

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 14, 1947. The Board met in the Board Room at 10:40 a.m.

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

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. Vest, General Counsel
 Mr. Leonard, Director of the Division of Examinations
 Mr. Nelson, Director of the Division of Personnel Administration
 Mr. Townsend, Assistant General Counsel
 Mr. Millard, Assistant Director of the Division of Examinations

Mr. Vardaman reported that in accordance with the action taken at the meeting of the Board on March 7, 1947, he met in New York City on March 12 and 13 with representatives of the American Bankers Association for discussions of the proposal that legislation be enacted to equalize the position of State and national banks in mergers or consolidations. He stated that there was no unanimity of opinion among the several divisions of the Association regarding the desirability of the proposed legislation, and that he had informed the group that he would not recommend that the Board take a position with respect to the matter until the Association had reached an agreement which was concurred in by the Comptroller

3/14/47

-2-

of the Currency.

There were presented 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. Blair, Secretary of the Federal Reserve Bank of Cleveland; Mr. Leach, President of the Federal Reserve Bank of Richmond; 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 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 Bank of San Francisco on March 12, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 13, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a draft of the following letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston:

"Reference is made to the Board's letter of May 13, 1946, regarding the approval of the salary of Mr. Fogg as Auditor of the Federal Reserve Bank of Boston, with

3/14/47

-3-

"the understanding that the arrangement under which he serves the Frances E. Willard Settlement in an advisory capacity would be terminated within a year, and to your request that this matter be reconsidered.

"As you know, Mr. Fogg's arrangement with the Frances E. Willard Settlement, under which he receives compensation as administrative and financial adviser, has been questioned at various times since it appeared to be inconsistent with the general policy of the Board regarding outside business activities of officers. It was felt that this situation should be corrected and that in view of the salary being paid to Mr. Fogg his entire time and energy should be devoted to the affairs of the Bank and that he should not be identified with any outside business activities.

"In reviewing this matter again consideration has been given to information previously submitted by your Bank, including your views that the arrangement serves to promote good public relations for the Bank. However, it is believed that Mr. Fogg's services with the Frances E. Willard Settlement for remuneration are somewhat different from the usual relationship for public relations purposes, and unless you have additional information which should be considered, the Board does not feel justified in waiving the requirement that the arrangement be terminated."

Mr. Vardaman stated that he had asked that this matter be discussed at a meeting in order that he might be certain that the position taken by the Board with respect to the requirement that Mr. Fogg terminate his business connection with the Frances E. Willard Settlement was consistent with the position taken by the Board in other similar cases. There was a discussion of the Board's policy concerning outside business connections as outlined in its letter S-855, sent to all Federal Reserve Banks under date of June 25, 1945, and of the application of that policy to certain officers of Federal Reserve Banks.

3/14/47

-4-

At the conclusion of the discussion, upon motion by Mr. Draper, the letter to Mr. Creighton was approved unanimously.

Mr. Clayton questioned whether there might be other cases among the Federal Reserve Banks which involved officers with outside business connections which might be more objectionable than that of Mr. Fogg. It was stated that the Board's examiners looked into this matter at the time of the examination of the Federal Reserve Banks and any cases which did not appear to be in harmony with existing policy were commented upon.

Upon motion by Mr. Clayton, it was agreed unanimously that the Division of Examinations should review the reports on outside business affiliations of officers of Federal Reserve Banks made by the Board's examiners during the past two years and submit a report on the matter to the Board.

Reference was then made to a draft of a letter to Mr. Attebery, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of February 21, 1947, regarding the disposition of expenditures in connection with the rehabilitation of the property adjacent to your Bank, which was acquired in 1944. The items of 'Repairs', \$40,363.72, and 'Fees - Architect - Abandoned Projects', \$4,938.88, may be charged off without further authorization under the Board's Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements.

"We believe that the item 'Land Improvements', \$6,237.96, should be included in cost of building site on Form F. R. 320, and it will be appreciated if you will so include this amount in future reports on this form.

3/14/47

-5-

"The Board authorizes charging down the carrying value of 'Other real estate' as follows, in addition to the two charge-offs referred to above:

Cost of Wrecking	\$85,093.56
Preliminary Expense to Remodeling Cost	55.65
Miscellaneous Building Remodeling Expenses Incurred by Federal Reserve Bank	573.35
Incidental Expenses in Connection with the Purchase	6,422.71
Land Improvements	6,237.96
Proceeds from Sale of Salvage Materials	<u>132.97 (Cr.)</u>
Total	\$98,250.26"

Mr. Vardaman said that the purchase of adjoining property by the Federal Reserve Bank of St. Louis had occurred prior to his becoming a member of the Board, and that he had asked to have the letter considered at a meeting.

Chairman Eccles stated that this appeared to be a question of accounting, and Mr. Smead said that the procedure outlined was in accordance with the Board's standard instructions.

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

Reference was made to the letter addressed to the Presidents of all the Federal Reserve Banks under date of February 4, 1947, requesting the submission of budgets by the Federal Reserve Banks covering the year 1947, and asking that such budgets be submitted by May 1, 1947.

Mr. Smead stated that the Presidents' Conference Committee on Expense Accounting had been in Washington reviewing a draft of

3/14/47

-6-

the revised manual of instructions governing the preparation of functional expense reports, that this Committee had stated that it would be necessary for the Reserve Banks to rearrange their internal accounting systems to give proper effect to the changes contained in the revised manual, that the time taken to put these changes into effect would make it almost essential that the revised manual become effective July 1, 1947, instead of April 1, 1947, and that since the budgets to be submitted to the Board by the Federal Reserve Banks were to be on the revised functional expense form, the Committee further recommended that submission of the budgets also be postponed to July 1, 1947. Mr. Smead stated that he concurred in this recommendation.

