

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 4, 1946, at 11:10 a. m.

PRESENT: Mr. Eccles, Chairman (first part of meeting)
 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. Smead, Director of the Division
 of Bank Operations
 Mr. Leonard, Director of the Division
 of Personnel Administration
 Mr. Vest, General Counsel
 Mr. Thomas, Director of the Division
 of Research and Statistics

Mr. Szymczak stated that President Clerk of the Federal Reserve Bank of San Francisco, who is in Washington in connection with the meetings of the Federal Open Market Committee and the Presidents' Conference, had discussed with him this morning the plans of the Bank for the alteration of the Los Angeles Branch building and in that connection had raised the question whether the request for the necessary authority for the expenditure involved should be presented by the Board to the Congress and whether he should take the matter up with the Senators and Congressmen from California with a view to obtaining their support of a bill granting such authority. Mr. Szymczak said that he had reminded Mr. Clerk that a bill had been introduced in Congress at the suggestion of the Board which would remove the present limitation in the law on the amounts that could be spent by the Federal Reserve Banks for branch buildings and had stated that he did not think the matter should be taken up

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by Mr. Clerk with members of Congress at this time.

In the ensuing discussion the other members of the Board were in agreement that there was no likelihood of action in the present session of Congress on the pending bill or with respect to authorizations for specific branch buildings, and that, therefore, President Clerk should not take the matter up with the Senators and Congressmen from California at this time.

It was understood that Mr. Szymczak would so advise President Clerk.

Mr. Szymczak then stated that President Leach, Chairman of the executive committee of the Board of Trustees of the Retirement System, had asked for an informal expression of the Board's views with respect to a suggested liberalization of benefits provided by the Retirement System of the Federal Reserve Banks.

At Mr. Szymczak's request, Mr. Leonard explained that the proposed liberalization would take the form of (a) providing that the final average salary upon which the pension portion of the retirement would be calculated shall mean the average salary for the ten consecutive years of service prior to age 65 during which the salary was highest instead of twenty consecutive years of such service, and (b) removing the provision in the rules and regulations of the Retirement System that all salaries in excess of \$15,000 shall be considered as \$15,000 and by increasing the maximum pension that may be granted from \$3,750 to \$6,000 per annum.

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The reason for Mr. Leach's request, Mr. Szymczak said, was that if the Board were not willing to approve the proposal, the matter would not be presented at the meetings of the executive committee of the Retirement System and the Board of Trustees which were to be held tomorrow, but that if the Board were willing at this time to indicate its informal approval, the matter would be presented for formal action at the meetings and subsequently submitted to the Board for formal approval.

Mr. Leonard stated that the Retirement Committee favored the proposal and that yesterday he and Messrs. Smead and Van Fossen, Director and Assistant Director of the Division of Bank Operations, had discussed it and felt that it was entirely reasonable and should be approved.

The matter was discussed in the light of the policy of the Board with respect to official salaries at the Federal Reserve Banks as discussed at the joint meeting of the Presidents and the Board on February 28, 1946, and Mr. Szymczak recommended that Mr. Leach be advised informally that the Board would be willing to approve the proposal if favorable action with respect to it were taken by the Board of Trustees of the Retirement System.

Upon motion by Mr. Vardaman, Mr. Szymczak's recommendation was approved, Mr. Evans "not voting".

Further reference was made to the reply received from Mr. Ruml, Chairman of the Federal Reserve Bank of New York, under date of May 16, 1946, to the Board's letter of March 22, 1946, with respect to the part-time employment by the Bank of John H. Williams.

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All of the members present were in agreement that the Board should not depart from the position which it had taken in the matter and that a letter to Mr. Ruml should be prepared along the lines suggested during a discussion for consideration by the Board.

