

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 26, 1946, at 11:15 a. m.

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

Mr. Carpenter, Secretary  
Mr. Hammond, Assistant Secretary  
Mr. Connell, General Assistant,  
Office of the Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the  
Chairman  
Mr. Smead, Director of the Division  
of Bank Operations  
Mr. Vest, General Attorney  
Mr. Thomas, Director of the Division  
of Research and Statistics  
Mr. Leonard, Director of the Division  
of Personnel Administration

Chairman Eccles stated that, in connection with the annual appointment of members of the Board's Personnel Committee and the nomination of members of the Board who will serve with him on the executive committee of the Federal Open Market Committee for the year beginning March 1, 1946, he would suggest that Mr. Szymczak and Mr. Vardaman (who had been nominated by the President as a member of the Board but whose nomination had not yet been confirmed by the Senate) be appointed as members of the Personnel Committee and that Messrs. Draper and Evans be nominated to serve on

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the executive committee of the Federal Open Market Committee, with Messrs. Szymczak, Vardaman, and Ransom to serve on the executive committee in the order named as alternates for Messrs. Eccles, Draper, and Evans, except that in the absence of Chairman Eccles, Mr. Ransom would serve as the first alternate.

There was unanimous agreement with Mr. Eccles' suggestion and in accordance therewith, Mr. Szymczak and, effective as of the date upon which he assumes his duties as a member of the Board following his confirmation by the Senate, Mr. Vardaman were appointed to serve as members of the Board's Personnel Committee for the year beginning March 1, 1946.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Szymczak in which it was stated that all of the Federal Reserve Banks except Philadelphia had advised of the salaries fixed by the boards of directors of the banks, subject to approval by the Board of Governors, for the Presidents and First Vice Presidents of the banks, effective March 1, 1946. On the afternoon of February 21, 1946, a committee of directors of the Philadelphia Bank met with Mr. Szymczak and advised him of the salaries proposed for the President and First Vice President of that Bank. On January 31, 1946, the Board approved the salary fixed by the board of directors of the Federal Reserve Bank of Boston for Mr. Whittamore, President of that institution. The salaries proposed by the directors for

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the Presidents of the 11 Federal Reserve Banks, other than Boston, and for the First Vice Presidents of all of the Federal Reserve Banks were as follows:

<u>Federal Reserve Bank</u>	<u>President</u>	<u>Present Maximum Salary for Position</u>	<u>Present Salary</u>	<u>Salary Proposed by Directors</u>
New York	Allan Sproul	\$45,000	\$45,000	\$65,000
Philadelphia	Alfred H. Williams	25,000	25,000	30,000
Cleveland	Ray M. Gidney	25,000	25,000	25,000
Richmond	Hugh Leach	25,000	21,000	25,000
Atlanta	W. S. McLarin, Jr.	25,000	20,000	25,000
Chicago	C. S. Young	30,000	30,000	40,000
St. Louis	Chester C. Davis	25,000	25,000	25,000
Minneapolis	J. N. Peyton	25,000	25,000	25,000
Kansas City	H. G. Leedy	25,000	20,000	25,000
Dallas	R. R. Gilbert	25,000	20,000	25,000
San Francisco	Ira Clerk	25,000	25,000	25,000
<u>First Vice President</u>				
Boston	William Willett	\$18,000	\$17,000	\$20,000
New York	L. R. Rounds	34,000	34,000	40,000
Philadelphia	W. J. Davis	18,000	16,000	17,000
Cleveland	Wm. H. Fletcher	18,000	16,500	16,500
Richmond	J. S. Walden, Jr.	18,000	15,000	18,000
Atlanta	Malcolm H. Bryan	18,000	14,000	16,000
Chicago	Charles B. Dunn	22,500	20,000	25,000
St. Louis	F. Guy Hitt	18,000	18,000	18,000
Minneapolis	O. S. Powell	18,000	15,000	16,000
Kansas City	Henry O. Koppang	18,000	15,000	18,000
Dallas	W. D. Gentry	18,000	13,500	16,000
San Francisco	C. E. Earhart	18,000	16,000	16,000

Mr. Szymczak stated that when the committee of directors of the Federal Reserve Bank of Philadelphia met with him on February 21, they advised that the directors proposed a salary at the rate

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of \$30,000 per annum for Mr. Williams because of his outstanding qualifications for the position rather than because of a belief that he had any larger job to do than the Presidents of other Federal Reserve Banks whose salaries were at the rate of \$25,000 or less.

