

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 17, 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. Vest, General Counsel
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Leonard, Director of the Division of Personnel Administration
Mr. Piser, Chief of the Government Securities Section of the Division of Research and Statistics
Mr. Kennedy, Assistant Chief of the Government Securities Section of the Division of Research and Statistics

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

There were presented telegrams to Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, Messrs. Blair, Dillard, and Stewart, Secretaries of the Federal Reserve Banks of Cleveland, Chicago, and St. Louis, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Mangels, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on May 14, by the Federal Reserve Bank of Kansas City, on May 15, and by the Federal Reserve Banks of New York,

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Philadelphia, Cleveland, Chicago, St. Louis, and San Francisco, on May 16, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Leonard stated that yesterday afternoon he and Mr. Vest talked with Mr. Reilly, a member of the National Labor Relations Board, about the reports that had come to the Board of Governors that the A. F. of L. was attempting to organize the employees of the Federal Reserve Bank of Dallas and that the C. I. O. might attempt an organization of the employees of the Federal Reserve Bank of St. Louis. Mr. Leonard also said that after he and Mr. Vest had explained the organization of the Federal Reserve Banks and their relationship to the Board, and after a discussion of the matter, Mr. Reilly suggested that it might be well for the National Labor Relations Board to communicate with its regional offices in Texas and Missouri and state that if any request were made or petition filed regarding employees of a Federal Reserve Bank the matter be referred to Washington before any action was taken, which would give the Board of Governors ample opportunity to consider the matter and, if desirable, to file a memorandum of its views on the question whether the National Labor Relations Act should apply to the Federal Reserve Banks.

All of the members of the Board present were in agreement that the Federal Reserve Banks should be advised of the situation as reported by Mr. Leonard and unanimous approval was given to the following letter to the Presidents of all of the Reserve Banks:

"Due to reports reaching us that efforts are being made to organize into a union the employees of at least one of the Federal Reserve Banks, Messrs. Leonard and Vest of the Board's

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"staff on yesterday conferred on an informal basis with a member of the National Labor Relations Board, in order to obtain such information as might be available and also to explain something about the nature and functions of the Reserve Banks.

"During the course of the conversation the member of the Labor Relations Board suggested, in view of the circumstances which had been discussed, that it might be well for the Labor Relations Board to wire some or all of its regional offices and ask that, if any request were made or petition filed regarding the employees of a Federal Reserve Bank, the matter be referred by the regional office to the National Labor Relations Board in Washington before any action is taken.

Messrs. Leonard and Vest endorsed this suggestion and expressed the hope that it would be carried out very promptly. It is understood that if and when any such question is referred to the National Labor Relations Board opportunity will be afforded to the Board of Governors to express its views in the matter.

"In the circumstances, it will be appreciated if you will advise us fully and promptly of any developments which may come to your attention in connection with the possible organization of the employees of your bank."

At this point Messrs. Hammond, Thurston, Vest, Leonard, Piser, and Kennedy withdrew from the meeting.

Chairman Eccles stated that Mr. Piser had accepted a position with the First Boston Corporation in New York, that Mr. Musgrave, Economist in the Division of Research and Statistics, had considered accepting a position on the staff of Carnegie Institute of Technology, that Mr. Kennedy had just been offered an excellent position with the Continental Illinois Bank and Trust Company in Chicago, and that if all three should leave the Board would have no one to handle the work in the fiscal and taxation fields and in connection with Government securities and the responsibilities of the Federal Open Market Committee that

