

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 13, 1945, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant, Office of
the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

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

The minutes of the meeting of the Board of Governors of the
Federal Reserve System held on December 12, 1945, were approved unani-
mously.

Memorandum dated December 7, 1945, from Mr. Thomas, Director of
the Division of Research and Statistics, recommending that Philip T.
Allen be appointed as an Economist in that Division on a temporary
basis for an indefinite period, with salary at the rate of \$3,640 per
annum, effective as of the date upon which he enters upon the perform-
ance of his duties after having passed satisfactorily the usual physical
examination. The memorandum stated that Mr. Allen was a member of the
Civil Service Retirement System during former Government service and
would continue in that System.

Approved unanimously.

Memorandum dated December 7, 1945, from Mr. Thomas, Director of

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the Division of Research and Statistics, recommending that Harold P. Wexler be appointed as an Economist in that Division on a temporary basis for an indefinite period, with salary at the rate of \$3,640 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum stated that Mr. Wexler is a member of the Civil Service Retirement System and would remain in that System.

Approved unanimously.

Memorandum dated December 12, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that John M. Poundstone, who has been on military leave, be reinstated in his position as clerk in that Division, with basic salary at the rate of \$2,496 per annum, effective December 17, 1945, subject to his passing the usual physical examination.

Approved unanimously.

Memorandum dated December 11, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Mrs. Gloria Jenkins, a cafeteria helper in that Division, be extended for a period of not to exceed three months, with no change in her present salary of \$1,440 per annum, effective as of the expiration of her present temporary appointment on December 24, 1945. The memorandum stated that it was not contemplated that Mrs. Jenkins would become a member of the retirement system during her temporary appointment.

Approved unanimously.

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Memorandum dated December 11, 1945, from Mr. Morrill, Special Adviser, recommending, for the reasons stated in the memorandum, that Mrs. Yvonne Shaw, his secretary, be granted additional leave without pay for a period of not to exceed three months beginning December 2, 1945.

Approved unanimously.

Recommendation from the Personnel Committee, dated December 10, 1945, reading as follows:

"The Personnel Committee recommends that the cafeteria serve a Christmas dinner without cost to the Board's employees (and to the invited guests of the Reserve Board Club) on Friday, December 21. It is understood that the cafeteria can serve such a dinner at a cost of around \$1.25 - \$1.50.

"The Reserve Board Club has made plans to combine its regular Christmas party with the Christmas dinner to be served in the cafeteria at 2 o'clock."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers for the period January 1, 1946, to March 31, 1946, inclusive, at the rates shown which are the rates fixed by your Board of Directors in accordance with the general salary policy recently adopted with respect to officers and employees receiving salaries of less than \$7,500, as indicated in your letter of November 16, 1945:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
William F. Abrahams	Manager, Security Custody Department	\$6,875
Curtis R. Bowman	Manager, Credit Department	7,500
James J. Carroll	Manager, Planning Department	7,500
Paul R. Fitchen	Manager, Cash Custody Department	6,600

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
Daniel J. Liddy	Manager, Foreign Department	\$7,500
Michael J. McLaughlin	Manager, Service Department	7,500
Franklin E. Peterson	Manager, Bank Relations Department	7,500
Ralph W. Scheffer	Manager, Check Department	7,500
Roy E. Wendell	Manager, Government Check Department	7,500
Harold M. Wessell	Manager, Foreign Funds Control Department	7,500
	<u>Buffalo Branch</u>	
George J. Doll	Assistant Cashier	6,600
M. Monroe Myers	Assistant Cashier	5,620

"The Board of Governors also approves the payment of salary to Norris O. Johnson, Manager (without assignment to any particular department pending his return to the Bank from his foreign assignment), for the period November 9, 1945 to December 31, 1945, inclusive, at the rate of \$7,000 per annum, and for the period January 1, 1946, to March 31, 1946, inclusive, at the rate of \$7,500 per annum, the rates fixed by your Board of Directors as reported in your letter of November 30, 1945."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 16, 1945, with respect to the compensation policy approved by your directors.