Under date of March 24, 1946, the Board received a letter from President Young of the Federal Reserve Bank of Chicago, advising that the directors of the Bank had adopted a resolution in which it was stated that they were fully in accord with the recommendation as to salary increases for employees outlined by President Young and authorizing him to advise the Board of Governors that the directors were firmly convinced that such action was advisable and it was earnestly hoped that the Board of Governors would authorize the management of the Bank to make such increases in employees' salaries as it saw fit up to 15 per cent of the first \$3,000 of existing maximums in the personnel classification plan of the Bank and its Detroit Branch over and above any authority previously granted by the Board. Mr. Young's letter stated that if the authority were granted each increase would be considered carefully before approval, that it was felt strongly that these adjustments should be made at the first pay roll date in June, and that if made at a later date on a retroactive basis the desired constructive effect so imperative at this time would be lost.

Mr. Szymczak said that he was in Chicago last week and that the executive committee of the Bank advised him at that time that June was the month in which adjustments in employees' salaries were usually made

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by the Bank, that if action were not taken to become effective at that time it was expected that labor difficulties would follow, that the problem could not be met satisfactorily under the existing authority with respect to salaries, and that the directors had gone over the proposed increase in authority very thoroughly and saw no reason why the plan which had been proposed should be rejected. Mr. Szymczak also said that he had told the executive committee that the Board in its informal discussion of the proposal on May 22, 1946, had not rejected the plan, but felt that it involved a question of System policy which should be discussed at the Presidents' Conference, and that in view of the emergency situation presented by the directors he would bring the matter before the Board again upon his return to Washington and the Bank would be advised of the Board's conclusions.

There was a further discussion of the proposal considered at the meeting of the Board on May 23, 1946, that the personnel classification plans of the Banks be revised with a view to adopting a uniform plan for all Federal Reserve Banks which would be generally in harmony with civil service classifications. It was pointed out that any action taken by the Board in response to the request of the Chicago Bank would not represent a permanent policy but would be for the purpose of meeting the emergency situation pending the revision of the personnel classification plans now in effect. It was also stated that if the authority requested by the Federal Reserve Bank of Chicago was granted the resulting

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salaries of employees at the Bank would not be above the salaries of Government employees in Chicago.

Chairman Eccles stated that if the requested authority were approved by the Board every effort should be made to expedite the revision of the personnel classification plans along the lines contemplated by the Board and that the Federal Reserve Banks should be advised accordingly.

At the conclusion of the discussion Mr. Szymczak moved that the Board grant the additional authority requested by the Federal Reserve Bank of Chicago.

Mr. Szymczak's motion was put by the chair and carried unanimously.

Mr. Szymczak then stated that at a meeting of the National Advisory Council on International Monetary and Financial Problems this afternoon Mr. Martin, Chairman of the Export-Import Bank, planned to present a draft of legislation increasing the lending authority of the Bank and, if agreeable to the Board, he was prepared to recommend the inclusion in the bill of a provision similar to that contained in the Bretton Woods Agreements Act that any Federal Reserve Bank which is requested to do so by the Export-Import Bank shall act as its depository or as its fiscal agent and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve Banks.

It was unanimously agreed that Mr. Szymczak would advise Mr. Martin that the Board would favor such a provision in the proposed bill.

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The meeting then recessed and reconvened at 2:35 p. m., with the same attendance as at the morning session except that Chairman Eccles (who was attending a meeting of the National Advisory Council) and Mr. Thomas were not present.

Mr. Szymczak was elected to act as Chairman pro tem.

Before this meeting there had been furnished to each member of the Board a copy of a memorandum dated May 31, 1946, from Mr. Leonard, submitting the salaries proposed by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta, Minneapolis, Kansas City, and Dallas, for the officers of the respective Banks for the year beginning June 1, 1946. Chairman Eccles had stated before he left for the meeting of the National Advisory Council that he would concur in whatever decisions were made by the other members of the Board with respect to these salaries.

The discussion of the official salaries at the Federal Reserve Bank of Richmond was on an informal basis for the reason that the formal advice of the action of the directors of the Bank had not yet been received.