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they had performed. To meet the situation it was Chairman Eccles' suggestion, after having consulted with Mr. Thomas, that in accordance with the understanding when Mr. Knapp was employed as a Special Assistant to the Chairman he be transferred to the Division of Research and Statistics as an Assistant Director of the Division, that the work in taxation and fiscal policy now under Mr. Musgrave and the work in the Government securities market now under Mr. Piser be merged in a new Government Finance Section in charge of Mr. Musgrave, and that Mr. Kennedy be transferred to the Chairman's office as Special Assistant to the Chairman. Under this arrangement, Chairman Eccles said, Mr. Kennedy would continue to do the work that he had done in the past in connection with the Government securities market and the Federal Open Market Committee, that he would use the members of the staff of the new section in connection with his work in substantially the same manner as Mr. Piser and he had used the staff of the old Government securities section, and that a new man would be brought in who would be an assistant to Mr. Musgrave and who would assist Mr. Kennedy much as the latter had assisted Mr. Piser in the past, so that there would be someone to succeed to Mr. Kennedy's responsibilities if he should decide to leave in a period of six months or a year.

After a discussion, unanimous approval was given to Chairman Eccles' suggestion and to the following annual salaries, all to become effective June 1, 1946:

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<u>Name</u>	<u>Title</u>	<u>Proposed Salary</u>
J. Burke Knapp	Assistant Director, Division of Research and Statistics	\$10,000
David M. Kennedy	Special Assistant to the Chairman	9,000
Richard A. Musgrave	Chief of the Government Finance Section, Division of Research and Statistics	8,225

At this point Mr. Thomas 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 9, 1946, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on May 10, 13, 14, 15, and 16, 1946, were approved and the actions recorded therein were ratified unanimously.

Letter to Mr. Guthrie, Vice President and Cashier of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of Richmond, involving the changing of the title of Manager, Auditing Department, to Assistant Auditor, as submitted with your letter of May 6, 1946."

Approved unanimously.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, reading as follows:

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"The Board approves payment of a salary of \$7,200 per annum and expenses to Dr. K. Brantley Watson as Personnel Consultant for the Federal Reserve Bank of Richmond for a period of one year, under the arrangement as outlined in your letter of May 15."

Approved unanimously.

Letter to Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In view of the recommendation contained in your letter of May 11, 1946, the Board of Governors will interpose no objection, under the provisions of condition of membership numbered 8 to which the member bank is subject, to the investment of approximately \$67,200 by the American Trust and Banking Company, Chattanooga, Tennessee, for the purpose of securing a site and providing a building for its branch at the north end of the Market Street Bridge on Cherokee Boulevard in Chattanooga."

Approved unanimously.

Letter to Mr. Gentry, First Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"This is in reply to your letter of May 14, 1946, with respect to the Board's telegram of May 9, approving an increase of 15 per cent in the salaries of all employees other than officers.

"You are correct in the assumption that this approval also applies to the salaries of the Assistant Federal Reserve Agent, Alternate Assistant Federal Reserve Agents, and Federal Reserve Agent's Representatives."

Approved unanimously.

Letter to Banco de Mexico, S. A., Mexico, D. F., Mexico, reading as follows:

"We acknowledge with appreciation your letter of May 8 informing us that you have sold all the shares held by you

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"in the Pan American Trust Company of New York.

"Your success in disposing of these shares must be very gratifying, and we have no doubt that equal success will mark the resale by the Nacional Financiera and the Banco Nacional de Comercio Exterior of the 13,200 shares still held by them."

Approved unanimously.

Letter to the Organizers of "The Grant County State Bank", Bayard, New Mexico, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition 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:

- "4. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$50,000 and other capital funds of not less than \$12,500."

The letter also contained the following special comments:

"Since the application for membership was made on behalf of The Grant County 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.

"Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the charter has been issued and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

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"The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 6 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 a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"As you were advised in a telegram dated May 17, 1946 the Board of Governors of the Federal Reserve System has approved the application made on behalf of 'The Grant County State Bank', Bayard, 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 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 \$50,000 has been paid in, that a charter has been issued, and not less than \$12,500 of 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 certified copies of all organization papers should be forwarded to the Board, together with a copy of Counsel's opinion. In this connection, attention is called to the fact that the amended Certificate of Incorporation which accompanied the application for membership was not certified by the State authorities. 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.