In a discussion, all of the members of the Board agreed that if the recommendation of the directors of the Philadelphia Bank were approved, it would mean that similar action would have to be taken in connection with the salaries of the Presidents of other Federal Reserve Banks receiving less than that amount and that, with the exception of the Federal Reserve Banks of New York and Chicago, the salary of the Presidents should not exceed \$25,000 per annum, regardless of who might occupy the position.

Chairman Eccles stated that a letter containing a full statement of the reasons for the action of the directors of the Federal Reserve Bank of New York with respect to the salaries proposed for Messrs. Sproul and Rounds was handed to him by a committee of directors consisting of Messrs. Ruml and Calkins. He said that the reasons given were substantially the same as had been presented to the Board before in connection with increases proposed in the salary for Mr. Harrison when he was President of the Bank, and that he had told the directors' committee that the salary of the President of the New York Bank had never exceeded

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\$50,000, that he felt that a higher salary was not justified, and that if that salary were not high enough to hold Mr. Sproul, the Bank would find someone else as it had done in the past. Chairman Eccles stated that he favored an increase to \$50,000 per annum in the maximum salary approved by the Board for the President of the Federal Reserve Bank of New York and in the salary for Mr. Sproul but that he would not be willing to go beyond that figure.

Chairman Eccles made the further comment that the letter from the New York Bank referred to above contained a suggestion which might be valued more highly by the officers of the Federal Reserve Banks during the present period of high income taxes than an increase in salary, namely, that the Retirement System of the Federal Reserve Banks be revised to provide that each officer of a Reserve Bank retiring at age 65 would receive (in addition to the annuity based on his own contributions) a pension of 40 per cent of his average salary for the last five years of service, with a maximum pension of \$20,000. He felt that this was a matter that should be given careful consideration by the Board.

There was a discussion of the form that action might take to liberalize the benefits provided by the Retirement System and it was agreed that, while the range of salaries in the Government re-

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mained unchanged the Board should not approve salaries for Presidents and First Vice Presidents at rates higher than the maximums now in effect or approved at this meeting, the Federal Reserve Banks should be advised that although the Board had not yet reached any decision on the matter, it was giving consideration to the desirability of increasing the benefits provided under the Retirement System for officers receiving salaries in excess of \$15,000 per annum.

It was pointed out that the salary proposed for Mr. Young was higher than had been paid at any time to the President of the Chicago Bank and it was agreed that the Board would be justified in increasing the maximum salary to \$35,000 and approving a salary for Mr. Young at that figure, which was the amount paid to his predecessors, but that that should be the maximum at that bank.

Mr. McKee stated that in order to do a good job, many of the Presidents of the Federal Reserve Banks had to spend a considerable amount of their own funds for lunches, dinners and other proper expenses in connection with visits of bankers and others at the Federal Reserve Banks and when the Presidents were in the field, which, under the present arrangement, could not be charged to the Federal Reserve Bank. He suggested that the Board should give consideration to some arrangement under which such expenses incurred by the Presidents could be paid from Bank funds.

In connection with the salary proposed for the First Vice Presidents, Mr. Szymczak stated that a salary at the rate of

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\$20,000 had been fixed by the directors for Mr. Willett for the reason that Mr. Whittemore was not familiar with the operations of the bank and it was felt that Mr. Willett's experience would be worth that amount. Mr. Szymczak also said that he advised Mr. Flanders that he was satisfied that the Board would not feel justified in approving a salary of \$25,000 to Mr. Whittemore and at the same time a salary of \$20,000 for Mr. Willett, that \$18,000 was the approved maximum for the First Vice President of the Boston Bank, and that the Board would not be willing to approve a salary in excess of that amount for Mr. Willett.

Mr. Szymczak then expressed the opinion that with a salary at the rate of \$50,000 for the President of the Federal Reserve Bank of New York, the Board might well approve a maximum salary of \$35,000 for the position of First Vice President. The opinion was also expressed that the salary for the latter position should not exceed the salary of the President of the Federal Reserve Bank of Chicago.

Mr. Evans indicated that he would not be willing to vote for an increase in the maximum salary of the position of First Vice President of the Federal Reserve Bank of New York at this time.

There was agreement with Mr. Szymczak's feeling that, in view of Mr. Walden's long experience in the Richmond Bank and as First Vice President, a salary at the rate of \$18,000 per annum was justified for him in that position.

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The suggestion was made and concurred in by all of the members of the Board that, inasmuch as Mr. Dunn's salary was increased \$5,000 when he became First Vice President of the Chicago Bank on October 25, 1945, a further increase was not called for at this time.

