

2/7/47 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 7, 1947. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. Eccles, Chairman  
 Mr. Draper  
 Mr. Evans  
 Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Thurston, Assistant to the Chairman  
 Mr. Smead, Director of the Division of Bank Operations  
 Mr. Thomas, Director of the Division of Research and Statistics  
 Mr. Vest, General Counsel  
 Mr. Leonard, Director of the Division of Examinations  
 Mr. Nelson, Director of the Division of Personnel Administration  
 Mr. Daniels, Technical Assistant, Division of Bank Operations

As stated in the minutes of February 4, 1947, Mr. Vardaman's office reported that he was absent on official business.

There were presented telegrams to Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York; Mr. McCreehy, Secretary of the Federal Reserve Bank of Philadelphia; Mr. Laning, Vice President of the Federal Reserve Bank of Cleveland; Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond; Mr. McLarin, President of the Federal Reserve Bank of Atlanta; Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago; Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis; Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis; Mr. Johns, Secretary of the Federal Reserve Bank of

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Kansas City; Mr. Gilbert, President of the Federal Reserve Bank of Dallas; 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 Banks of Atlanta and San Francisco on February 5, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on February 6, 1947, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

The Secretary read a memorandum prepared by Mr. Daniels under date of December 12, 1946, which had been referred to at the meeting of December 17, 1946, and which summarized the practices of the Reserve Banks in reimbursing officers and employees for travel expenses. The memorandum stated that, with the exceptions noted, transportation and subsistence expenses were allowed by all Federal Reserve Banks on the basis of actual expenditures.

There was a discussion of the amounts reimbursed for such expenses at the Reserve Banks in comparison with travel allowances of the Board and other Government agencies having supervision of banks, and of the question whether the Board should establish a schedule of maximum amounts that would be allowed for officers and employees of Federal Reserve Banks when traveling on official business.

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It was agreed unanimously that Mr. Smead should obtain information with respect to travel allowances for representatives of the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Reconstruction Finance Corporation, and that the matter of adopting a schedule of maximum travel allowances, which would be applicable to all Federal Reserve Banks, would be considered at a later meeting after consideration had been given by the Board to a reduction in travel allowances now authorized for members of the Board and its staff.

Messrs. Thomas and Daniels left the meeting at this point.

The Secretary read the following draft of a letter to the Chairmen of all Federal Reserve Banks, relating to fees and allowances for directors of the Federal Reserve Banks and Branches, and the members of the Federal Advisory Council:

"In the Board's letter of August 27, 1946, in regard to fees and allowances of directors of the Federal Reserve Banks and their Branches, it was stated that there had been some variation in the schedules and that the Board felt that it would be desirable in the interest of simpler procedure for meeting its own responsibility under the statute if there were in effect a uniform schedule. To this end the Board asked for the benefit of your views in response to certain questions. The replies have been received and the study which has been made has been informative and helpful to the Board. It has reached the conclusion that it would be justified in approving a single schedule of maximum fees and allowances for the twelve banks and their branches within which payments may be made to the directors without further action by the Board of Governors with respect to each bank. This schedule as approved by the Board is as follows:

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Directors' Fees

	<u>Head Office</u>	<u>Branches</u>
Daily fee for attendance at directors' meetings, committee meetings, or while otherwise engaged on official business for the bank	\$50	\$30
(One fee to be paid for each day regardless of number of meetings)		

Allowances for Expenses

Necessary transportation expenses.	
Subsistence allowance for directors residing outside the city (or its residential environs) in which the meeting is held or for any director traveling away from his home city on official business for the bank	\$15 for each day or portion of day.

"It will be appreciated if you will send to the Board a copy of the schedule of fees and allowances adopted by your Board of Directors.

"Under the provisions of paragraph (1) of section 12 of the Federal Reserve Act relating to the Federal Advisory Council, each Federal Reserve Bank by its board of directors is authorized to select a member of the Federal Advisory Council who shall receive such compensation and allowances as may be fixed by his board of directors subject to the approval of the Board of Governors. In its letter of February 11, 1936, X-9487 (F.R.L.S. 4253), the Board set forth the procedure to be followed in the submission for approval by the Board of proposed compensation and allowances for members of the Federal Advisory Council as well as payments made by the Federal Reserve Banks to cover the expenses of the Secretary's office of the Council.

