

Minutes of actions taken by the Board of Governors on Friday,  
December 6, 1946. The Board met in the Board Room at 3:30 p.m.

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

Mr. Carpenter, Secretary

Also present were Messrs. Dearmont and Davis, Chairman and  
President, respectively, of the Federal Reserve Bank of St. Louis.

Mr. Eccles read an excerpt from the minutes of the Board on  
October 18, 1946, which included the understanding that he would  
call President Davis on the telephone and tell him that the question  
of the continuation of Mr. Hitt as First Vice President of the Bank  
had been brought up by Mr. Vardaman and that it had been suggested  
that the Board discuss this and related personnel matters with Mr.  
Davis and, if he would prefer, with the Chairman of the board of  
directors, a committee of directors, or any other of the members of  
the board of directors whom Mr. Davis might wish to have come to  
Washington for the purpose. Chairman Eccles also said that in  
accordance with this understanding he called Mr. Davis and, hav-  
ing in mind that Mr. Dearmont would be here today in connection  
with the Conference of Chairmen of the Federal Reserve Banks, a  
meeting of the Board with Messrs. Dearmont and Davis was arranged  
for this afternoon.

Mr. Vardaman stated that one of the first complaints that  
came to him after he became a member of the Board was from the

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Board's Division of Examinations about the conduct of the Federal Reserve Bank of St. Louis and that he then learned that Mr. Hitt, who apparently no one felt was adequately qualified for the position, had recently been reappointed as First Vice President of the Bank for a five-year term. He said that he had discussed the matter with Mr. Davis who indicated that there was some prospect that Mr. Hitt would get a position outside the Federal Reserve Bank, that later some of the members of the board of directors complained to him (Mr. Vardaman) about Mr. Hitt, and said that Mr. Hitt was elected First Vice President because it was understood by the board of directors that the Board of Governors wanted him re-elected. He made the further statement that at about the same time when he was in Little Rock several bankers met with him informally to object to the sending of Mr. Peterson, Vice President from the head office, to the Little Rock Branch to succeed Mr. Bailey as Vice President in charge of the Branch, and that apparently the bankers felt that if Mr. Peterson were transferred to Little Rock there would be no one at the head office who knew the affairs of the member banks except Mr. Attebery who had no authority to act. Mr. Vardaman also said that he told the bankers that he could not and would not be in a position of interfering with the management of a Federal Reserve Bank and particularly in St. Louis where he had lived, but that he would advise the Board of Governors and Mr. Davis of the conversation. He went on to say that the

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bankers expressed the opinion that Mr. Hitt was not satisfactory as First Vice President and said that they understood he was in the Bank because the Board of Governors desired it. After that conversation, Mr. Vardaman said, he desired to have the matter definitely clarified and he had suggested that this meeting be held for that purpose.

Chairman Eccles stated that the only new point brought into the picture when Mr. Vardaman reported to the Board the conversations above referred to was a statement that Mr. Davis told his board of directors that the Board had indicated that it wanted Mr. Hitt re-elected and that some of the directors had said that they would not have voted for Mr. Hitt if they had not understood that Mr. Hitt was the Board's choice for the position of First Vice President.

Chairman Eccles then reviewed the circumstances under which Mr. Hitt was selected as First Vice President of the Bank and later proposed by the directors for President and the Board of Governors refused to approve his appointment to the latter position. He stated that when he was in St. Louis some time ago on a return trip from Kansas City he told Mr. Davis that he hoped the board of directors would find a way to avoid reelecting Mr. Hitt as First Vice President because the then existing organization of the Bank was not good (with which Mr. Davis agreed), but that if the board of directors was unwilling to face up to the problem and decided to vote to reappoint

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Mr. Hitt, he (Chairman Eccles) would vote to approve the appointment. When the appointment was made and submitted to the Board for approval, Chairman Eccles said, the attitude of the Board was certainly nothing more than neutral. He made the additional comment that, so far as the other officers at the Bank were concerned, the ability of Mr. Attebery as an operating officer was recognized and he and Messrs. Stewart and Peterson had been there a long time and there was no particular question about them.

In a further statement, Chairman Eccles said that, when Mr. Vardaman's report was made to the Board, there was a discussion of what action, if any, should be taken by the Board, and Mr. Vardaman suggested the possibility of refusing to approve Mr. Hitt's salary as First Vice President, but that it was the view of the Board that having recently approved Mr. Hitt's appointment it should not use its authority over salaries as a means of removing him, and that as long as the board of directors continued Mr. Hitt the Board of Governors should support the directors.

