

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, April 9, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Leonard, Director, Division of
Personnel Administration
Mr. Thomas, Director, Division of
Research and Statistics
Mr. Bethea, Director, Division of
Administrative Services

It was stated that Mr. Vardaman had been appointed by the President as a member of the Board for the 14-year term from February 1, 1946, and that he had taken his oath of office as a member of the Board on April 4, 1946.

Mr. Szymczak said that in accordance with the procedure approved at the meeting of the Board on January 31, 1946, the matters presented in the letters under date of January 23, 1946, from Leslie L. Perry, Administrative Assistant of the National Association for the Advancement of Colored People, and under date of January 24, 1946, signed by Charles R. Norris as personnel representative for the colored employees of the Board and by several Negro employees, were discussed by Mr. Leonard with Norris and the heads of the divisions of the Board's

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staff; that the matters had been considered by the Personnel Committee in the light of these discussions, and that it was the recommendation of the Personnel Committee (1) that all signs designating toilet facilities as white or colored be removed and that the Negro employees be permitted to use any toilet facilities available generally to other employees of the Board; (2) that the Negro employees be permitted to use the facilities in the large cafeteria; and (3) that it be made clear that it has been and continues to be the policy of the Board to make appointments to, and advancements in, its staff solely on the basis of merit and only of the persons best qualified for the positions to be filled, having due regard for veterans' preference. It was also suggested, Mr. Szymczak said, that instead of making formal replies to the two letters referred to, Mr. Leonard talk to Norris and the representative of the Association for the Advancement of Colored People telling them what the Board's position was, and that the Personnel Committee call together the heads of the divisions of the Board's staff for the purpose of advising them informally of the Board's position.

The whole matter was discussed in the light of the procedures followed in other departments and agencies of the Government and the attitude of Congress as indicated by recent debates on proposed legislation, and all of the members of the Board, with the exception of Mr. Draper, indicated agreement with the recommendations of the Personnel

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Committee. Mr. Draper stated that before a decision was reached to make the facilities of the large cafeteria available to the colored employees, he would like to submit the matter to all of the employees of the Board for a vote. This suggestion was considered and it was the view of the other members of the Board that the question was one for decision by the Board and not one on which the views of the employees would be helpful or controlling. Thereupon, Mr. Draper stated that he would be willing to approve the recommendations of the Personnel Committee.

At the conclusion of the discussion it was understood that a statement would be prepared which would carry the recommendations of the Personnel Committee into effect and that the statement would be presented for action at the meeting of the Board on April 12, 1946.

Messrs. Thurston, Thomas and Bethea left the meeting at this point.

Before this meeting, there were sent to each member of the Board copies of memoranda dated April 3 and 4 from Mr. Leonard to Mr. Szymczak with respect to communications from the Federal Reserve Banks of New York and Chicago with which were submitted the salaries proposed by the boards of directors for officers of the respective Banks (other than the Presidents and First Vice Presidents whose salaries had been approved previously) for the year beginning April 1, 1946. At this meeting Mr. Szymczak stated that yesterday he and Mr. Vardaman had discussed the proposed salaries and that it was felt that

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the two Banks, in proposing that account be taken of developments affecting salary schedules since 1941 which would justify rather general salary increases, had raised the question whether all of the Federal Reserve Banks should be advised that salaries of officers should be considered on that basis or should continue to be based on the consideration of the merits of individual cases without regard to increased living costs or other general factors.

The memorandum with respect to official salaries at the Federal Reserve Bank of New York stated that other matters presented by the proposals of that Bank were (1) whether any officer of the Bank other than the President and First Vice President should receive a salary in excess of \$25,000, the maximum established for the Presidents of 10 of the Federal Reserve Banks, and (2) the action to be taken with respect to the salary of Vice President Williams in view of the previous discussions and the Board's letter of March 22, 1946, to Mr. Ruml regarding the continuation of the present part-time arrangement with Mr. Williams.

