

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

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Paulger, Director of the Division
of Examinations
Mr. Smead, Director of the Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Thomas, Director of the Division of
Research and Statistics
Mr. Leonard, Director of the Division of
Personnel Administration
Mr. Townsend, Assistant General Counsel
Mr. Cagle, Assistant Director of the
Division of Examinations

As stated in the minutes of the meeting on May 8, 1946, Mr. Vardaman was absent on official business.

Before this meeting copies of memoranda dated April 25, and May 8, 1946, from Mr. Leonard with respect to official salaries at the Federal Reserve Banks of Boston, Cleveland, and San Francisco as proposed by the directors of the respective Banks were sent to each member of the Board in attendance at the meeting. The information contained in the memoranda and salary schedules attached thereto was reviewed.

In connection with the increase of \$1,500 to the rate of \$10,000 per annum in the salary of Mr. Fogg, Auditor at the Federal Reserve Bank of Boston, reference was made to the fact that Mr. Fogg continued to serve as administrative and financial adviser to the Frances E. Willard

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Settlement, a charitable institution in Boston, for which he received compensation at the rate of \$2,100 per annum. Mr. Leonard stated that in the discussions of the salary proposals with the Board's Personnel Committee question was raised whether this outside connection should be discontinued, and in a subsequent conversation with Chairman Creighton the latter stated that the connection did not require Mr. Fogg's absence from the Bank during working hours and it was felt that the retention of the arrangement should be permitted. Mr. Leonard also said that, since Mr. Fogg was nearly 60 years of age and would retire in about five years, there was a question whether he should be required to give up the connection which had been of long standing with the knowledge of the Board and which might afford him a desirable part-time employment after his retirement, that the policy of the Board was that officers and employees of a Federal Reserve Bank occupying responsible positions should refrain from being placed in any position which might embarrass the Reserve Bank in the conduct of any of its operations or result in questions being raised as to the independence of their judgment or their disinterestedness in the discharge of their responsibilities, and that Mr. Fogg's arrangement with the settlement house was not contrary to that policy and, except for the monetary consideration, would not be a business relationship in the usual sense.

In the discussion which ensued members of the Board expressed the opinion that, notwithstanding the considerations mentioned by Mr. Leonard,

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the Board should approve the increase proposed for Mr. Fogg subject to the condition that within a period of one year he would discontinue the arrangement with the settlement house.

It was also the feeling of the members present that, inasmuch as Assistant Vice President Latham and Assistant Cashier Gilbody of the Boston Bank had received substantial increases in the last three years, increases in their salaries should not be more than \$1,050 to the rate of \$7,500 per annum for Mr. Latham and \$750 to the rate of \$7,000 per annum for Mr. Gilbody.

In connection with the salaries proposed for the officers of the Federal Reserve Bank of Cleveland, it was stated that an increase of \$500 had been approved by the Directors for Vice President Taylor who was past 63 years of age and who had been regarded generally as a rather weak officer. The reason given by President Gidney for the increase was higher living costs and the feeling that this recognition, even though slight, would help Mr. Taylor and the Bank in the last year and a half of his Federal Reserve Bank career. It was the view of the members of the Board present that since the proposed increase did not appear to be based on individual merit the reasons given by Mr. Gidney did not justify approval of the increase by the Board.

No advice had been received from the Federal Reserve Bank of Cleveland with respect to the salary fixed by the Directors for President Gidney for the year beginning May 1, 1946, but the Board had been

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advised informally that Chairman Brainard intended to come to Washington to discuss the matter with the Board. There was agreement that, inasmuch as Mr. Gidney's salary was already at the maximum of \$25,000 per annum fixed by the Board for the position, there was no reason why the Board should not advise the Bank that it approved the salary which Mr. Gidney was now receiving if fixed by the Directors at that rate.

In the course of the discussion reference was made to the difficulty experienced by the Board each year in reaching decisions on salaries proposed by the Directors for the officers of the Federal Reserve Banks and Chairman Eccles suggested that before the time arrived for consideration of official salaries next year the Board should approve some kind of classification plan on which such salaries could be based. All of the members present concurred in this suggestion with the thought that the Board would confer with the Presidents' Conference or a committee thereof in working out a satisfactory plan to be adopted by the Board.

