A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 22, 1946, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
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 hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 21, 1946, were approved unanimously.

There were presented telegrams to Mr. McCreedy, Secretary, and Mr. Powell, First Vice President, of the Federal Reserve Banks of Philadelphia and Minneapolis, respectively, stating that the Board approves, effective March 23, 1946, (1) elimination by the two Reserve Banks of the rate of 1 per cent on advances to nonmember banks under the last paragraph of Section 13 of the Federal Reserve Act, with the understanding that the rate established by the Banks on advances to individuals, partnerships, and corporations other than banks, under the last paragraph of Section 13 of the Federal Reserve Act, would hereafter include nonmember banks, (2) the establishment by the Federal Reserve Bank of Minneapolis of a rate of 2 per cent on advances to individuals, partnerships, and corporations other than member banks, under the last paragraph of Section 13 of the Federal Reserve Act, and (3) the establishment without change of the other rates of discount and purchase in the Banks' existing schedules.

Approved unanimously.
There were also presented telegrams to Messrs. Treiber, Blair, Dillard, Stewart and Mangels, Secretaries of the Federal Reserve Banks of New York, Cleveland, Chicago, St. Louis and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 19, and by the Federal Reserve Banks of New York, Cleveland, Chicago, and San Francisco, respectively, on March 21, and by the Federal Reserve Bank of St. Louis on March 22, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 18, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Nancy Schelling be appointed as a research assistant in that Division on a temporary indefinite basis, with salary at the rate of $2,430 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum stated that Miss Schelling was a member of the Civil Service Retirement System and would remain in that Retirement System.

Approved unanimously.

Letter to Mr. Beardsley Ruml, Chairman of the Federal Reserve Bank of New York, prepared for the signature of Chairman Eccles, in accordance with the decision reached at the meeting of the Board on February 26, 1946, and reading as follows:

"During my recent talk with you and Mr. Calkins, I said that I would write to you in order to state as a matter of record the Board's view of the general policy it believes
should be applied in the case of part-time officers of Federal Reserve Banks.

In those cases where part-time officers of the System hold university positions in which they are accustomed or expected to express publicly their opinions on monetary, fiscal and other governmental matters, there is a conflict of interests. On the one hand, they feel obligated to express their views, which may or may not accord with the views of those responsible for policy in the System or with the policies of the Government. In this respect they have a latitude not accorded to full-time officers or staff members of the System. Their public utterances have on occasion led to confusion in the public mind and in the relations of the System with other departments of Government. Disclaimers that their utterances reflect official opinions of the Board or System fail to be convincing to bankers, the press, and others on the outside. As a rule, these utterances, because they are assumed to have some official significance, attract far more public notice than would otherwise be the case. On the other hand, it does not appear to be feasible to require as a condition of part-time service with the Federal Reserve System that these individuals, who feel obligated to speak or write publicly, should forego or circumscribe their activities in conformity with what would be expected of full-time officers and staff members.

The conflict of interests, in the Board's opinion, can be solved in cases where these individuals are willing to relinquish their outside connections and devote all of their time to the System. The only alternative left is to discontinue such part-time arrangements. This rule has in fact been applied by the Board with respect to its own staff as well as in all of the Federal Reserve Banks, the only remaining exception being in the Federal Reserve Bank of New York.

In conformity with this policy, the Board would not feel justified in approving continuance of Dr. Williams in the position of a vice president so long as it is on a basis of divided service. You will recall that the suggestion was once made that Dr. Williams might move to New York and give his full time to the Bank, with the possible exception of conducting a seminar at one of the New York universities in order to maintain his identification with the academic field. The Board was willing to approve such an arrangement on an appropriate salary basis, and hoped then, as it does now, that Dr. Williams would see his way clear to make the necessary arrangements so he could serve the Bank on a full-time basis. The Federal Reserve Bank of New York occupies a special position with respect
"to the money markets and in connection with open market operations, fiscal agency and other functions of the System. It is the only one of the twelve Banks to have continuity of representation on the Federal Open Market Committee. For these reasons, the Board feels that it is particularly important for the chief economic adviser at the Bank to be on a full-time basis with the Bank especially if he is to serve as an associate economist of the Open Market Committee. Dr. Williams is the only associate economist of the Committee who does not serve on a full-time basis in the System.