Mr. Szymczak stated that he would be willing to recommend that the salaries proposed by the Federal Reserve Bank of New York be approved but that there were questions with respect to the following proposed salaries to which the Board might wish to give special consideration:

<u>Name</u>	<u>Title</u>	<u>Proposed Increase</u>	
		<u>From</u>	<u>To</u>
L. Werner Knoke	Vice President	\$20,000	\$22,500

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<u>Name</u>	<u>Title</u>	<u>Proposed Increase</u>	
		<u>From</u>	<u>To</u>
Walter S. Logan	Vice President and General Counsel	\$25,000	\$27,500
Arthur Phelan	Vice President	15,000	18,000
Robert G. Rouse	Vice President	21,000	24,000

The New York proposals were discussed on the basis of the policies followed by the Board in the past with respect to official salaries at the Federal Reserve Banks and Mr. Leonard stated that with the possible exception of the salary of \$27,500 proposed for Mr. Logan, all of the increases approved by the directors of the Bank were within the salary pattern that had been in effect at the Bank for a number of years.

It was stated that the salary of Mr. Knoke had not been increased since 1939, that with the ending of the war the foreign work of the Bank and particularly its relations with the new international organizations would increase greatly in volume and importance, and that the salary proposed for Mr. Knoke was justified.

Mr. Draper stated that Mr. Phelan had done an excellent job in handling the Regulation V program in the New York District under which the Bank had processed over four billion dollars of guarantees and that in his opinion the increase proposed for Mr. Phelan should be approved.

Chairman Eccles said that Mr. Rouse was doing a good job in handling the open-market operations of the System and that the Board might well approve the increase proposed for him with the understanding

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that the salary for the position which he now occupies would not be permitted to exceed \$25,000.

Mr. Szymczak stated that he would prefer not to approve the increase proposed for Mr. Logan on the basis of a policy that the Vice President and General Counsel of the Bank should not receive more than the salary of the Presidents of 10 of the Federal Reserve Banks and that, therefore, \$25,000 should be regarded as the maximum salary for that position.

It was also suggested that the advice to the New York Bank of the Board's action on salaries should state that approval of Mr. William's salary did not modify the Board's views with respect to the continuation of the part-time service of Mr. Williams as expressed in the Board's letter of March 22, 1946, to Chairman Ruml.

All of the members of the Board indicated agreement with the above comments, whereupon, upon motion by Mr. Szymczak, official salaries at the Federal Reserve Bank of New York were approved unanimously as follows, for the period April 1, 1946 through March 31, 1947, it being understood that the Bank would be advised that for the reason stated by Mr. Szymczak the Board was not willing to approve a salary at the rate of \$27,500 for Mr. Logan but approved for him a salary at the rate of \$25,000 per annum if fixed by the directors at that rate:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Edward O. Douglas	Vice President	\$14,000
J. Wilson Jones	Vice President	17,000
Herbert H. Kimball	Vice President	15,000
L. Werner Knoke	Vice President	22,500
Arthur Phelan	Vice President	18,000
Harold V. Roelse	Vice President	16,000
Robert G. Rouse	Vice President	24,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
John H. Williams	Vice President	\$22,000*
Valentine Willis	Vice President	17,000
Reginald B. Wiltse	Vice President	16,000
Todd G. Tiebout	Asst. General Counsel	15,000
Rufus J. Trimble	Asst. General Counsel	14,000
Loren B. Allen	Assistant Vice President	10,500
Harold A. Bilby	Assistant Vice President	11,500
Felix T. Davis	Assistant Vice President	11,000
Norman P. Davis	Assistant Vice President	11,500
Silas A. Miller	Assistant Vice President	14,000
Horace L. Sanford	Assistant Vice President	12,000
William F. Sheehan	Chief Examiner	14,000
Otto W. Ten Eyck	Assistant Vice President	12,000
William F. Treiber	Assistant Vice President and Secretary	13,000
John H. Wurts	Assistant Vice President	11,000
William F. Abrahams	Manager, Security Custody Department	7,500
Dudley H. Barrows	Manager, Cash Department	10,000
Curtis R. Bowman	Manager, Credit Department and Discount Department	8,000
Harry M. Boyd	Manager, Savings Bond Re- demption Department	8,500
Wesley W. Burt	Manager, Government Bond Department	10,000
James J. Carroll	Manager, Planning Department	8,500
Paul R. Fitchen	Manager, Cash Custody De- partment	7,000
Marcus A. Harris	Manager, Securities Depart- ment	9,500
William A. Heinl	Manager, Personnel Depart- ment	8,000