"In accordance with the request contained in your letter, the Board authorizes your Bank, effective January 1, 1946, to exceed maximum annual salaries under the personnel classification plan of your Bank as adjusted to include present supplemental compensation, by 15% of the present unadjusted maximum annual salary, plus such additional amount (in the case of the few employees who are now receiving salaries which are more than 5% in excess of the maximums for the positions to which they are presently assigned) as may be necessary to permit an increase in the salary of each employee in an amount equal to 10% of his basic annual salary on December 31, 1945, provided that any increase granted under this authorization shall not cause the total compensation of any employee to exceed the rate of \$7,500 per annum.

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"This authorization is granted as a temporary measure for postwar adjustments pending a comprehensive revision of your personnel classification plan.

"It is noted that under the authorization contained in the Board's letter of October 31, 1945 (S-881), the program as approved by the directors includes the discontinuance of supplemental compensation as such as of the close of business December 31, 1945, and the merger of supplemental compensation with the basic salary together with increases in the maximum annual salaries under the personnel classification plan to provide for the merger of supplemental compensation with basic salary effective January 1, 1946."

Approved unanimously.

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

"In its letter of October 31, 1945 (S-881), the Board advised the Chairman and President of each Federal Reserve Bank that it was prepared to give careful consideration to requests, in accordance with the recommendation of the Conference of Presidents, for authority to exceed maximum annual salaries under the personnel classification plan, as adjusted to reflect conversion of supplemental compensation into basic salary, by as much as 15 per cent of the first \$3,000, provided that this amount added to the adjusted maximum annual salary would not exceed \$7,500.

"At the joint meeting of the Presidents' Conference with the Board it was made clear that the recommended authorization was designed to meet special individual situations and was not expected to be used to increase the salaries of all employees.

"In response to letter S-881, ten of the Federal Reserve Banks have already requested and received authorizations to exceed maximum annual salaries within the limits referred to above.

"Subsequent to such authorizations, the Board received a request from the Federal Reserve Bank of New York which differs in certain respects from the recommendations made by the Presidents' Conference. The specific differences in the program of the New York Bank, as proposed, are that it calls for:

1. Authorization to exceed maximum annual salaries under the personnel classification plan, as adjusted to include present supplemental compensation, by 15 per cent of the entire present basic

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"annual salary, before adjustment for supplemental compensation, without the limitation on the first \$3,000 but subject to the over-all limitation of \$7,500; and

2. A flat increase of 10 per cent of present basic annual salaries, subject to the over-all limitation of \$7,500. The 10 per cent increase was proposed as a flat increase in salary levels separate and apart from individual merit increases permissible within the limitations which would be considered in the usual course at the year end.

"In submitting its request, the New York Bank advised that it had hewed very closely to the line in observing the salary stabilization regulations and that further study of its own salary situation and the events subsequent to the Presidents' Conference, particularly the statement with respect to wage policy made by President Truman on October 30, 1945, and the issuance on that date of Executive Order No. 9651, seemed to demand revision of their earlier judgments.

"The Board approved the request as submitted and following is an excerpt from the letter to the Bank with respect to the authorization:

'In accordance with the request contained in your letter, the Board authorizes your Bank, effective January 1, 1946, to exceed maximum annual salaries under the personnel classification plan of your Bank as adjusted to include present supplemental compensation, by 15% of the present unadjusted maximum annual salary, plus such additional amount (in the case of the few employees who are now receiving salaries which are more than 5% in excess of the maximums for the positions to which they are presently assigned) as may be necessary to permit an increase in the salary of each employee in an amount equal to 10% of his basic annual salary on December 31, 1945, provided that any increase granted under this authorization shall not cause the total compensation of any employee to exceed the rate of \$7,500 per annum.'

"In connection with the general 10 per cent increase to employees, the Board approved similar increases in the salaries of officers receiving annual salaries of less than \$7,500, again provided that no such increase would cause total compensation to exceed the rate of \$7,500 per annum.

"In view of the Board's letter S-881 regarding the recommendations of the Presidents' Conference, the Board feels that it is called upon to advise the other Federal Reserve Banks of

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"the action taken upon the request of the Federal Reserve Bank of New York."

Approved unanimously.