"It is believed that the fees and allowances for the members of the Council should be comparable to those fixed for directors of Federal Reserve Banks and, therefore, the Board approves the above schedule of maximum fees and allowances within which compensation and allowances may be fixed for the members of the Federal Advisory Council. It will be appreciated if you will send to the Board a statement of the compensation and allowances fixed by your board of directors for the member of the Federal Advisory Council from your district.

"Any proposed change in the payment to be made by your bank to cover the expenses of the Secretary's Office of the Federal Advisory Council should be submitted to the Board for approval as in the past.

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"The portion of this letter relating to the Federal Advisory Council supersedes the Board's letter of February 11, 1936, X-9487."

Mr. Nelson stated that at a meeting of the Board on October 29, 1946, Mr. Vardaman questioned whether the Board should establish a schedule which would permit higher fees for head office than for branch directors. It was the view of the members present that such a differential should be authorized because of the greater responsibility of head office directors.

There was also a discussion of the proposed subsistence allowance of \$15, and it was the consensus that this allowance was appropriate, in view of the fact that appointment as a director or a member of the Federal Advisory Council was largely honorary and without salary, that many appointees found it necessary to be away from their businesses more than one day in attending Federal Reserve meetings, that it was preferable to set a maximum allowance on the liberal side rather than to have one which might result in out-of-pocket expenses, and that a fixed allowance was desirable in lieu of an itemized expense account.

Upon motion by Mr. Evans, the letter was approved unanimously.

Reference was then made to the vacancies among Class C directors at the Federal Reserve Banks of New York, Richmond, and Chicago. Further consideration was given to Mr. Richard Thurman Chatham, Chairman of Chatham Woolen Mills, for appointment as a

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Class C director at the Federal Reserve Bank of Richmond, and there was some question whether he was as representative of the public interest as would be expected of a Class C director.

Chairman Eccles suggested that he might call Mr. Hoffman, Deputy Chairman at the Federal Reserve Bank of Chicago, and ask him if Mr. Clarence W. Avery, at present serving as a Class B director, would be willing to serve as a Class C director and as Chairman and Federal Reserve Agent, and that if he were not willing to serve, consideration could be given to other names that had been suggested.

Reference was also made to the names that had been proposed for appointment at the Federal Reserve Bank of New York.

It was agreed unanimously that the Personnel Committee would submit a further recommendation for consideration in filling the vacancy at the Federal Reserve Bank of Richmond, and that this would be considered at a later meeting of the Board, together with recommendations for appointments as Class C director and Chairman and Federal Reserve Agent at the Federal Reserve Banks of New York and Chicago.

The Secretary read a draft of a letter, prepared for Chairman Eccles' signature, to Mr. Harl, Chairman of the Federal Deposit Insurance Corporation, which was as follows:

"Over a period of years reports have come to the Board of efforts made by representatives of the office of the F.D.I.C. supervising examiner in Madison, Wisconsin, to keep State banks out of the Federal Reserve System and to cause banks which were already members to withdraw from the System. The Board has made no

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"attempt to gather information as to the extent of such practices but two specific instances have been brought to the Board's attention recently.

"Last September the Hopkins State Savings Bank, Hopkins, Michigan, filed application for membership but within a short time rescinded that action. When inquiry was made of the directors as to the reason for the change in position, the Reserve Bank's representative was informed that the F.D.I.C. examiners who had examined the bank during the interval had advised the executive vice president that he was making a mistake and had asked him to withdraw the application for membership. It was reported at the directors' meeting that the F.D.I.C. examiner had represented that the additional work involved because of membership would mean that the bank would have to have more help.

"Incidentally, one of the directors reported that the F.D.I.C. examiners in their attempt to persuade the executive vice president to have the application withdrawn brought my own purported views into the discussion and used as an argument the accusation that I am a left winger and am trying to control all commercial banking.