Mr. Leonard stated that the proposals of the Banks on the whole were reasonable although questions might be raised in connection with salaries proposed in some instances.

During the discussion reference was made to the arrangement under which Mr. Kincaid, Vice President of the Federal Reserve Bank of Richmond, spends five days a week at the Bank and goes to Charlottesville, Virginia, on Saturdays, where he conducts a seminar on monetary and credit matters at the University of Virginia and for which he receives some compensation.

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Mr. Vardaman said that he was opposed to any outside part-time private employment (as distinguished from teaching connected with banking such as A. I. B. classes or the Graduate School of Banking) of officers of the Federal Reserve Banks, that he felt that the work of the banks required the full time of the men who had official responsibility, and that at the appropriate time he would like to have that matter placed on the docket for consideration and action by the Board.

In connection with the consideration of the salaries proposed for the officers of the Federal Reserve Bank of Atlanta there was agreement that the positions of Managing Director at the Jacksonville and New Orleans Branches fully justified salaries at the rates of \$8,500 and \$12,000 per annum, respectively, as proposed by the directors but that there was some question whether Messrs. Vardeman and Paris were measuring up to the responsibilities of the positions in such a manner as to justify increases in their salaries in the amounts proposed.

It was understood that Messrs. Szymczak and Vardaman would discuss this question with Mr. McLarin while he was in Washington this week and that action on official salaries at the Atlanta Bank would be deferred until a later meeting of the Board.

The following salaries of officers of the Federal Reserve Banks of Minneapolis, Kansas City, and Dallas fixed by the directors of the respective Banks for the year beginning June 1, 1946, were approved unanimously:

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Federal Reserve Bank of Minneapolis

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Sigurd Ueland	Vice President and Counsel	\$12,000
E. W. Swanson	Vice President	10,000
H. I. Ziemer	Vice President	9,000
O. R. Preston	Vice President	10,000
H. G. McConnell	Vice President	9,000
A. W. Mills	Cashier and Secretary	9,000
H. C. Core	Personnel Officer	8,000
E. B. Larson	Assistant Vice President	8,000
A. R. Larson	Assistant Cashier	6,500
W. E. Peterson	Assistant Cashier	6,000
W. H. Turner	Assistant Cashier	5,500
M. E. Lysen	Operating Research Officer	6,000
O. W. Ohnstad	Auditor	5,500
P. W. McCracken	Director of Research	6,000
M. H. Strothman, Jr.	Assistant Counsel	6,000

Helena Branch

R. E. Towle	Managing Director	8,500
C. J. Larson	Assistant Manager	5,500

Federal Reserve Bank of Kansas City

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
D. W. Woolley	Vice President and Cashier	\$12,000
Charles O. Hardy	Vice President	12,000
Delos C. Johns	Vice President, General Counsel and Secretary	11,500
John Phillips, Jr.	Vice President	10,000
G. A. Gregory	Assistant Vice President	7,800
E. P. Tyner	Assistant Cashier	7,800
M. W. E. Park	Assistant Cashier	7,600
E. U. Sherman	Assistant Cashier	6,000
F. W. Alexander	Assistant Cashier	5,200
C. E. Sandy	Auditor	7,200
T. Bruce Robb	Director of Agricultural Research	7,200

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Denver Branch

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
G. H. Pipkin	Vice President	\$11,000
F. H. Larson	Cashier	5,800
H. L. Stempel	Assistant Cashier	5,000
Hubert G. Duck	Assistant Cashier	4,800

Oklahoma City Branch

O. P. Cordill	Vice President	10,000
R. L. Mathes	Cashier	6,600
L. B. Davenport	Assistant Cashier	5,200
F. R. Fritz	Assistant Cashier	5,200