"If it is not feasible for Dr. Williams to devote his entire time to his responsibilities at the Bank, the Board believes that the present arrangement should be terminated before the beginning of the next academic year. There would be no objection to his retention in a non-official, consultative capacity when his advice is desired by the Bank or by the Open Market Committee, but the Board does not feel that he should continue to be an officer of the Bank or an associate economist on the staff of the Open Market Committee unless he is to devote full time to the Bank.

"It would be appreciated if you would convey this general viewpoint of the Board to the other directors so that appropriate action may be taken in accordance with the Board's position."

Approved, Messrs. Ransom and McKee voting "no". Mr. Evans indicated before he left Washington that he approved the letter.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Diercks' letter of March 14, 1946, submitting certified copies of resolutions adopted by the board of directors of the Metropolitan Trust Company, Chicago, Illinois, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months notice usually required.

"In view of your recommendation, the Board of Governors waives the usual requirement of six months notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Metropolitan Trust Company, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is noted that Counsel for the Reserve Bank is of the opinion that the documents submitted pursuant to Section 10 of the Board's Regulation H comply substantially with the requirements of that section."
"Please advise the Board of Governors when cancellation is effected and refund is made. The Certificate of Membership issued to the trust company should also be obtained, if possible, and forwarded to the Board. State banking authorities should be advised promptly when the trust company's withdrawal from membership has been effected and given the reasons therefor, if desired."

Approved unanimously.

Letter to the United States Civil Service Commission reading as follows:

"This refers to your letter of March 8, 1946, inviting recommendations or suggestions for such changes as may be necessary or desirable in Schedules A and B of the Civil Service Rules. It is noted that the principal purpose of the proposed revision of Schedules A and B is to bring them up to date with respect to reorganizations which have taken place in Government agencies during the war. There has been no reorganization affecting the Board of Governors or its employees.

"As you know, the Civil Service Commission, in a letter dated January 3, 1941, advised the President in response to his letter of December 27, 1940, that it would be guided by his intention not to place the employees of the Board of Governors of the Federal Reserve System under the Classified Civil Service Act or the Classification Act as amended. We assume, therefore, that there is no intention to make any change in the situation with respect to any position under the Board of Governors of the Federal Reserve System.

"If any further information is desired in connection with this matter, it is suggested that Mr. R. F. Leonard, Director, Division of Personnel Administration, Extension No. 433, be consulted."

Approved unanimously.

Letter to the organizers of the "Roswell State Bank", Roswell, New Mexico, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, the Board approves the application made on behalf of the
for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas:

"4. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than $100,000 and a surplus of not less than $50,000.

"5. Such bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933 as amended."

The letter also contained the following special comments:

"Since the application for membership was made on behalf of the Roswell State Bank prior to the issuance of its charter, it is requested that, in connection with the acceptance of the conditions of membership prescribed by the Board, the Board of directors of the State bank ratify, after the charter is actually issued, the action which has been taken in its behalf in making application for membership in the Federal Reserve System.

* * * * * * * * * *

"The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to six months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System."

Approved unanimously, together with the following letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas:

"As you were advised in a telegram dated March 22, 1946, the Board of Governors of the Federal Reserve System has approved the application made on behalf of the Roswell State Bank, Roswell, New Mexico, for membership in the Federal Reserve System, effective if and when the bank is duly authorized to commence business by the appropriate State authorities, 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 State Bank Examiner for the State of New Mexico for his information.

"Before issuing stock in the Federal Reserve Bank of Dallas to the new State institution, you are requested to satisfy yourself that its capital stock of $100,000 has been paid in, that a charter has been issued, and not less than $100,000 surplus and other capital funds provided as set forth in the plan submitted. At such time your Counsel should review all steps taken in the organization of the bank and a certified copy of the charter should be forwarded to the Board, together with a copy of Counsel's opinion. It is requested also that the Board be furnished with a copy of the resolution of the board of directors of the State bank adopted after the charter is issued ratifying the action taken in its behalf in making application for membership in the Federal Reserve System."

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Kansas City made as of January 14, 1946, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Leedy.

"It is noted from your letter of February 15, 1946, to Mr. Millard that certain corrective actions have already been taken and you understand other comments in the report are having attention. The Board will appreciate advice that the report has been considered by your board of directors. Any comments you may care to offer regarding discussions with respect to the examination or as to further action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Letter to the Bank of Lancaster, Kilmarnock, Virginia, reading as follows:

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

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Secretary.

[Signature]

Vice Chairman.