Mr. Vardaman stated that he thought the position of the Board on the matter was well taken but that the Board was now in a position of having a man as First Vice President of a Federal Reserve Bank whom nobody desired to have continue and that the situation should be clarified.

Mr. Davis stated that never at any time, directly or indi-

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rectly, had he created the impression nor had he told anyone that the Board of Governors favored the retention of Mr. Hitt as First Vice President.

In response to a request from Mr. Davis that Mr. Dearmont state what happened at the meeting of the board of directors of the Bank when Mr. Hitt was reappointed for the five-year term beginning March 1, 1946, Mr. Dearmont stated that the meeting was very clear in his memory as it was the second meeting of the board of directors that he attended and his first as chairman. He said that at the end of the formal part of the meeting Mr. Davis stated that he would like to have an executive session because the appointment of officers of the Bank for the succeeding year was to come up, that he (Mr. Dearmont) called for an executive session, requesting Mr. Davis to remain, and that as the other officers were walking out he asked Mr. Davis whether Mr. Hitt should be asked to remain to which Mr. Davis replied in the negative, stating that the board of directors should be given every opportunity freely to discuss Mr. Hitt's reappointment without his being present. At that point, Mr. Dearmont said, Mr. Davis presented the names of the officers of the Bank other than the President and First Vice President, and a motion was made and unanimously carried to reelect these officers, after which the question was raised by Mr. Tom K. Smith as to the election of the President and First Vice President. Mr. Dearmont stated that he did not

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know until then that these two officers were to be elected for five-year terms, and that he thought that the record would show that Director Smith made a motion that Messrs. Davis and Hitt be reelected, that the Chairman asked if anyone had anything to offer in connection with the motion, that nothing was said, and that Messrs. Davis and Hitt were unanimously reelected. He added that he did not at that time know anything about Mr. Hitt's previous experience, that not until several months later did he know that any question had been raised as to the need for a stronger man in the position, and that, when he asked Mr. Davis why he had not said something about the matter before Mr. Hitt was reelected, Mr. Davis replied that any comment in that direction almost of necessity would have to come from the board of directors, since Mr. Davis had been a member of the Board of Governors when it refused to approve the appointment of Mr. Hitt as President and Mr. Davis was selected as President instead. Mr. Hitt as First Vice President had been loyal and cooperative and he (Mr. Davis) felt a considerable hesitancy and embarrassment about saying anything when Mr. Hitt was up for reelection and when some of the directors who voted for Mr. Hitt as President were still members of the St. Louis board. Mr. Dearmont went on to say that up to the present time no member of the board of directors of the Bank and no banker in the St. Louis district (and he had been over the entire district) had said an unkind word about Mr. Hitt. He

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added that no one had said to him while he was on the board of directors that the Board of Governors wanted Mr. Hitt retained.

After an informal discussion of conversations which Messrs. Stead and Peterson, Vice Presidents of the St. Louis Bank, had with Mr. Vardaman when they were in Washington on separate occasions recently and a report that had been made to Mr. Davis of one of the conversations regarding Vice President Attebery, Mr. Vardaman said that he had not made any comment on Mr. Attebery since 1936, but that he thought Mr. Attebery was one of the best operating officers in the Federal Reserve System, although he was not material for First Vice President or President of the St. Louis Bank.

Chairman Eccles asked if there were any other matters in relation to the situation at St. Louis that Mr. Vardaman wanted to mention at this time and Mr. Vardaman referred to the ill feeling existing between Messrs. Hitt and Peterson. Mr. Davis said Mr. Peterson did not report to Mr. Hitt but directly to the President.

At the conclusion of the discussion, Chairman Eccles stated that, unless some member of the Board desired further information or Messrs. Dearmont or Davis desired to ask something additional, there appeared to be nothing further for the Board to do at this time, but that anyone who desired could pursue the matter further at a later time on the basis of the record.

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Mr. Vardaman said he was entirely satisfied to go along with the existing situation so long as it was understood by the board of directors of the Bank that the Board of Governors was not responsible for continuing Mr. Hitt as First Vice President.

Mr. Davis referred to Mr. Vardaman's earlier comment that one of the first things that came to his attention after he became a member of the Board was the conduct of the Federal Reserve Bank of St. Louis, and Mr. Davis stated that the examiner in charge of the road force had been highly complimentary about conditions as he found them in the Bank, and that he (Mr. Davis) would like to know the nature of the remarks the examiner had made in his confidential report that were not complimentary to the management. It was stated that so far as those present could recall the comments were nothing more than had been included in the reports for a number of years.