Omaha Branch

L. H. Earhart	Vice President	12,000
J. K. Friedebach	Cashier	5,800
U. S. Berry	Assistant Cashier	5,200
William P. Doran	Assistant Cashier	4,500

Federal Reserve Bank of Dallas

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. B. Coleman	Vice President	\$14,000
E. B. Austin	Vice President and Cashier	10,000
H. R. DeMoss	Vice President	9,000
Morgan H. Rice	Assistant Vice President and Secretary	7,500
R. O. Webb	Assistant Cashier	7,000
Mac C. Smyth	Assistant Cashier	7,000
C. M. Rowland	Assistant Cashier	6,800
J. L. Cook	Assistant Cashier	6,500
A. C. Michaelis	Assistant Cashier	6,200
Hubert D. Johnson	Counsel	7,500
F. T. Novey	General Auditor	6,600

El Paso Branch

W. E. Eagle	Vice President	7,000
E. H. Berg	Cashier	4,500
J. H. Barron	Assistant Cashier	4,000

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Houston Branch

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
L. G. Pondrom	Vice President	\$10,000
Howard Carrithers	Cashier	5,500
B. J. Troy	Assistant Cashier	4,800

San Antonio Branch

W. H. Holloway	Vice President	8,500
H. K. Davis	Cashier	5,000
A. E. Mundt	Assistant Cashier	4,500

Mr. Smead referred to the discussions several months ago by a Presidents' Conference Committee and representatives of the Treasury of a proposal to simplify the material required by the Treasury and General Accounting Office in support of vouchers submitted by the Reserve Banks in covering expenses incurred by the Banks in connection with fiscal agency operations. He stated that the matter had been raised again by the General Accounting Office, which was willing to have supporting material simplified in some manner and would prefer in that connection to make inspections or examinations of the pertinent records of the Reserve Banks, but that he was satisfied that if that office were permitted to make inspections the cost of preparing expense vouchers would be increased rather than decreased, and that it was felt that the problem of a simplified procedure which was being studied by a subcommittee of the Presidents' Conference could be worked out without such inspections. He also said that President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations and Reimbursable Expenses, felt that the inspections should not be made. Mr. Smead added that the Treasury had

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employed a man to serve in a liaison capacity between the Federal Reserve Banks and the Treasury and in that capacity apparently would be expected to look into the reasons for differing costs at the different Federal Reserve Banks for the same fiscal agency operation. He went on to say that he had discussed with Mr. Szymczak the procedure that might be followed in this connection and that it was felt that any questions raised by the Treasury should be presented to the Board of Governors and not to an individual Federal Reserve Bank. Mr. Young was in agreement with that procedure, Mr. Smead said, and if satisfactory to the Board he would present the matter at the meeting of the Presidents' Conference on that basis.

All of the members of the Board present concurred that the procedure suggested by Mr. Smead should be followed.

Mr. Morrill stated that at a recent meeting of the Fiscal Agency Conference at Asheville, North Carolina, inquiry had been made at different times during the conference whether an arrangement or procedure under discussion would be approved by the Federal Reserve Bank auditors or by the examiners for the Board of Governors. Mr. Morrill felt that this situation suggested the advisability of having one or more representatives of the auditors of the Federal Reserve Banks present at future Fiscal Agency Conferences.

Mr. Szymczak stated that he had talked to Assistant Secretary of the Treasury Bartelt following the Asheville conference and that the

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latter had made the statement at that time that he would be glad if an arrangement could be made to have representatives of the Treasury attend sessions of the Auditors' Conference at which fiscal agency operations were discussed and to have some of the auditors of Federal Reserve Banks attend the Fiscal Agency Conferences. Mr. Szymczak also said that he planned to discuss this matter with Mr. Paulger, Director of the Division of Examinations, upon the latter's return to Washington.