There was a discussion of the shortcomings of Mr. Hitt as First Vice President of the Federal Reserve Bank of St. Louis and Mr. Szymczak suggested that if the salary proposed by the directors for him were approved by the Board, it should be with the understanding that the directors would take whatever action was necessary to correct this situation.

In a discussion of the salary proposed for Mr. Koppang as First Vice President of the Federal Reserve Bank of Kansas City, it was suggested that his salary should not be increased to the maximum in one step and all of the members concurred in this suggestion.

At the conclusion of the discussion, upon motion by Mr. Szymczak, it was voted (1) to fix the maximum annual salaries for the positions of President of the Federal Reserve Banks of New York and Chicago and the First Vice President of the Federal Reserve Bank of New York at \$50,000, \$35,000 and \$35,000 per annum, respectively, and (2) to approve the salaries of the Presidents and First Vice Presidents of the Federal Reserve Banks at the annual rates and for the periods beginning March 1 and ending



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with the respective dates shown below, it being understood that the salaries shown for Messrs. Sproul, Williams, Young, Willett, Rounds, Dunn and Koppang were approved by the Board if fixed by the directors at those rates.

These actions were taken by unanimous vote except that on the increase in the maximum for the position of First Vice President at the Federal Reserve Bank of New York and the increased salary for Mr. Rounds in that position Mr. Evans asked to be recorded as "not voting." The action with respect to Mr. Hitt's salary was taken with the understanding that Mr. Szymczak would talk to President Davis and Chairman Dearmont with regard to the action to be taken to meet the problem with respect to Mr. Hitt:

Federal  
Reserve  
Bank

	<u>President</u>	<u>Salary</u>	<u>Approved to:</u>
New York	Allan Sproul	\$50,000	March 31, 1947
Philadelphia	Alfred H. Williams	25,000	April 30, 1947
Cleveland	Ray M. Gidney	25,000	April 30, 1946
Richmond	Hugh Leach	25,000	May 31, 1947
Atlanta	W. S. McLarin, Jr.	25,000	May 31, 1946
Chicago	C. S. Young	35,000	March 31, 1947
St. Louis	Chester C. Davis	25,000	May 31, 1946
Minneapolis	J. N. Peyton	25,000	May 31, 1947
Kansas City	H. G. Leedy	25,000	May 31, 1947
Dallas	R. R. Gilbert	25,000	May 31, 1947
San Francisco	Ira Clerk	25,000	April 30, 1947

First Vice President

Boston	William Willett	\$18,000	April 30, 1947
New York	L. R. Rounds	35,000	March 31, 1947
Philadelphia	W. J. Davis	17,000	April 30, 1947
Cleveland	Wm. H. Fletcher	16,500	April 30, 1946
Richmond	J. S. Walden, Jr.	18,000	May 31, 1947
Atlanta	Malcolm H. Bryan	16,000	May 31, 1946
Chicago	Charles B. Dunn	20,000	March 31, 1947
St. Louis	F. Guy Hitt	18,000	May 31, 1946
Minneapolis	O. S. Powell	16,000	May 31, 1947
Kansas City	Henry O. Koppang	16,500	May 31, 1947
Dallas	W. D. Gentry	16,000	May 31, 1947
San Francisco	C. E. Earhart	16,000	April 30, 1947

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The meeting then recessed and reconvened at 2:30 p.m., with the same attendance as at the morning session except that Mr. McKee and Mr. Thomas were not present.

Mr. Draper read a memorandum dated February 19, 1946, from the Personnel Committee stating that the retirement of Mr. Wyatt as General Counsel would become effective February 28, 1946, and that the Personnel Committee recommended that, effective March 1, 1946, the designation of Mr. Vest be changed from General Attorney to General Counsel and that of Mr. Townsend from Assistant General Attorney to Assistant General Counsel. The memorandum also recommended, with Mr. Vest's concurrence, that, effective March 1, 1946, the designations of the following members of the Legal Division be changed from Attorney to Assistant Counsel:

G. Howland Chase	
Alfred K. Cherry	
Howard H. Hackley	
Wilson L. Hooff	
Frederic Solomon	
John C. Baumann	) Now on military leave
Jerome W. Shay	

Approved unanimously.

Reference was then made to a memorandum dated February 21, 1946, to Mr. Szymczak from Mr. Leonard relating to the need for a comprehensive revision of the personnel classification plans of the Federal Reserve Banks and submitting a suggested program for accomplishing the revision.