*This approval does not modify the Board's views with respect to the continuation of the part-time service of Dr. Williams as expressed in Chairman Eccles' letter of March 22, 1946 to Chairman Ruml. During period of part-time service to the bank, the salary paid Mr. Williams will be at a rate equal to that proportion of his regular annual salary which the number of days a week spent by him at the bank bears to 5. It is understood that under this arrangement when Mr. Williams serves on a part-time basis of less than 5 days a week his daily pay will be at the rate of one-fifth of his weekly salary at the regular annual rate, that when he serves on a full-time basis of five or more days a week he will continue to be paid his weekly salary at the regular annual rate, and that overtime will not be paid when he works more than 5 days a week.

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Peter P. Lang	Acting Manager, Foreign Department	\$7,500
Daniel J. Liddy	Manager, Foreign Department	8,500
Michael J. McLaughlin	Manager, Collection Department	7,500
Spencer S. Marsh, Jr.	Manager, Accounting Department	7,500
Franklin E. Peterson	Manager, Bank Relations Department	8,000
Ralph W. Scheffer	Manager, Check Department	8,500
Charles N. Van Houten	Manager, Safekeeping Department	9,500
Roy E. Wendell	Manager, Government Check Department	7,500
Harold M. Wessel	Manager, Foreign Funds Control Department	8,000
John J. Clarke	Assistant Counsel and Assistant Secretary	8,500
William H. Dillistin	General Auditor	16,000
Donald J. Cameron	Assistant General Auditor <u>Buffalo Branch</u>	11,000
Insley B. Smith	Managing Director	11,000
Halsey W. Snow	Cashier	8,000
George J. Doll	Assistant Cashier	7,200
M. Monroe Myers	Assistant Cashier	6,000

Approval was also given to the payment of salary to Mr. Brome, who had resigned as Assistant Counsel and Assistant Secretary effective April 30, 1946, for the period April 1 through April 30, 1946, at the present rate of \$8,500 per annum.

The salaries proposed for the officers of the Federal Reserve Bank of Chicago were reviewed in the light of the previous discussions with respect to increases proposed for Vice Presidents Sihler and Netterstrom at the head office and Harris at the Detroit Branch. Mr. Leonard's memorandum stated that the salary of \$15,000 which Mr. Harris was now receiving was the largest salary paid any present officer in charge of a Branch of a Federal Reserve Bank; that if the

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increase of \$1,500 proposed by the directors for Mr. Harris was approved he would be receiving a larger salary than had previously been paid a Branch officer; that the reason given for the suggested increase was that President Young expected Mr. Harris to participate in the formulation of policies of the head office and spend more and more time in Chicago; and that on the basis of the considerations set forth in the memorandum the salary of a thoroughly qualified officer in charge of one of the larger branches filling his position with distinction might well approximate in some cases that of a senior Vice President at the head office. All of the members of the Board indicated agreement with this position.

It was noted that an increase of \$1,000 to the rate of \$11,000 per annum was proposed in the salary for Mr. Diercks as Assistant Vice President and Chief Examiner but that no mention was made of any intention on the part of the Bank to fill the existing vacancy in the position of Vice President in Charge of Examinations. Reference was made to the informal efforts of members of the Board to get the Bank to appoint a qualified officer to fill this vacancy and to the apparent reluctance of President Young to make a recommendation and it was agreed that while Mr. Diercks was a satisfactory person for the position of Chief Examiner and the salary proposed by the directors for him in that position would be justified, proper supervision of the examination work of the Bank, which was the second largest in the

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System, required that the position of Vice President in Charge of Examinations be filled by a well qualified individual, and that, therefore, the Board should continue to press for action by the Bank to appoint such an officer.