At this point Messrs. Hammond, Smead, Vest, and Leonard withdrew from the meeting and 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 May 29 were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 31, 1946, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated June 4, 1946, from Mr. Leonard, Director of the Division of Personnel Administration, recommending, with the concurrence of Mr. Vardaman, that Fletcher Edward Brown be appointed as a messenger in Governor Vardaman's office, on a temporary indefinite basis, with salary at the rate of \$1,770 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 the appointment was recommended subject to a satisfactory check of Brown's references, and that it was contemplated that he would become a member of the

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Federal Reserve retirement system unless it developed he had money in the Civil Service Retirement and Disability Fund.

Approved unanimously.

Memorandum dated June 3, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Miss Mary T. Clarke be appointed to the position of stenographer in that Division with salary at the rate of \$2,100 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 Clarke would become a member of the Board's retirement plan.

Approved unanimously.

Letter to the board of directors of the "DeKalb Trust and Savings Bank", DeKalb, Illinois, stating that, subject to conditions of membership numbered 1 to 6 in the Board's Regulation H 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 Chicago.

Approved unanimously, together with the following letter to Mr. Young, President of the Federal Reserve Bank of Chicago. Mr. Vardaman stated that he was approving the application with reservation as to the advisability of prescribing condition number 3, and that he felt that at the appropriate time action should be taken to eliminate that condition:

"The Board of Governors of the Federal Reserve System approves the application of the 'DeKalb Trust and Savings Bank', DeKalb, Illinois, for membership in the Federal Reserve System,

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"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 Auditor of Public Accounts for the State of Illinois, for his information.

"It has been noted that the estimated losses shown in the report of examination for membership consisted largely of the excess carrying value of U. S. Savings Bonds, which is to be offset by accruals within the next three months. Therefore, the usual condition of membership requiring the elimination of losses has not been prescribed. It is assumed, however, that proper provision for all losses will be made as a matter of sound banking practice."

Letter dated June 3, 1946, to Mr. L. Shirley Tark, President of the Main State Bank, Chicago 47, Illinois, reading as follows:

"This will acknowledge your letter of May 17, 1946, enclosing a copy of a letter addressed to the Federal Reserve Bank of Chicago relative to the application of Regulation W to a loan you were contemplating to Four Wheels, Inc.

"The position taken from the start by the Federal Reserve Bank of Chicago, which as you know is considered by us to be correct, is one that we have been aware of from the beginning, since the Reserve Bank has consulted with us and kept us informed throughout the entire period during which you were discussing the matter with them. It has been our view all along that under the regulation as it stands neither the Federal Reserve Bank nor the Board has any option to permit the transaction to be handled in the way proposed.

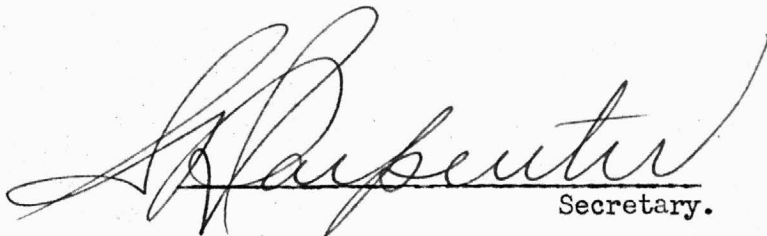
"We realize that in some cases certain lenders will feel, for reasons unrelated to the regulation, that it would be inadvisable for them to go ahead with a transaction in any of the ways that are permissible under the regulation. We do not think that this situation constitutes a flaw in the regulatory scheme and especially not in those instances where the lender wants to make a loan without observing the standard down payment and maturity. But in no case does the regulation forbid one type of lender to do what another is permitted to do."

Approved unanimously.

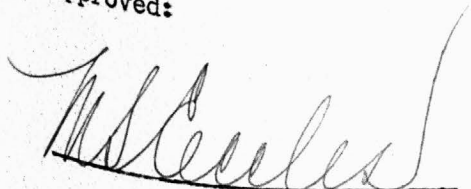
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Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.