

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 7, 1946, at 10:30 a. m.

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

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

Telegrams to Mr. Whittemore, President of the Federal Reserve Bank of Boston, Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York, Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, Messrs. Walden, Bryan, and Powell, First Vice Presidents of the Federal Reserve Banks of Richmond, Atlanta, and Minneapolis, respectively, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gentry, First Vice President of the Federal Reserve Bank of Dallas, 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 Atlanta on June 4, by the Federal Reserve Bank of St. Louis, on June 5, by the Federal Reserve Banks of New York, Philadelphia, Richmond, Minneapolis, Kansas City, Dallas, and San Francisco, on June 6, 1946, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Before this meeting the members of the Board had seen two memoranda dated May 31, 1946, from Mr. Thomas recommending (1) that Alexander N. McLeod be appointed as an economic specialist in the Division of Research and Statistics for a period of not to exceed four months beginning about the middle of June, with basic salary at the rate of \$3,640 per annum, subject to his passing the usual physical examination, and that any general increase in salary scales that might occur during the period of his temporary employment be made applicable to his salary as well, and (2) that the salaries of the following economists in the Division of Research and Statistics be increased in the amounts shown, effective at the beginning of the first pay roll period following approval by the Board:

<u>Name</u>	<u>Present Salary</u>	<u>Proposed Salary</u>
Youngdahl, C. Richard	\$5,180	\$5,600
Bourneuf, Alice	5,180	5,600
Smelker, Mary W.	4,300	4,740
Harley, Charles R.	3,970	4,520
Hinshaw, Randall W.	4,300	4,520
Chapin, Harold F.	3,860	4,080
McCloud, Lyndall C.	3,860	4,080
Painter, Mary S.	3,310	3,530

The recommendations had raised certain questions for Mr. Vardaman and he requested that the recommendations be discussed by the Board.

Mr. Vardaman stated that the procedure under which changes in salaries were submitted for one or more members of a division of the Board's staff at a time, in his opinion, did not afford an adequate opportunity for the members of the Board to make an appraisal of the over-

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all salary situation in the division, and that, after discussing the matter, the Personnel Committee had agreed that hereafter it would review with the division head and Mr. Leonard the salaries of all employees in the division two or three times a year with the understanding that salary increases could be made at any time during the year in accordance with decisions made in the light of such reviews and as conditions and the work of individual employees might justify.

There was a general discussion of the procedure followed by the Board at the present time in the approval of salaries and the reasons for the adoption of the procedure were restated.

Chairman Eccles suggested that, in addition to a periodic review of all salaries in a division, which under the present procedure each division head was required to make at least once each year, it would be well to have periodic analyses of the work of the divisions and the changes that should be made in the organization of the staff to meet changing conditions and requirements.

In connection with the consideration of Mr. Thomas' recommendations, reference was made to the reports that had come to members of the Board and the staff that Miss Painter had been spending considerable time during regular office hours discussing personnel matters with other employees and urging them to press for the adoption of changes in personnel policies. It was made clear during the discussion that there was no objection to her having opinions of her own on these matters and

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being entirely free to express such opinions, but that she should not take time during official working hours to urge these opinions. Mr. Thomas stated that she had been performing her work satisfactorily, that the proposed increase was merely a recognition of the value of her services but that he would speak to her and see that any activity of the kind referred to was not continued during official working hours.

At the conclusion of the discussion the members of the Board present concurred in the procedure proposed to be followed by the Personnel Committee in the consideration of salaries of Board employees, and, upon motion by Mr. Szymczak, the salary increases set forth above were approved unanimously, to become effective June 16, 1946.

With respect to the proposed temporary employment of Mr. McLeod, Mr. Vardaman raised the question why the Board should employ a Canadian to do a job that probably a number of American citizens were qualified to do if they could be found by inquiry through the Federal Reserve Banks and American universities. He questioned whether the proposed arrangement with Mr. McLeod could be regarded as a part of a program for the exchange of personnel with other countries or a part of a program for the training of foreign central bank employees in this country. In view of the problem faced by this country of finding employment for veterans, he felt the Board should follow the course of employing only American citizens in all cases other than those which were clearly in accordance with a definite program for the exchange of employees with foreign central banks or governments.