Letter to the board of directors of "The Sabina Bank," Sabina, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland.

Approved unanimously, together with a letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of The Sabina Bank, Sabina, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account mentioned on page 16 of the report of examination for membership.

"Also, with respect to savings deposits, it is noted that the examiner states, on page 16, that there is no provision made for requiring notice before their withdrawal. Please call the bank's attention to the requirements of the Board's Regulation Q in this respect and request the bank, in order to comply therewith, to reserve the right to require not less than 30 days' written notice, either by stamping the passbooks with a notation to that effect or by re-printing the passbooks on the first occasion when it becomes possible to do so without undue expense or inconvenience."

Letter to the "Lyon County State Bank," Rock Rapids, Iowa, reading as follows:

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"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to the board of directors of "The First State Bank & Trust Company of Lufkin, Texas," Lufkin, Texas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas. The letter also contained the following special comment:

"It has been noted that the bank is authorized to exercise fiduciary powers but is not doing so at present, and that the bank possesses certain powers which are also not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to guarantee stocks, bonds, mortgages and other securities. Attention is called to the fact that if the bank should decide in the future to exercise fiduciary powers or to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before doing so. In this connection, the Board understands that there has been no change in the scope of corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, together with a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of The First State Bank & Trust Company of Lufkin, Texas, Lufkin, Texas, for membership in

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"the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Texas for his information.

"Since the amount of estimated losses shown in the report of examination for membership is reported to have been charged off, the usual condition of membership requiring elimination of losses has not been prescribed.

"It is assumed that you will follow the matter of the bank's reducing to within statutory limits the excess balance in a nonmember bank."

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the McAllen State Bank, McAllen, Texas, became a member of the Federal Reserve System on December 10, 1945, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Telegrams to Mr. Grady, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits, under the provisions of Section 5144 of the Revised Statutes of the United

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States, to the "Old National Corporation" and "Investment and Securities Co.," both of Spokane, Washington, entitling such organizations to vote the stock which they own or control of "The Old National Bank of Spokane" and the "First National Bank in Spokane," Spokane, Washington, at any time prior to April 1, 1946, and to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously.

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

"In anticipation of hearings which probably will be held before Congressional committees next year, and of discussions which it was understood at the last meeting of the Federal Open Market Committee would be undertaken by members of the executive committee of the Open Market Committee with representatives of the Treasury following the close of the Victory Loan Drive, Mr. Goldenweiser has prepared the enclosed confidential memorandum which contains in general terms his tentative suggestions relating to the management of the public debt and modifications in Federal Reserve policies. The memorandum, which is being sent to you for your information and for such comment or suggestions as you may wish to make, has not been considered or passed upon by the members of the Board or of the Federal Open Market Committee. It is expected that discussions with representatives of the Treasury will begin after the first of the year.

"This letter is being sent to the Chairmen and Presidents of all of the Federal Reserve Banks."

Approved unanimously.

Memorandum dated December 5, 1945, from Mr. Carpenter submitting for approval by the Board a draft of letter to the representative

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members of the Federal Open Market Committee with which it was proposed to enclose drafts of entries for the policy record covering actions taken by the Federal Open Market Committee during the year 1945. The memorandum stated that after any comments and suggestions of the representative members of the Committee have been received the entries would be placed in final form and submitted to the Board for approval.

The draft of letter was approved unanimously.


Memorandum dated December 12, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting a voucher in the amount of \$40 covering per diem in lieu of subsistence incurred by Glenn M. Goodman, Federal Reserve Examiner, from the time of his departure from Manila, Philippine Islands, on September 17 until his arrival in Washington on September 21. The memorandum stated that this per diem was incurred in pursuance of the Board's authorization of April 5, 1945, and was to be applied as a credit against the \$600 advancement made to Mr. Goodman in connection with this trip, and recommended that the voucher be approved. The memorandum also stated that, upon approval of this voucher, Mr. Goodman will have completed the liquidation of the advance as he had refunded the amount of \$367.94 to the Board's Fiscal Agent.

Approved unanimously.

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Thereupon the meeting adjourned.


Secretary.

Approved: 
Chairman.