Mr. Dearmont and Mr. Davis both expressed a view that the morale and spirit of cooperation in the Bank were high at the present time.

Mr. Vardaman referred to the circumstances surrounding the activity of Mr. Bailey, Vice President in charge of the Little Rock Branch, in protesting the transfer of certain activities of the Commodity Credit Corporation from Little Rock to Memphis and he expressed the opinion that, based on the information available to him, the Board would be in error if it took punitive action against Mr. Bailey for an activity which he undertook in good faith.



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In connection with this matter, reference was made to the Board's letter of November 18, 1946, to Mr. Davis and to the information which Mr. Davis had forwarded to the Board in his letters of November 26, December 2, and December 3, 1946. Mr. Davis reviewed the circumstances under which Mr. Bailey had acted and stated that he was satisfied he would not engage in any further activity of this kind.

Mr. Davis then referred to the problem confronting the Bank in selecting someone to replace Mr. Bailey who became 65 years of age on April 11 of this year and would retire shortly. He said that he felt that Mr. Peterson should be retained at the head office where he could do more important work than at the Branch, that there was no one at the Branch who should be selected to succeed to Mr. Bailey's duties, that at the head office the logical man for the position would be Mr. Gilmore, who was understudy for Mr. Attebery and wanted to stay in St. Louis, and that while the matter had not been taken up with the board of directors of the Bank, he (Mr. Davis) was inclined to believe that the best available man would be Mr. Stewart who had been with the Bank from the beginning and who was well known throughout the district. He added that it would not be necessary to fill Mr. Stewart's position at the head office as his present duties could very well be divided among the existing officers of the Bank, and that if the change were made it would be desirable to retain Mr. Bailey as Vice President in charge of the

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Branch for three or four months of next year to enable him to accompany Mr. Stewart on a visit to all of the banks in the Branch territory and to enable Mr. Stewart to become acquainted with his new duties before Mr. Bailey left.

The members of the Board indicated that, if the arrangement outlined by Mr. Davis were approved by the board of directors of the Federal Reserve Bank of St. Louis, it would be acceptable to the Board of Governors.

At this point Messrs. Dearmont and Davis withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

The minutes of actions taken by the Board of Governors of the Federal Reserve System on December 5, 1946, were approved unanimously.

Telegrams to Mr. Whittemore, President of the Federal Reserve Bank of Boston; Mr. Treiber, Secretary of the Federal Reserve Bank of New York; Mr. R. R. Williams, Assistant Secretary of the Federal Reserve Bank of Philadelphia; Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis; and Mr. Volberg, 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 December 3, by the Federal Reserve Bank of St. Louis on December 4, by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on December 5,

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and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 7, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the permanent appointment of the following professional members of the staff of that Division now on temporary indefinite appointments, effective today, with no change in their present basic salaries:

<u>Name</u>	<u>Title</u>
Philip T. Allen	Economist
Caroline H. Cagle	Economist
George H. Cleaver	Economist
John Exter	Economist
Florence Jaffy	Economist
Albert R. Koch	Economist
Mary S. Painter	Economist
Mary Jane P. Roberts	Economist
Orville K. Thompson	Economist
Murray S. Wernick	Economist
Florence Guild Nixon	Research Assistant
Nancy Schelling	Research Assistant

Approved unanimously.

Memorandum dated November 5, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the permanent appointment of the following nonprofessional members of the staff of that Division now on temporary indefinite appointments, effective today, with no change in their present basic salaries:

<u>Name</u>	<u>Title</u>
Lillian M. Blake	Clerk-Stenographer
Phyllis Bramlet	Clerk-Stenographer
Doreen Dippre	Clerk-Stenographer

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Evelyn L. Hempstead  
 Eleanor Wirth  
 Louise Richards  
 Melba M. Coone  
 Gretchen Hill Fowler  
 Ruth J. Halvorsen  
 Ileen Shepherd  
 Verna L. Hodge  
 Mary P. McCormick  
 Edward D. Rogers

Clerk-Stenographer  
 Clerk-Stenographer  
 Clerk-Typist  
 Clerk  
 Clerk  
 Clerk  
 Clerk  
 Library Assistant  
 Draftsman  
 Messenger

Approved unanimously.