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Mr. Thomas stated that while Mr. McLeod was in this country on leave of absence from the Canadian Department of Finance, was doing postgraduate study in economics at Harvard, and his proposed employment by the Board was only for the summer months, the recommendation was not made for the purpose of furnishing him a chance to study in the Board's offices, but because he would be able to make a contribution to the work of the Division of Research and Statistics which would justify his salary, his presence in the Division would be of value as a source of information regarding the monetary and fiscal research work and statistics of the Dominion of Canada, and the arrangement would result in familiarizing someone in a responsible position in the Canadian Government with the problems encountered in this country and the methods by which this Government attempted to solve them.

There was a general discussion of the consideration which had been given by the Board to participation in training programs for foreigners sent to this country for study, and the policy followed during the war with respect to the employment of foreigners. During the discussion, Mr. Vardaman expressed the opinion that the objectives of the Board should be, (1) whenever an American citizen was available for a particular task he should be employed instead of a foreigner, (2) whenever a study was to be made in another country the Board should send someone to make the study rather than to have the work done by a foreigner, (3) to have as wide a representation of the various parts of the United States on the Board's staff as possible, and (4) to have a formalized policy with respect to the

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exchange of personnel with foreign central banks and governments. The other members of the Board stated that they agreed with these objectives.

Upon motion by Mr. Szymczak, the temporary employment of Mr. McLeod as recommended by Mr. Thomas was approved unanimously with the understanding that he would not become a member of the Retirement System during the period of his employment.

Mr. Szymczak stated that in accordance with the understanding at the meeting of the Board on June 4, 1946, he and Mr. Vardaman had discussed with Mr. McLarin, President of the Federal Reserve Bank of Atlanta, the increases in salaries proposed by the directors of the Bank for Messrs. Vardeman and Paris as managing directors of the Jacksonville and New Orleans Branches, respectively. He said that, while Mr. McLarin agreed that Mr. Vardeman was not meeting the responsibilities of managing director satisfactorily, it was understood that he would be retired at the end of the year, that the increase was recommended solely for the purpose of giving him a larger retirement allowance, and that it was planned that he would be succeeded at the end of the year by Mr. Pike now serving as assistant manager of the Nashville Branch.

In this connection, Mr. Vardaman stated that he felt strongly that when a branch manager or other officer of a Federal Reserve Bank having relations with the public was not satisfactorily discharging his responsibilities, in order to avoid injury to the standing of the Federal Reserve System he should be assigned to duties in another office of the Bank. He felt that there had been instances in the past where the re-

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tention of such officers had resulted in injury to the System and that every effort should be made to prevent further situations of this kind.

Mr. Szymczak stated that Mr. McLarin felt that the practice at the New Orleans Branch, of shipping securities by registered mail without adequate mail advice to the addressee so that the receipt of the securities could be properly checked, had been corrected, that while Mr. Paris had been at fault in allowing the practice to continue as long as it had the matter had been satisfactorily straightened out, and that the increase recommended for Mr. Paris should be approved.

Thereupon, upon motion by Mr. Szymczak, official salaries at the Federal Reserve Bank of Atlanta were approved unanimously as follows for the year beginning June 1, 1946, with the understanding that Mr. Pike would be moved to Jacksonville and would take over the duties of managing director as rapidly as possible looking to the retirement of Mr. Vardeman at the end of the year:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. S. McLarin, Jr.	President	\$25,000
Malcolm H. Bryan	First Vice President	16,000
V. K. Bowman	Vice President	9,000
L. M. Clark	Vice President	13,500
H. F. Conniff	Vice President	8,000
S. P. Schuessler	Vice President	7,500
J. H. Bowden	Assistant Vice President	6,000
C. R. Camp	Assistant Vice President	6,600
J. R. McCravey, Jr.	Assistant Vice President	6,700
Pollard Turman	General Counsel	9,000
J. E. Denmark	General Auditor	7,500
Earle L. Rauber	Director of Research	6,200



