

2/11/47
 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 11, 1947. The Board met in the Board Room at 10:35 a.m.

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

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. Nelson, Director of the Division of Personnel Administration
 Mr. Townsend, Assistant General Counsel

Chairman Eccles stated that Mr. Vest, General Counsel, had received a telephone call from Mr. Van Arkel, Counsel for the National Labor Relations Board, stating that the Labor Board had received a complaint from Mr. Paul R. Hutchings, President of the Office Employees International Union, that the Federal Reserve Bank of Dallas had been guilty of an unfair labor practice in connection with the discharge of 39 employees including certain employees who had had long service records with the Bank and who had been active in efforts to form a union among the Bank's employees. He stated that Messrs. Vest and Townsend had talked by telephone with Mr. Gilbert, President of the Dallas Bank, who had informed them that because of a surplus of staff in fiscal agency functions, the Bank

2/11/47

2/11/47 Chairman Eccles said on -2-

recently laid off 39 employees at the head office, mostly from those functions, including one employee who had worked for the Bank for 29 years, another who had a 20 year service record, and a third with a 7 year service record.

Following receipt of this information, Chairman Eccles said, he had talked with Mr. Parten, Chairman of the Dallas Bank, who said the question of discharging the employees had been fully considered, that he had questioned whether the release of these persons would raise labor problems, especially in the case of the employees with long service records who had been active in urging the formation of a union, and that the officers of the Bank had taken the position that the three employees in question were inefficient, that they could not be transferred to other work in the Bank, and that their entire personnel record would justify their discharge in view of the over-staffed condition of the Bank.

Chairman Eccles also said that Mr. Parten had added that he had questioned the advisability of the action, even under these circumstances, that he had told Messrs. Gilbert, Gentry, and Coleman that they should be prepared to defend any action that might be brought on behalf of the employees, and that the three officers had stated they were entirely ready to defend their action should such a question be raised.

2/11/47

-3-

Chairman Eccles went on to say that Mr. Van Arkel had indicated by telephone that the Labor Relations Board would be willing to conduct an informal investigation with the consent of the Board and the Federal Reserve Bank of Dallas to determine whether the evidence indicated the Bank had been guilty of an unfair labor practice in the discharge of any of the employees concerned, that if no evidence of an unfair labor practice was found the matter would then be dropped, and that if it appeared the Bank had been guilty of an unfair labor practice the Labor Board would then have to hold a formal hearing in the matter. Chairman Eccles stated that Mr. Gilbert had been informed by telephone of this possibility, and that he had said he would welcome an informal investigation.

There was a discussion of the matter and it was the view of the members of the Board present that the best course would be to have the informal investigation conducted, that if the investigation should necessitate a formal hearing the entire System would be involved because of the question whether the Labor Board had jurisdiction in the matter, and that in such an event it would be necessary for the Board to intervene to represent the interests of the System.

There was a general discussion of the various steps that might be taken by the Board, and question was raised whether a representative of the Board should be sent to the Bank to develop full information regarding the matter. It was the consensus,

2/11/47

-4-

however, that that would not be necessary at this time.

At the conclusion of the discussion, it was agreed unanimously to authorize Mr. Townsend (1) to advise Mr. Van Arkel informally that the Board and the Dallas Bank would be glad to have the proposed informal investigation for the purpose of determining the facts in the case, and (2) to request Counsel for the Federal Reserve Bank of Dallas to send to the Board a full statement of the circumstances relating to each of the 39 employees who had been discharged.

The suggestion was made that the question raised by the Dallas action be discussed at the forthcoming meeting with the Presidents and the Secretary stated that the topics of salaries and recent trends in collective bargaining were already on the agenda for the Presidents' Conference, and the Dallas matter undoubtedly would be fully considered.

In connection with the foregoing discussion, Mr. Smead stated that the Treasury Department had been pressing the Federal Reserve Banks to reduce fiscal agency expenses, that the volume of fiscal agency operations had declined and had resulted in a surplus of employees engaged in such operations, that the Treasury had raised the question in a letter to the Federal Reserve Banks of transferring functions from the branches to the head offices, and that it was his thought that by shifting some of the internal work from the branches to the head offices much of the saving hoped for by the Treasury could be effected without changing the

2/11/47

-5-

extent or quality of the service rendered to the public by the branches. He also said that he planned to ask some of the Banks for additional information in connection with the replies they had sent to the Treasury letter so that the Board would have full information.