Memorandum dated December 2, 1946, from Mr. Smead, Director of the Division of Bank Operations, stating that O. B. Morrissette, a Senior Clerk in that Division, attained the retirement age of 65 on November 29, 1946, and will retire effective January 1, 1947.

The memorandum also stated that Mr. Morrissette was a member of the Bank Plan of the Federal Reserve Retirement System.

Noted.

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

"The Board of Governors approves, effective January 1, 1947, the change in the personnel classification plan of the Federal Reserve Bank of Richmond consisting of an increase in the maximum annual salary of the position of Assistant to Counsel, as submitted with your letter of November 29, 1946.

"In response to your specific question, you are advised that the authorization to exceed maximum annual salaries contained in the Board's letter of June 25, 1946, also applies to the increased maximum salary for the position of Assistant to Counsel."

Approved unanimously.

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Letter to Mr. Lassiter, Federal Reserve Agent of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in Mr. Leach's letter of November 29, 1946, the Board of Governors approves, effective January 1, 1947, the payment of salaries to the following members of the Federal Reserve Agent's Staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
Robert L. Shepherd	Asst. Federal Reserve Agent	\$3,000
Beverley P. Higgason	Alternate Asst. Federal Reserve Agent	2,700
	<u>Baltimore Branch</u>	
Eugene L. Shipley	Federal Reserve Agent's Representative	3,960
	<u>Charlotte Branch</u>	
T. Wesley Bagby	Federal Reserve Agent's Representative	3,300"

Approved unanimously.

Letter to Mr. Meyer, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago consisting of increases in the maximum annual salaries for the positions of Watch Engineer, Fireman, and Window Washer, as submitted with your letter of November 26, 1946."

Approved unanimously.

Letter to the board of directors of "The Farmers Bank of Dinwiddie", Dinwiddie, Virginia, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for member-

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ship in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond.

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to guarantee the payment of bonds and other obligations. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, for transmission through the Federal Reserve Bank of Richmond.

Letter to the board of directors of the "Bank of Sheridan", Sheridan, Montana, stating that, subject to conditions of membership numbered 1 to 3 contained 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 Minneapolis.

The letter also contained the following special comment:

"Such Bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of section 31, of the Banking Act of 1933, as amended."

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Approved unanimously, together with a letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Bank of Sheridan, Sheridan, Montana, for membership in the Federal Reserve System, 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 Superintendent of Banks for the State of Montana for his information.

"In connection with condition of membership numbered 4, it is noted that your recommendation contemplated provision for compliance within a reasonable time. If you are satisfied that the required action will be taken within a reasonable time after admission, the Board will not object to the admission of the bank to membership with only three directors.

"Since the amount of losses estimated in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It is noted that such losses are to be charged off if not collected by the year end.

"The special condition of membership recommended, requiring that, prior to admission, the officers and employees of the applicant shall be acceptable to the Reserve Bank, has not been prescribed. However, the character of management is a primary consideration in determining the acceptability of an applicant for membership and the Board has approved the application with the understanding that the question of management will be resolved in a manner satisfactory to the Reserve Bank, in consultation with the Board's Division of Examinations, before the enclosed letter containing the prescribed conditions of membership is transmitted to the Board of Directors of the applicant bank."

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

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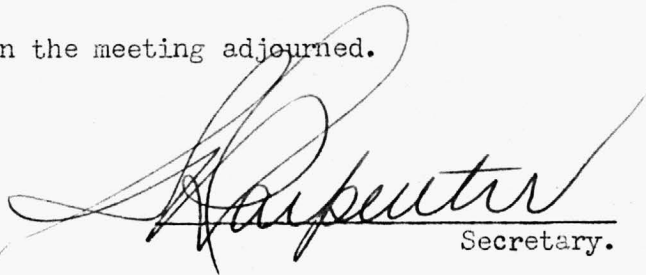
"This refers to your letter of November 27, 1946, regarding section 6(1) of Regulation T, which was added to the Regulation effective December 1, 1946, and relates to the acquisition of registered securities through the exercise of certain 'rights to subscribe'.

"In reply to the question presented, you are advised that exempted securities may be used to make the deposit required under the provision, and that for this purpose they may be assigned the customary good faith loan value as specified in section 3(c) of the Regulation.


"The Board's letter (S-896; F.R.L.S. #7903.3) of February 4, 1946, to which you refer, is not affected by this ruling. It remains unchanged, being limited in its application, as heretofore, to the question of withdrawals against a deposit of exempted securities."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.