"Last November Mr. W. A. Koch, cashier of the Citizens State Bank, Wausau, Wisconsin, which had been a member for 10 years, advised the Federal Reserve Bank of Chicago that recently, for the second time, a representative of the F.D.I.C. had visited his bank endeavoring to persuade him to have the bank withdraw from membership in the Reserve System. The primary argument advanced for withdrawal was the savings that could be effected by investing the funds carried as reserve in the Reserve Bank.

"The Board does not believe that your directors would countenance such activities but it does appear that they do reflect policies of your Madison office and not merely over-enthusiasm of an individual examiner.

"Since the instances cited above are the first such reports which the Board has received since you became Chairman of the F.D.I.C., our Board has asked me to bring this situation to your personal attention and to express the hope that you will look into the matter and take appropriate steps to put a stop to the practices that have been reported.

"Close cooperation between the examination departments of our two agencies is essential and the

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"Board trusts that the same harmonious relationships which prevail between the Washington staffs of the examination departments of our agencies may prevail likewise in the field.

"I trust that after you have had an opportunity to look into the situation we may hear from you."

Approved unanimously.

At this point Messrs. Smead, Vest, Leonard and Nelson withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

Memorandum dated February 7, 1947, from Mr. Carpenter, recommending an increase in the basic annual salary of Miss Mabel Goepfert, secretary to Mr. Carpenter, from \$3,648 to \$3,773.40, effective February 9, 1947.

Approved unanimously.

Memorandum dated January 31, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective February 9, 1947:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Wendell E. Thorne	Administrative Assistant	\$6,623.40	\$6,862.80
John Exter	Economist	5,654.40	5,905.20
Beatrice Bulla	Economist	4,776.60	4,902.00
Florence Guild Nixon	Economist	2,895.60	3,397.20
Rosa Ernst	Research Assistant	3,773.40	3,898.80

Approved unanimously.



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Memorandum dated January 31, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective February 9, 1947:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Alvern H. Sutherland	Librarian	\$5,403.60	\$5,654.40
Helen R. Dyer	Library Assistant	3,648.00	3,898.80
Caroline M. Burgess	Library Assistant	3,397.20	3,648.00
Verna L. Hodge	Library Assistant	2,469.24	2,619.72

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of February 3, 1947 advising that the directors had authorized the Federal Reserve Bank of Kansas City to assume two-thirds of the cost of providing hospitalization and surgical benefits for officers and employees of the Reserve Bank and its branches at an estimated gross cost of approximately \$24,000 per annum.

"It is noted that the program as authorized at Kansas City and Denver includes not only the regular memberships of the following types: (1) individual; (2) husband and wife; (3) family, but also (4) a special type of membership for sponsored dependents which includes dependent parents and parents-in-law, and others who are living with the employee and are dependent upon him for support.

"None of the plans approved previously by the Board has included any payment by the Bank for other than the employee, spouse, and dependent children under a specified age. In the few cases where sponsored memberships are available, the Reserve Bank has stated that if any employee wishes to extend the coverage to a sponsored dependent it will be at the entire expense of the employee. It is understood that the Subcommittee of the Conference of Presidents which worked on the hospitalization and surgical ben-

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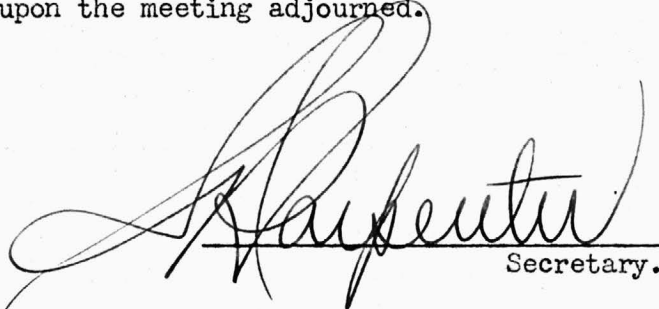
"Benefits program did not contemplate that the Federal Reserve Bank would pay any portion of the cost of such sponsored membership.

"In the circumstances, the Board feels that the absorption of any of the expense for sponsored dependents would be inconsistent with the program as developed so far.

"Accordingly, the Board approves the expenditure under the program as submitted except as it relates to sponsored dependents."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.