There was a discussion of the program followed in recent years under which services rendered by branches of Federal Reserve Banks were increased and it was the consensus that it would be undesirable to eliminate or curtail these services substantially. Chairman Eccles suggested, however, that nothing should be done to prevent the Reserve Banks effecting economies in their operations, and that the Board must not be or seem to be in the position of encouraging the retention of staff or procedures which were not warranted by the volume of work. Chairman Eccles also referred to the suggestion made at the meeting of February 4, 1947, concerning the absorption of a greater portion of fiscal agency costs by the Federal Reserve Banks, and stated that this matter would be discussed with the Presidents when they met with the Board later this month, after which it was contemplated the matter would be reviewed with the Treasury Department. This procedure, he said, had been discussed with Mr. Sproul, President of the Federal Reserve Bank of New York, who agreed that the matter should not be presented to the Treasury Department prior to its consideration by the Presidents of the Reserve Banks.

2/11/47

-6-

Reference was then made to a wire received by Chairman Eccles from Mr. Tom K. Smith, a Class A director of the Federal Reserve Bank of St. Louis, concerning a request contained in a letter received from President Davis of that Bank under date of February 1 for approval of an additional contribution of \$1,500 to the Jefferson National Memorial Association competition fund in St. Louis. Chairman Eccles stated that he discussed the matter with Mr. Smith yesterday at which time he told Mr. Smith of the consideration which the Board had given to this matter in the past and stated that he would submit the request to the Board for decision, but that he could make no commitment with respect to it. In this connection, Chairman Eccles read a memorandum prepared by the Secretary under date of February 10, 1947, and reviewing the actions taken by the Board in connection with requests from the St. Louis Bank for authority to contribute to the Memorial funds. The Secretary then read the letter from Mr. Davis dated February 1, 1947, and the following draft of a proposed reply:

"This refers to your letter of February 1, 1947, in which you state that the Executive Committee of your Bank's board of directors, at its meeting on January 29, directed you to communicate to the Board of Governors a request that the Board reconsider its previous action with respect to the Bank's contribution to the competition fund for the Jefferson National Expansion Memorial Association and approve a further contribution of \$1,500, which amount was disapproved in January 1946. Chairman Eccles has advised the Board of his conversation with Mr. Tom K. Smith about the same matter.

2/11/47

-7-

"It is noted that the fund is now past the \$200,000 mark; that the trustees are very anxious to complete it; and that since the downtown property owners are contributing most of the fund, the feeling is expressed that the Bank is not meeting its pro rata share of the cost of the improvement.

"The Board has considered the request, but feels that it can not approve a further contribution by your Bank. The reasons for the Board's position are outlined in some detail in the Board's letter of May 13, 1946 (S-911, F.R.L.S. #3189), and were also explained to you in January 1946 when the Board reluctantly agreed not to offer any objection to the contribution of \$1,000, for which the Bank was in a sense already committed."

Chairman Eccles stated that Mr. Smith and other directors felt the Federal Reserve Bank of St. Louis would benefit from the increase in property values that would result from the Memorial and that the Bank was not doing its part in helping to make the project a success. Chairman Eccles also said that he told Mr. Smith why it was felt that the Federal Reserve Banks differed from private banks and why an appreciation in property values should not be considered in the same light as would be the case with a privately owned bank.

There was a discussion of the policy set forth in the Board's letter dated May 13, 1946, to all Federal Reserve Banks with respect to contributions of this kind, and it was pointed out that aside from the residual interest of the Federal Government in the assets of the Federal Reserve Banks, it would not be practicable for the Banks to make contributions in one city in the district unless they were prepared to do so for similar projects

2/11/47

-8-

at other points in the district served by the Bank. It was also pointed out that a number of the Presidents had indicated agreement with this position.

Upon motion by Mr. Evans, unanimous approval was given to the foregoing draft of the letter to Mr. Davis.

At this point Messrs. Smead, Nelson, and Townsend 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 February 10, 1947, were approved unanimously.

Memorandum dated February 7, 1947, from Mr. Leonard, 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, James R. Boggs be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,021 per annum, and with official headquarters at Washington, D. C. The memorandum also stated that it was contemplated that Mr. Boggs would become a member of the Federal Reserve retirement system.

By unanimous vote, Mr. James R. Boggs 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,

2/11/47

-9-

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 \$3,021 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.