At the conclusion of the discussion, the following unanimous actions were taken:

(1) Salaries fixed by the directors for officers of the Federal Reserve Bank of San Francisco for the period May 1, 1946, to April 30, 1947, inclusive, were approved as follows, it being understood that when President Clerk was in Washington in connection with the Presidents' Conference in June he would be advised that the Board would be willing to consider somewhat more liberal merit increases in view of changes in salary levels and that it would be indicated to Mr. Clerk at that time how far the Bank might go in this respect:

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
H. N. Mangels	Vice President	\$12,000
H. F. Slade	Vice President	9,000
Jos. M. Leisner	Vice President and Cashier	8,500
W. F. Volberg	Vice President	8,500
E. C. Mailliard	Assistant Vice President	7,000
J. M. Osmer	Assistant Vice President	7,200
R. T. Hardy	Assistant Vice President	7,200
Merritt Sherman	Assistant Cashier	6,500
H. Armstrong	Assistant Cashier	6,000
Ronald T. Symms	Assistant Cashier	6,600
J. A. Randall	Assistant Cashier	6,000
R. C. Milliken	Assistant Cashier	5,000
F. H. Holman	General Auditor	10,000
Albert C. Agnew	General Counsel	16,000
John A. O'Kane	Assistant General Counsel	6,600
Oliver P. Wheeler	Director of Research	9,000

Los Angeles Branch

W. N. Ambrose	Managing Director	12,000
Fred C. Bold	Assistant Manager	8,500
M. McRitchie	Assistant Manager	6,600
L. C. Meyer	Assistant Manager	6,500
W. D. Durran	Assistant Manager	5,500
C. H. Watkins	Assistant Manager	6,600
E. R. Barglebaugh	Assistant Manager	5,500

Portland Branch

D. L. Davis	Managing Director	10,000
S. A. MacEachron	Assistant Manager	7,500
D. E. Bent	Assistant Manager	5,500
J. P. Blanchard	Assistant Manager	5,000

Salt Lake City Branch

W. L. Partner	Managing Director	9,500
R. E. Everson	Assistant Manager	6,600
W. M. Scott	Assistant Manager	5,300
O. H. Barnard	Assistant Manager	5,000

Seattle Branch

C. R. Shaw	Managing Director	10,000
B. A. Russell	Assistant Manager	6,600
D. E. Simms	Assistant Manager	5,800
R. H. Morrill	Assistant Manager	6,000

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(2) The Secretary was requested to advise the Federal Reserve Bank of Boston that the Board was not willing to approve salaries at the rate of \$8,000 for Assistant Vice President Latham and \$7,250 for Assistant Cashier Gilbody but that it approved salaries for the two officers for the year beginning May 1, 1946, at rates of \$7,500 and \$7,000 per annum, respectively, if fixed by the Directors at those rates, and that the Board approved a salary at the rate of \$10,000 per annum for Mr. Fogg for the year beginning May 1, 1946, with the understanding that within a period of one year he would discontinue the existing arrangement under which he served as administrative and financial adviser to the Frances E. Willard Settlement.

(3) Salaries fixed by the directors for other officers of the Federal Reserve Bank of Boston for the period May 1, 1946, to April 30, 1947, inclusive, were approved as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Ellis G. Hult	Vice President	\$14,000
Carl B. Pitman	Vice President	14,000
Oscar A. Schlaikjer	Vice President and General Counsel	14,000
John C. Hunter	Cashier	10,000
Ansgar R. Berge	Secretary and Assistant Counsel	9,000
Roy F. Van Amringe	Assistant Vice President	8,000
Louis A. Zehner	Assistant Vice President	7,500
Edward A. Davis, Jr.	Assistant Vice President	7,500
Robert B. Harvey	Assistant Cashier	7,000
Edward R. Murphy	Assistant Cashier	6,750

Secretary's Note: The Board was prepared at this meeting to approve salaries of officers proposed by the Cleveland directors as set forth in First Vice President Fletcher's letter of April 13, 1946, with the exception of the increase recommended for Vice President Taylor. However, in a telephone conversation with Mr. Leonard, President Gidney stated that the letter was sent inadvertently in his absence and

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he would appreciate it if action by Board were withheld until a revised list of salaries which would not include the increase proposed for Mr. Taylor could be submitted to the Board for action. Accordingly, formal action on salaries of officers at the Cleveland Bank was deferred pending receipt of a further letter from President Gidney.

