performed in a department at the Bank which was under the Federal Reserve Agent who was directly responsible to the Board. In effect, therefore, all of the research work of the System was under the immediate supervision of officers appointed by the Board and under the general supervision of the Board's Division of Research and Statistics. In its letter of March 25, 1936, (X-9532) the Board informed the Federal Reserve Banks that it had in mind a procedure looking toward the placing of the position of Chairman and Federal Reserve Agent at the Reserve Banks largely upon an honorarium basis and the transfer of the bank examination and research work previously handled by the Federal Reserve Agents to the operating side of the Bank, with the understanding, however, that such functions would continue to be conducted under the general supervision of the Board of Governors. An excerpt from the Board's letter of September 14, 1936, to President Harrison, relating to the conditions under which this change would be made, is attached. You will note that the excerpt

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"contains the statement: 'Budget and personnel * * * and all appointments of persons to supervisory positions in the statistical and analytical function should be subject to the approval of the Board.' The transfer of the examination and research functions was effected subject to these conditions, and until receipt of your letters no question had been raised by the Federal Reserve Bank of New York or by any other Reserve Bank as to the approval by the Board of the appointments under discussion.

"Your letter suggests that it would not be inconsistent with the views of your board if contemplated appointments were discussed informally with the Board of Governors. Such preliminary informal discussion is desirable and is welcomed by the Board of Governors in all cases. However, the conditions as set forth above on which the research function was transferred to your Bank go further than that and reserve to the Board the right of approval of the appointment. Therefore, whenever such appointments are made, they should be subject to approval by the Board and should not become effective without such approval.

"The principal reason for the continuation of the research work at the Banks under the general supervision of the Board and the approval by the Board of persons in supervisory positions in the research departments is that the results of the work done by these departments are an essential and important part of the monetary, credit, and business information on which the policy decisions of the System are based. If this purpose is to continue to be served effectively, it is essential that the work be coordinated through the Board's Division of Research and Statistics and that the persons engaged in this work be selected with this purpose in mind.

"I have outlined the views of the Board not, of course, for the purpose of asserting prerogatives, but rather to clarify the procedure so that no misunderstanding with respect to it will arise in connection with future appointments of principal supervisory personnel in the research department of your Bank."

Approved unanimously.

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

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"This refers to your letter of August 7, 1944, and its enclosure, inquiring whether Mr. Edwin Malloy, a Class B director of your bank, may accept an appointment as one of the members of the Sinking Fund Commission of Chesterfield County, South Carolina, in view of the resolution of the Board of Governors with regard to officers and directors of Federal Reserve Banks holding a political or public office.

"It is understood that a member of the Sinking Fund Commission is appointed by the Governor upon the recommendation of a majority of the county legislative delegation; that the members of the Board are required to take the oath of office prescribed by law for County officers; that the regular term of office is six years; that the primary powers of the Commission are to manage and control the sinking funds provided by law for the retirement of bonds of County and its subdivisions; and that the Commission also makes studies in recommendations upon fiscal and other general matters relating to the County Government. It does not appear whether a member of the Commission receives any compensation.

"On the basis of the information stated above, the Board of Governors offers no objection to Mr. Malloy's serving as a member of the Sinking Fund Commission while serving as a director of your bank."

Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.