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Mr. Szymczak stated that, inasmuch as the Presidents were now in session in Washington he thought it desirable that the matter be brought to their attention while they were here and that to that end he would recommend approval by the Board of the following draft of letter addressed to Mr. Sproul as Vice Chairman of the Presidents' Conference.

"The Board hopes that a comprehensive revision of the personnel classification plans of the Federal Reserve Banks may be well under way, if not completed, during the coming year.

"The personnel classification plans now in effect are based on the report of the Subcommittee which was approved in 1936, and the Board believes that any revision should take into consideration both the experience of the Reserve Banks in working with the present classification plans and developments in the field of job classification during the past decade.

"The Board suggests that before any revision is undertaken, there should be agreement upon the general type and style of personnel classification plan, which type and style should be uniform for all Federal Reserve Banks, and that in the program of revision an earnest effort should be made to strive, so far as practicable, toward uniformity of job description and job title.

"The Board requests that the Presidents Conference appoint a committee to consider the whole question of personnel classification plans and that the first assignment of the committee be to submit a recommendation to the Board and the Presidents as to the general type of plan to be used, i.e., whether the present type with job descriptions and maximum annual salaries should be continued or some other type adopted.

"Many other questions, of course, would have to be considered but it is believed that there is no necessity to detail them or even outline them at this time.

"The Board will expect its Director of Personnel Administration, Mr. Leonard, to work closely with the committee or subcommittee to which the subject may be assigned.

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"It is believed that the committee or subcommittee having the matter under review should be able, if it so desires, to have the advice of expert consultants in the field of job classification and the Board is prepared to consider proposals for appropriate compensation for such professional services as may be required."

Upon motion by Mr. Szymczak, the letter was unanimously approved with the understanding that it would be delivered to Mr. Sproul today while the Presidents' Conference is still in session.

Mr. Eccles again referred to the discussions by the Board of the existing arrangement under which Mr. John H. Williams served on a part-time basis as a Vice President of the Federal Reserve Bank of New York, and to the Board's letter to Mr. Sproul of January 21, 1946, with respect to the appointment of officers of the New York Bank for the current year, in which it was stated that the re-appointment of Mr. Williams was noted with the understanding that the continuation of his part-time employment would be reviewed at an appropriate time in the light of previous discussions.

The whole matter was discussed on the basis of the earlier discussions and Mr. Eccles stated that inasmuch as the Federal Open Market Committee would appoint its officers at the meeting on March 1, 1946, for another year and since it was probable that Mr. Williams would be reappointed as an associate economist of the Committee, he thought it desirable for the Board to reach a decision as to what its

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position would be.

Mr. Thurston read a draft of letter to Mr. Ruml, Chairman of the Federal Reserve Bank of New York, and during the ensuing discussion Mr. Ransom expressed the feeling that the present was a most inopportune time to raise the matter and that he would prefer to wait at least a year before any action was taken which would result in the termination of Mr. Williams' connection with the New York Bank and the Federal Open Market Committee. Mr. Ransom said the reason for his position was that, while he was opposed to the present part-time arrangement, particularly in view of the important position of the New York Bank, Mr. Williams had been most helpful in his statements at the meetings of the Federal Open Market Committee in connection with the problems before the Committee and he (Mr. Ransom) would like to see him continue as an official of the Committee, even if it meant a continuation of the part-time arrangement at the New York Bank, so that his counsel and advice would be available in the difficult period that is ahead.

Chairman Eccles was of the opinion that he would have no objection to Mr. Williams continuing as a full time officer of the New York Bank subject to the same limitations as other officers with respect to speeches and published books and statements, but that it was fundamentally wrong for him to have full access to the information available to the Federal Open Market Committee and the New York

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Bank and still retain the freedom of expression that he had felt he was entitled to as an outsider. He said that after all the discussion that the Board had had on the matter, if action were going to be taken at any time it should be taken now.

Other members indicated that they would favor a letter to the New York Bank at this time and Chairman Eccles suggested that the Board decide on the objectives which it would seek to accomplish by such a letter. For the purpose of stating the objectives that might be agreed upon, Chairman Eccles said that the letter should state that the Board is of the opinion that the present part-time arrangement with Mr. Williams should be discontinued not later than the beginning of the next academic year, that the Board would be willing to have him become a full time officer of the Reserve Bank and as such continue as an associate economist of the Federal Open Market Committee, but that his connection with the Committee should not be continued on any other basis, and that if he were retained by the Bank in an unofficial capacity as a consultant it should be on the basis of a fee which would be considerably less than the salary now paid to him by the Bank.