There were then presented telegrams to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond and Messrs. McLarin and Gilbert, Presidents of the Federal Reserve Banks of Atlanta and Dallas, stating in each case that, effective May 10, 1946, the Board approved (1) the elimination by the Bank of the preferential rate of 1/2 per cent on advances to member banks under paragraphs 8 and 13 of Section 13 of the Federal Reserve Act secured by obligations of the United States which had one year or less to run to call date or to maturity, if no call date, it being understood that the rate of one per cent in effect at the Bank on advances to member banks would be applicable to all advances to member banks secured by such obligations irrespective of the date upon which they matured or may be called, and (2) the reestablishment of all other rates in effect at the Bank.

Approved unanimously.

At this point Messrs. Paulger, Smead, Vest, Thomas, Leonard, Cagle, and Townsend withdrew from the meeting and the action stated with respect to each of the matters hereinafter 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 May 8, 1946, were approved unanimously.

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Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Board approves 15 per cent increase in salaries of employees other than officers as proposed in your letter of May 4 and which you advise was authorized by the directors today effective May 1 subject to the approval of the Board of Governors.

"Please forward a list of any salaries which with this increase are in excess of the amounts which could be paid under the general authorization contained in the Board's letter of November 21, 1945."

Approved unanimously.

Telegram to Mr. Davis, President of the Federal Reserve Bank of St. Louis, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, and the following special condition the Board approves the application of the "Citizens State Bank", Tupelo, Mississippi, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis:

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

The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram also stated that since the

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amount of estimated losses shown in the report of examination for membership was relatively small, the usual condition of membership requiring elimination of losses has not been prescribed, that it was noted, however, that the bank expects to charge off such losses prior to its admission to membership, that the Board grant 60 days in which to accomplish membership, and that it was assumed that the Reserve Bank would follow the matter of the applicant bank reducing to within the statutory limits the excess balances in nonmember banks.

Approved unanimously.

Letter to Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, Washington, D. C., reading as follows:

"Referring further to your letter of March 1, 1946, and the Board's acknowledgment thereof of March 8, regarding the forthcoming Fiscal Agency Conference in Asheville, North Carolina, it is now planned that Mr. David M. Kennedy of the Board's staff will attend the Conference in place of Mr. Piser."

Approved unanimously.

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

"There have been forwarded to you today under separate cover, copies of form F. R. 107b to be used by State member banks in submitting their reports of earnings and dividends for the six months ending June 30, 1946.

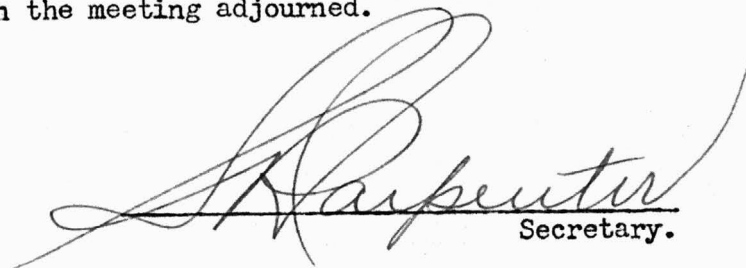
"The form is the same as the one used in submitting reports for the first half of 1945 with the exception of the subdivision of item 1(a), which was made in the forms used for submitting calendar year 1945 reports."

Approved unanimously.

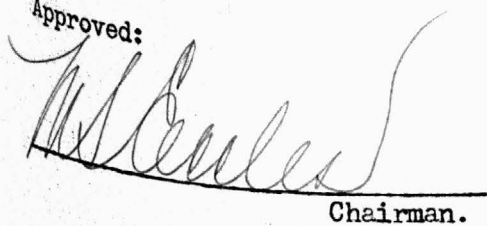
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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.