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Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 21, 1947. The Board met in the Board Room at 10:35 a.m.:

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Smead, Director of the Division  
of Bank Operations  
Mr. Vest, General Counsel  
Mr. Leonard, Director of the Division  
of Examinations  
Mr. Nelson, Director of the Division  
of Personnel Administration

There were presented telegrams to Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York; Mr. McCreedy, Secretary of the Federal Reserve Bank of Philadelphia; 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; 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, St. Louis, and San Francisco on February 19, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on February 20, 1947, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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2/21/47 Reference was made to a memorandum submitted by the Division of Personnel Administration under date of February 21, 1947, recommending that Mr. M. R. Lohmann, Assistant Professor of the Department of Industrial Engineering of Oklahoma A. and M. College, who was serving as consultant on job evaluation at the Federal Reserve Bank of Kansas City, be employed by the Board as a consultant on a temporary basis at the rate of \$100 per day for each day of service, with the understanding that he would pay his own transportation expenses as well as his living expenses except when visiting some of the Reserve Banks at the request of the Board. The memorandum also stated that Mr. Lohmann would be available about March 15, that he would be able to spend as much as two or three weeks a month at the Board during the next three months, and that it was expected the total expenditure for his services would be less than \$5,000.

There was a discussion during which it was stated that most of the Federal Reserve Banks had employed trained personnel consultants, and that the services of a consultant well versed in the techniques of job evaluation and wage administration should be obtained to assist the Board in the final development of the Federal Reserve Wage and Salary Administration Plan for the Federal Reserve Banks.

Upon motion by Mr. Evans, the temporary employment of Mr. Lohmann as recommended by Mr. Nelson was approved unanimously, except that it was understood that the Board would pay only necessary transportation expenses of Mr. Lohmann when traveling on official business of the Board.

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Reference was then made to a memorandum dated January 29, 1947, from Mr. Carpenter, submitting a draft of the policy record prepared in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act covering actions taken by the Board during the year 1946. The draft of the record had been circulated among the members of the Board, and Mr. Vardaman had suggested that the record show that he was absent on official business wherever that was the case. This raised the question whether all official absences of members should be shown.

In a discussion of this point, reference was made to (1) the entry for April 23, 1946, in which it was stated Mr. Vardaman was unable to be present when the recorded action was taken, but he had participated in the discussions and favored the action, and (2) to the entries on July 12 and August 22, 1946, when only three members participated in the action but, in order to remove any question as to action being favored by a majority of the Board, the record stated in the respective entries that Mr. Vardaman and Chairman Eccles were unable to be present but favored the action.

Mr. Vardaman stated that if the references to him on the two occasions when he was not present were omitted, the draft of record would be satisfactory to him.

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Chairman Eccles proposed that the Board continue to follow the procedure followed in the past in the policy record, when less than a majority of the Board was present, of recording only the votes of the members who actually participated in the action. He also suggested that whether reference should be made in the record to the views of a Board member not participating in the vote should be left entirely to the wishes of that member. The other members present concurred in these suggestions.

At the conclusion of the discussion, it was agreed unanimously that the references to the views of members who were not present and did not vote on the actions recorded in the draft of policy record should be deleted from the record and the draft was approved unanimously with this change for publication in the Board's annual report for 1946.

Reference was also made to a memorandum dated February 6, 1947, from Mr. Carpenter submitting a draft of the record maintained by the Board in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act covering policy actions taken by the Federal Open Market Committee during the year 1946. Mr. Carpenter stated that the draft of the proposed record had been sent to the five representative members of the Federal Open Market Committee for their comments and that suggestions had been received from Mr. Sproul that at two points in the record his personal views be stated.

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In this connection it was pointed out that section 10 of the Federal Reserve Act places upon the Board the responsibility for writing the policy record covering actions of the Federal Open Market Committee, but that in response to a letter from Mr. Sproul dated December 12, 1946, the Board had suggested informally that inasmuch as section 10 of the Federal Reserve Act provided for publication in the annual report of the Board of a record of actions taken by the Federal Open Market Committee on questions of policy and it had been the practice to include in that record a statement of the reasons for minority views whenever those holding such views so desired, it would be more logical, if Mr. Sproul desired an official publication of his views, to include a statement of his position in the policy record rather than to publish such a statement in the form of a speech in the Federal Reserve Bulletin.

Mr. Clayton suggested that the record might be revised so that Mr. Sproul would not feel it necessary to express the reasons for his views as he had proposed in commenting upon the draft.

It was agreed unanimously that Messrs. Clayton and Carpenter should prepare, for consideration by the Board in the light of the discussion at this meeting, a draft of a letter to Mr. Sproul with respect to his suggestions.

Chairman Eccles referred to the discussion at the meeting of February 4, 1947, regarding the possibility of absorption by the

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Federal Reserve Banks of fiscal agency expenses incurred by them, at which time (1) he stated he had discussed this matter informally with Mr. Sproul, Chairman of the Presidents' Conference, and (2) it was understood that Mr. Smead would advise Mr. Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations and Reimbursable Expenses that the Board would wish to discuss the matter at the next Presidents' Conference. Chairman Eccles raised the question whether the topic should be formally submitted for consideration by the Presidents' Conference.

Mr. Smead said he was going to meet with Mr. Young's Committee on February 24, and could bring the matter up again.

It was agreed unanimously that that should be done.