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"It is assumed, of course, that the bank will be given all possible assistance in obtaining the services of an experienced operating officer and that, at the time of admission to membership, its management will be satisfactory to the Reserve Bank."

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

"It has become evident that there is little likelihood of enactment by the Congress of the Wagner-Spence Bill (S. 511 and H. R. 591), and the Board therefore has been giving consideration to a different and much simpler approach. There is enclosed herewith a copy of a proposed bill and of a proposed letter and statement which might be sent to the Banking and Currency Committees of the Senate and House of Representatives.

"Briefly stated, the substitute would have the following effects:

(1) It would repeal altogether section 13b of the Federal Reserve Act containing the present industrial loan authority of the Federal Reserve Banks.

(2) The Reserve Banks would repay to the Treasury the total amounts which they have received from the Treasury under section 13b and would be relieved of any further obligation or liability to the United States or to the Secretary of the Treasury under that section.

(3) The existing authority in the last paragraph of section 13 of the Federal Reserve Act to make loans to individuals, partnerships or corporations would be amended

(a) by eliminating the requirement that such loans be secured by direct obligations of the United States together with the subsequent language and (b) by adding authority to guarantee financing institutions against loss on loans to business enterprises and to purchase such loans from financing institutions.

"For the Board's assistance in considering this proposal, it will be appreciated if you will give the Board the benefit of any views or suggestions which you may have, as soon as practicable. At this stage the Board desires that this matter be kept strictly confidential between yourself and the other officers of your bank.

Approved unanimously.

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Letter to Mr. Sienkiewicz, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"This refers to your letter of May 8, 1946, enclosing a copy of a letter from the Deputy Administrator of the Veterans Loan Authority of the State of New Jersey and a copy of a bill which is now known as Chapter 121 of the 1946 Pamphlet Laws of the State of New Jersey, which amends the New Jersey Act for guaranteeing and insuring loans to veterans by adding a section making it applicable to loans to finance the purchase of household furnishings and household appliances. The question is whether such loans are exempted from the requirements of Regulation W by the provisions of section 8(o).

"Although, with this amendment, the New Jersey statute is less 'similar' to the Federal Servicemen's Readjustment Act of 1944 than it was prior to the amendment, the Board is nevertheless of the opinion that loans of the type referred to above, as well as the other loans guaranteed or insured under the New Jersey statute are exempted by section 8(o)."

Approved unanimously.

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

"Receipt is acknowledged of your letter of May 10, in response to the Board's letter of April 30 (S-909).

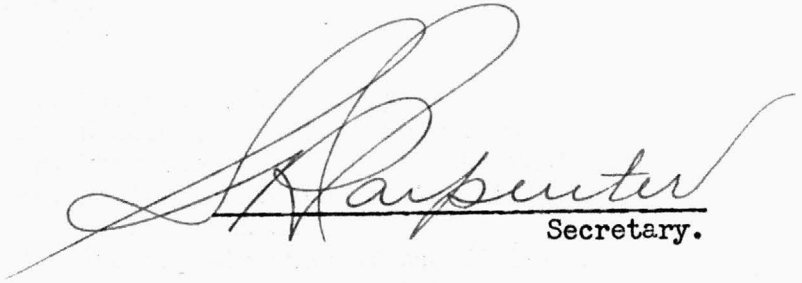
"It is observed that you plan to enlarge the scope of your enforcement activities so as to obtain coverage in excess of the minimum prescribed by the Board, and that you have taken some action and intend to take more in your efforts to obtain close cooperation of Federal and State bank supervisory agencies in your district. By now you will have received the Board's letter of May 13, concerning its discussion with Chairman Harl of the F. D. I. C. and with Mr. Delano, Comptroller of the Currency.

"With regard to the regional conferences referred to in the Board's letter of May 14, the Federal Reserve Bank of Atlanta will be in touch with you to arrange details of your participation."

Approved unanimously.

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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.