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

"This supersedes the Board's letter of October 17, 1934 (X-8082, F.R.L.S. #3514), and broadens the authority heretofore granted the Presidents of the Reserve Banks to approve on behalf of the Board within certain limitations, proposed investments in bank premises submitted by State member banks under conditions of membership.

"Under letter X-8082 (as amended by the Board's letter of January 22, 1937, X-9799, F.R.L.S. #3501), the Presidents were authorized, without referring the matter to the Board, to grant permission to member banks subject to former standard condition of membership numbered 8 to make alterations and improvements to their banking quarters when the cost of such improvements would not be in excess of 10 per cent of the bank's capital stock and would not increase the bank's investment in bank premises to an amount in excess of 100 per cent of the bank's capital stock.

"The President of each Federal Reserve Bank is hereby authorized on behalf of the Board, whenever in his judgment such action is desirable, to approve any request received from a member bank in his district, whether for original investment in bank premises or for alterations or improvements in existing bank premises, submitted under former standard condition of membership numbered 8, or any similar condition, provided the proposed investment will not increase the bank's investment in bank premises to an amount in excess of 100 per cent of the bank's capital stock,

2/11/47

-10-

"the limitation imposed by Section 24A of the Federal Reserve Act.

"For your convenience, standard condition of membership numbered 8, which was prescribed for some time, is quoted below:

'Such bank shall not permit any investment in a bank building or a site for a bank building to assume such proportions as, in the judgment of the Federal Reserve Board, would endanger the bank's solvency or liquidity or would otherwise be unduly large or improper, and before any investment is made in a bank building or a site for a bank building the bank shall refer the matter to the Federal Reserve Board for consideration.'

"As stated in the Board's letter X-8082, it was not contemplated that the terms of the condition would include minor alterations which are charged to expenses and not capitalized.

"It is requested that the Board be advised of all permissions granted under this authorization."

Approved unanimously.

Letter to Mr. Edward E. Brown, President of the Federal Advisory Council, reading as follows:

"In anticipation of the meeting on March 10 and 11, the Board has been considering subjects on which it would like to have the benefit of the Council's views. We would very greatly appreciate the Council's opinion with regard to the following four matters. I shall undertake to state the first two in question form.

1. Should the margin requirements prescribed by the Board in its Regulation U for banks be lower than those prescribed in Regulation T for brokers?

2. Consumer credit has practically reached the prewar level and probably will continue to rise. As the Council is aware, if regulation of this type of credit is to be permanent Congress will have to enact the enabling legislation. Should the Board be given some definite but limited regulatory authority in this field or should there be no Federal regulation of consumer credit?

2/11/47

-11-

"3. The Board has recommended legislation to make permanent the authority to make direct purchases up to 5 billion dollars from the Treasury and would welcome the Council's support of this measure or an expression of the reasons for contrary views in case there is disagreement with the Board's recommendation.

4. It is expected that bank holding company legislation will be introduced at this session of Congress. The Board has discussed this subject with the Council and will be glad to give the Council any additional information it desires. The Board would also like to know the Council's general attitude toward the holding company legislation.

"In the meantime, purely as a matter of informal, confidential information, the staff is preparing some material to outline in a general way the pros and cons with respect to the first two subjects. Copies of this background material will be available to the Council on their arrival in Washington. May I suggest that the Secretary of the Council communicate with the Secretary of the Board so that if it is desired, he may send copies of this material to the Council's Secretary for distribution to each member of the Council."

Approved unanimously.

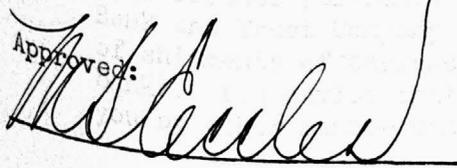
Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

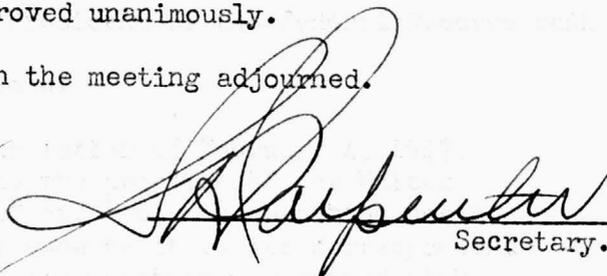
"The Board has considered the proposals for alterations and additions to your Bank building as outlined in Mr. Poorman's letter of February 1. It will interpose no objection to your undertaking the work, if authorized by the Civilian Production Administration, at a cost of approximately \$117,022."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.