In accordance with suggestions made by Chairman Eccles, based upon investigations made by him at the request of the Personnel Committee, it was agreed unanimously that (1) at his convenience, Chairman Eccles should go to New York and confer with Mr. Arthur Wilson Page to ascertain whether he would be willing to accept appointment if tendered by the Board as Class C director and Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York for the unexpired portion of the term ending December 31, 1947, and (2) call Mr. Hoffman, Deputy Chairman of the Federal Reserve Bank of Chicago, and ask him to talk with Mr. Clarence W. Avery, a Class B director of the Federal Reserve Bank of Chicago, and ascertain if he would



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be willing to accept appointment, if tendered by the Board, as Class C Director at the Federal Reserve Bank of Chicago for the unexpired portion of the term ending December 31, 1948, and as Chairman and Federal Reserve Agent at that bank for the remainder of the year ending December 31, 1947.

Reference was made to the discussion at earlier meetings of the question of making reports of examination of certain State member banks available to representatives of the General Accounting Office who were conducting an audit of the Federal Deposit Insurance Corporation. In this connection, Mr. Leonard stated that on Wednesday, February 19, Mr. Newman of the General Accounting Office, who was conducting the audit of the Federal Deposit Insurance Corporation, had called at his office and that they had had an extended discussion at which Messrs. Carpenter, Sloan, Assistant Director of the Division of Examinations, and Wilkes, Federal Reserve Examiner, also were present.

Mr. Vardaman said that in accordance with the action taken at the meeting on January 27, he had called Mr. Foley, Assistant Secretary of the Treasury, who had agreed to arrange a meeting of representatives of the Treasury, the Board of Governors, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. He also said that subsequently he had called Mr. Foley's office on several occasions, but Mr. Foley had been unable to make the necessary arrangements for the meeting.

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In connection with Mr. Newman's visit, Mr. Leonard made substantially the following statement:

"Mr. Newman discussed their audit of the Federal Deposit Insurance Corporation, particularly in the light of the broadened responsibilities given the General Accounting Office in recent legislation. From this discussion it was quite evident that the General Accounting Office is very much interested in bank supervision in general and in the supervisory organization. That office appears to consider that it has an assignment of a long-term nature to study bank supervision.

"Mr. Newman indicated also that the General Accounting Office may make recommendations to Congress for legislation affecting either the responsibilities of an agency or procedures followed by an agency in carrying out its duties. He indicated that they would like to see the work of the various supervisory agencies coordinated and banks subject generally to the same regulations. He said that they had given some thought to the transfer of some of the responsibilities of the Federal Reserve to the Federal Deposit Insurance Corporation and, on the other hand, to the transfer of some of the responsibilities of the Federal Deposit Insurance Corporation to the Federal Reserve.

"Mr. Newman stated that he realized the General Accounting Office had no right to go into the Federal Reserve but suggested that perhaps if they did they might be able to obtain some legislation which the Federal Reserve might desire.

"In the course of the discussion Mr. Newman asked for our assistance in providing any material which would have a bearing on the general question of bank supervision and supervisory organization. He was furnished with copies of the Board's Annual Report for 1938 and of the book 'Banking Studies'.

"The discussion was very frank and lasted over a period of several hours, but in the course of it the information given and the comments made were no different from those which would have been given to any interested banker or other person. No attempt was made to explain the Board's position as to the reorganization of the supervisory set up or to argue for it. Mr. Newman indicated that at some later date the General Accounting Office might wish to discuss both the general question of bank supervision and some particular phases of it."



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Mr. Leonard stated that no action appeared to be necessary in connection with Mr. Newman's visit, and that he was reporting it because he felt it would be of interest to the Board as an indication of the attitude of the General Accounting Office toward supervisory agencies such as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

In the discussion which followed, Chairman Eccles said that the question of reorganization of Government agencies had been delegated by the Congress under the Reorganization Act to the President, that the President had requested the Bureau of the Budget to study this matter and make recommendations, and that it appeared the work being undertaken by the General Accounting Office was a duplication of that carried on by the Bureau of the Budget. He also expressed the opinion, which was concurred in by the other members present, that there was no objection to discussing with, and giving to representatives of the General Accounting Office, information generally available to the public, but that the Board, at least at this stage, should not furnish that office with suggestions with respect to changes in the bank supervisory agencies.

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:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 20, 1947 were approved unanimously.

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Federal Letter to Mr. Volberg, Secretary of the Federal Reserve  
Bank of San Francisco, reading as follows:

"The Board of Governors approves the reappointment of Messrs. Henry D. Nichols, Walter A. Starr, Wakefield Baker, Shannon Crandall, and Edmund Hayes as members of the Industrial Advisory Committee for the Twelfth Federal Reserve District to serve for terms of one year each, beginning March 1, 1947, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of San Francisco, as reported in your letter of February 17, 1947."

Approved unanimously.

Federal Telegram to Mr. Blair, Secretary of the Federal Reserve  
Bank of Cleveland, reading as follows:

"Your wire. Under Regulation W two-thirds of selling price may be loaned on a 1947 used car if no average retail value is quoted in any of five guide books designated for use in your territory."

Approved unanimously.

Memorandum dated February 19, 1947, from Mr. Vest, General Counsel, recommending that, for reasons stated in the memorandum, a request from the Clerk of the Senate Banking and Currency Committee for a report on Senator Langer's Bill, S. 548, to increase Federal Deposit Insurance Corporation insurance from \$5,000 to \$15,000, be filed without reply.

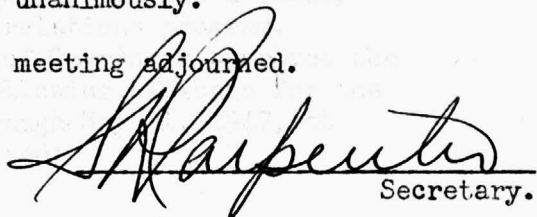
Approved unanimously.

Thereupon the meeting adjourned.

Approved:



Chairman.

  
Secretary.