Upon motion of Mr. Szymczak, official salaries at the Federal Reserve Bank of Chicago were approved unanimously as follows for the period April 1, 1946 through March 31, 1947:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Neil B. Dawes	Vice President	\$13,000
J. H. Dillard	Vice President	15,000
John K. Langum	Vice President	10,000
Otto J. Netterstrom	Vice President	15,500
Arthur L. Olson	Vice President	15,000
Alfred T. Sihler	Vice President	16,500
Paul C. Hodge	General Counsel	10,500
William C. Bachman	Assistant Vice President	10,500
Wilford R. Diercks	Assistant Vice President	11,000
Mark A. Lies	Assistant Vice President	9,000
Louis G. Meyer	Assistant Vice President	9,000
F. L. Purrington	Assistant Vice President	9,000
Wm. W. Turner	Assistant Vice President	10,000
Allan M. Black	Cashier	10,500
John J. Endres	Auditor	11,000
John W. Garvy	Assistant General Counsel	8,000
Orville C. Barton	Assistant Counsel	6,450
Edward D. Bristow	Assistant Cashier	5,500
Phil C. Carroll	Assistant Cashier	6,500
Walter A. Hopkins	Assistant Cashier	8,500
Laurence H. Jones	Assistant Cashier	7,500
Clarence T. Laibly	Assistant Cashier	7,500
Frank A. Lindsten	Assistant Cashier	9,000
Harold J. Newman	Assistant Cashier	8,000
Ingolf Petersen	Assistant Cashier	6,500
Jesse G. Roberts	Assistant Cashier	8,500
Carl M. Saltnes	Assistant Cashier	8,000
Edward A. Heath	Assistant Cashier and Assistant Secretary	7,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Detroit Branch</u>	
Ernest C. Harris 1/	Vice President	\$16,500
Harlan J. Chalfont	Manager	12,000
Harold L. Diehl	Cashier	8,000
R. W. Bloomfield	Assistant Cashier	7,500
Wm. T. Cameron	Assistant Cashier	7,500
Arthur J. Wiegandt	Assistant Cashier	7,000
Kenneth E. Haefele	Assistant Counsel and Assistant Cashier	6,500

1/ Vice President Head Office assigned to Detroit Branch.

Mr. Szymczak inquired whether the other Federal Reserve Banks should be advised of the basis upon which the official salaries of the Federal Reserve Banks of New York and Chicago had been considered by the Board. It was stated that the salary lists received from the Federal Reserve Banks of Boston and Cleveland, which would be submitted to the Board for action at a later date, appeared to have been considered by the directors on substantially the same grounds as at New York and Chicago but that the directors of the Federal Reserve Bank of San Francisco had acted solely on the basis of merit in individual cases without regard to higher living costs or other factors which had been taken into account by the Federal Reserve Banks of New York and Chicago.

It was agreed unanimously that the San Francisco Bank should be advised informally of the basis upon which the New York and Chicago salaries had been considered by the Board.

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

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The action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 8, 1946, were approved unanimously.

Memorandum dated April 8, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Anna M. Utz be appointed to the position of charwoman in that Division on a temporary basis for a period of two months, at a salary of \$1,440 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 also stated that Mrs. Utz will not become a member of the retirement system during her temporary appointment.

Approved unanimously.

Memorandum from Mr. Thomas, Director of the Division of Research and Statistics, dated April 4, 1946, submitting the resignation of Mr. G. L. Bach, an Economist in that Division, who has been on military leave since April 25, 1944, and recommending that the resignation be accepted, effective at the close of business April 1, 1946, the day prior to his entrance upon duty at the Department of Commerce, and that proper lump sum payment be made to Mr. Bach for the annual leave remaining to his credit at that time.

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A motion was made that the resignation was accepted as recommended.

10:30 a.m.

Thereupon the meeting adjourned.

[Handwritten Signature]
Secretary.

Approved:

[Handwritten Signature]
Chairman.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 9, 1946, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 9, 1946, were approved unanimously. Mrs. Margaret Hillier, Director of the Division of Personnel, was appointed to the position of Mrs. Margaret Hillier, Director of the Division of Personnel, at the close of which she will be relieved of her duties. Her resignation is accepted and she will be relieved of her duties for any accrued annual leave pay and other benefits at that time.

The resignation was accepted as recommended.

Minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 9, 1946, were approved unanimously. Mrs. Margaret Hillier, Director of the Division of Personnel, was appointed to the position of Mrs. Margaret Hillier, Director of the Division of Personnel, at the close of which she will be relieved of her duties. Her resignation is accepted and she will be relieved of her duties for any accrued annual leave pay and other benefits at that time.