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Birmingham Branch

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
P. L. T. Beavers	Managing Director	\$ 8,500
H. C. Frazer	Assistant Manager	6,000
H. J. Urquhart	Cashier	5,500
L. W. Starr	Assistant Cashier	4,500

Jacksonville Branch

Geo. S. Vardeman, Jr.	Managing Director	8,500
T. A. Lanford	Cashier	6,600
Thomas C. Clark	Assistant Cashier	4,800
J. Wyly Snyder	Assistant Cashier	4,000

Nashville Branch

Joel B. Fort, Jr.	Managing Director	7,500
W. E. Pike	Assistant Manager	6,600
E. R. Harrison	Cashier	6,000

New Orleans Branch

E. P. Paris	Managing Director	12,000
M. L. Shaw	Cashier	7,200
L. Y. Chapman	Assistant Cashier	4,800
W. H. Sewell	Assistant Cashier	6,000
F. C. Vasterling	Assistant Cashier	4,500

Following an informal discussion of salary increases being considered by the directors for officers of the Federal Reserve Bank of St. Louis, Mr. Leonard stated that in accordance with the understanding at the meeting of the Board on May 9 he had informed President Clerk of the Federal Reserve Bank of San Francisco of the Board's attitude toward further increases in official salaries at that Bank to meet higher living costs and that Mr. Clerk had discussed with him the further increases that might be recommended by him to the directors of the Bank.



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At this point Messrs. Hammond, Morrill, Vest, Leonard and Thomas 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 June 6, 1946, were approved unanimously.

Memorandum dated June 6, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Alvin C. Walters, who has been on military leave, be appointed as an Assistant Federal Reserve Examiner, assigned to the road force, with salary at the rate of \$4,080 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Mr. Alvin C. Walters was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with basic salary at the rate of \$4,080 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Memorandum dated June 6, 1946, from Mr. Parry, Director of the Division of Security Loans, submitting the resignation of Miss Lucille Barnett, a Research Assistant in that Division, and recommending that the resignation be accepted effective at the close of business July 8, 1946.

The resignation was accepted  
as recommended.

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Letter prepared for the signature of Chairman Eccles to  
Honorable J. H. Hildring, Assistant Secretary, Department of State,  
Washington, D. C., reading as follows:

"In response to your letter of May 28, the Board is glad to extend Mr. A. C. Bunce's leave of absence so that he may continue to serve as Economic Adviser to General Hodge in Korea. We regret, however, that we find it inadvisable to extend the leave beyond November 1, 1946. We trust that by that time you will have found it possible to replace him.

"We are much gratified by your praise of Mr. Bunce's services and by the assurance that his work has been of exceptional value."

Approved unanimously.

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

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of Cleveland, involving the establishment of the position of Physician, as submitted with your letter of June 3, 1946."

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of May 27, 1946, submitting the request of the Chemical Bank & Trust Company, New York, New York, for permission to establish a branch in Lake Success, New York.

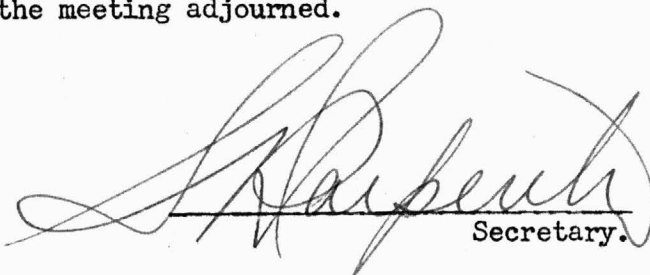
"In view of your recommendation the Board of Governors approves the establishment and operation, for the purposes specified by the Banking Department of the State of New York, of a branch in Lake Success, New York, by the Chemical Bank & Company, New York, New York, with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

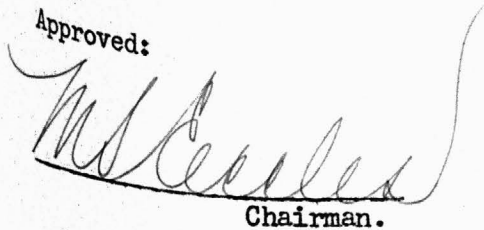
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Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.