Mr. Evans moved that the objectives as stated by Mr. Eccles be approved and that a letter to the New York Bank be prepared in accordance with them.

The motion was put by the Chair and carried, Mr. Ransom voting "no" with the statement that when he saw the draft of letter he may wish to vote for its approval.

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Reference was made to the subjects which the Board would wish to discuss at the joint meeting of the Board and the Presidents and Mr. Ransom stated that he would like to take up with the Presidents the question of future policy with respect to the enforcement of Regulation W, Consumer Credit. He said that there was a wide difference in the enforcement policies of the Federal Reserve Banks at the present time, that it was his opinion that there should be greater uniformity so that the regulation could be effectively enforced, and that the problem should be presented to the Presidents with the advice that the Board was contemplating calling a conference at an early date for a discussion primarily of the enforcement of Regulation W and related matters. Mr. Ransom also said that he felt that it might be advisable to have Mr. Townsend come into the joint meeting at the proper time for the purpose of explaining the Board's current views with respect to the problem of enforcement. The other members of the Board expressed agreement with Mr. Ransom's suggestion.

Before this meeting there had been circulated among the members of the Board a memorandum dated February 21, 1946, from Mr. Smead summarizing the replies received from the Federal Reserve Banks to the Board's letter of December 27, 1945, asking for their views with respect to the discontinuance of the circulation of Federal Reserve notes in denominations of \$500 and above and the means by which this might be accomplished. Three of the banks favored the suggestion, one

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had no objection, two agreed that the large denomination notes served no legitimate or useful purpose but doubted the advisability of discontinuing their issuance, and six were opposed to the suggestion.

The memorandum recommended (1) that no objection be made at this time to the use of existing stocks of Federal Reserve notes of the higher denominations but that no change be made at this time in the Board's decision to discontinue any further printings of such notes, and (2) that before taking final action with respect to furnishing Federal Reserve notes of the higher denominations for circulation purposes, the matter be discussed at the joint meeting of the Presidents and the Board.

Mr. Smead's recommendations were approved unanimously.

At this point Messrs. Smead, Vest and Leonard withdrew from the meeting.

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 February 25, 1946, were approved unanimously.

Memorandum dated February 11, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Albert R. Koch be appointed as an Economist in that Division on a temporary



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basis for an indefinite period, with salary at the rate of \$5,600 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. Koch would become a member of the Federal Reserve Retirement System.

Approved, Mr. McKee not voting.

Memorandum dated February 21, 1946, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of James H. Macklin, a laborer in that Division, and recommending that the resignation be accepted effective as of the close of February 22, 1946, and that a lump sum payment be made for the accumulated leave remaining to his credit at that time together with a sum amounting to four weeks' pay because of termination of his employment.

The resignation was accepted as recommended.

Letter prepared for the signature of all of the Members of the Board to Mr. Walter Wyatt, General Counsel of the Board of Governors of the Federal Reserve System, reading as follows:

"As you leave the Board's staff to accept your new position with the Supreme Court of the United States on March 1, 1946, you carry with you the best wishes of the Board and your associates on the staff.

"During the almost 29 years which you have been a member of the Board's Legal Division -- since 1922 as General Counsel -- you have rendered distinguished public service, particularly in the

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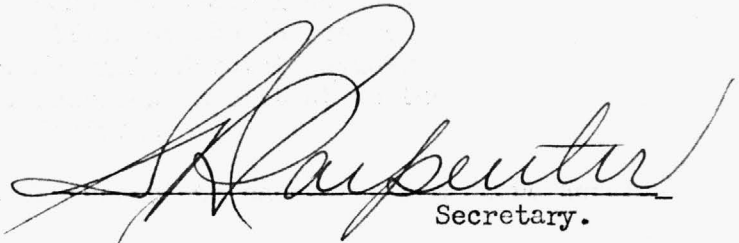
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"development of the legal and regulatory work of the Board.

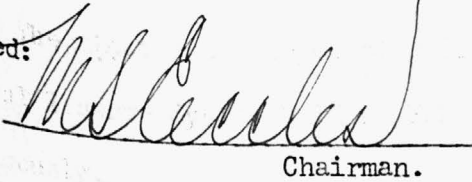
"The Board is truly appreciative of the devoted service you have given and the contribution you have made to the Board and the Federal Reserve System."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.