Upon motion by Mr. Clayton, it was agreed unanimously that the Federal Reserve Banks should be informed that the budgets for 1947 referred to in the letter of February 4, 1947, should be submitted not later than July 1, 1947.

There was a further discussion of action that should be taken by the Board in connection with (1) the adoption of a schedule of maximum travel allowances for the officers and employees of the Federal Reserve Banks and (2) the portion of the cafeteria expenses that might be absorbed by the Banks. It was agreed that, as suggested at the meeting of the Board on February 7, 1947, after the Board had reached a decision on the basis for reimbursement for

3/14/47

-7-

official travel by the members of the Board and its staff, consideration should be given to a letter to the Federal Reserve Banks setting forth the policy to be followed on both of these matters, which were regarded by the Board as a part of a complete program of personnel and expense administration. It was also agreed that the letter should be sent to the Banks in ample time for consideration by them before the Presidents' Conference in June of this year.

Reference was made to a memorandum from Mr. Townsend to the Board dated March 13, 1947, in which it was stated that hearings were expected to commence before the Judiciary Committee of the House on Wednesday, March 19, on H. R. 515, otherwise known as the Kefauver Bill, to amend section 7 of the Clayton Act. The memorandum pointed out that the principal objectives of the bill were, first, to prevent acquisitions of assets as well as stock of competing companies engaged in commerce where the effect of such acquisitions might be to lessen competition substantially, to restrain commerce, or tend to create a monopoly, and, second, to require prior Federal approval before the consummation of any proposed acquisitions of either stock or assets between competing companies engaged in commerce. The memorandum also stated that the proposed bill would not cover acquisitions in the banking field insofar as the second objective was concerned, and that it was rec-

3/14/47

-8-

ommended for reasons stated in the memorandum that the Board renew its request to the House Judiciary Committee (made in the Board's letter of June 5, 1945) that the terms of the bill with respect to prior approval be made to apply to those acquisitions which fall within the Board's jurisdiction under section 7 of the Clayton Act.

Mr. Townsend stated that subsequent to preparation of his memorandum, he learned that Congressman Kefauver, the author of the bill, had insisted that the provision with respect to prior Federal approval of acquisitions of stock or assets of competing companies engaged in commerce be omitted from the House bill on the ground that it was not believed the House would approve such a requirement. Mr. Townsend stated, however, that he understood the bill which had been introduced in the Senate by Senator O'Mahoney contained such a provision, and he suggested that, under the circumstances, the Board should not seek to be heard on the bill before the House Committee but should await hearings before the Senate Committee, when the Board's position should be presented. He also suggested that he attend the House hearings and, if an occasion should arise making it desirable, he be authorized to present the position previously taken by the Board.

In connection with this matter, Chairman Eccles said that Under Secretary of the Treasury Wiggins desired to discuss the problem confronting the Comptroller of the Currency in considering

3/14/47

-9-

applications for permission to establish branches received from Bank of America National Trust and Savings Association, in the light of the agreement reached by the three Federal bank supervisory agencies to allow within limits of their authority no further expansion of Transamerica banking offices. The Chairman said he had asked Mr. Leonard to prepare, for use in the conference with Mr. Wiggins, material on the expansion that had taken place since 1942.

There followed a general discussion of the present status of the bank holding company problem, the letter addressed by the Board to the Attorney General on February 25, 1947, and whether he should be brought into the discussions at the Treasury referred to by Chairman Eccles.

At the conclusion of the discussion, Mr. Townsend's suggestions were approved unanimously.

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

The minutes of actions taken by the Board of Governors of the Federal Reserve System on March 13, 1947, were approved unanimously.

Memorandum dated March 12, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the

3/14/47

-10-

Board approve an advance of funds in the sum of \$250 to David L. Grove, an economist in that Division, for use in helping to meet the expenses of his forthcoming trip to Ecuador as approved by the Board on March 7, 1947. The memorandum also stated that adequate security for the advance was provided inasmuch as Mr. Grove had 71 days of accumulated annual leave, which in case of his separation from the Board would amount to approximately \$1,600.

Approved unanimously.

Memorandum dated March 13, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Ethel M. Bolac as a cafeteria helper in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$1,690 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"Referring to your letter of March 3, 1947, the Board will interpose no objection to your proceeding with the project for modernizing the lighting arrangements in the present bank building. It is noted that trial installation will first be made at a total cost of \$13,397.90; and that this installation will in general follow the existing plans and specifications of the architects except that it will be necessary to introduce alternating current circuits from the Franklin Street side of the building instead of from Milk Street through the proposed building extension."

3/14/47

-11-

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to Mr. Taylor's letter of March 4, 1947, the Board will interpose no objection to your proceeding with the project of modernizing some of the lighting in your Bank building. It is noted that it will be necessary to change the wiring system so as to take both DC and AC current to the floors involved and that the estimated cost of the work is \$24,150 for wiring and \$25,320 for the fluorescent fixtures."

Approved unanimously.

Letter to Mr. Walter F. Ryan, Clearance Officer, Division of Statistical Standards, Executive Office of the President, Bureau of the Budget, Washington 25, D. C., reading as follows:

"Receipt is acknowledged of your letter of March 6, 1947, addressed to Mr. Young approving the extension of the Robert Morris Project Schedule to collect annual business financial data for the year 1946, with the understanding that the Project be discontinued after the current extension if the new business financial reporting service to be undertaken by the Federal Trade Commission and the Securities and Exchange Commission is approved by the Congress.

"We are in complete agreement with your objective of preventing duplication in reports. The new service will provide through official channels business financial data that are greatly needed by both governmental and private agencies, and will result in more effective use of business financial reports to the Government. Use of the Robert Morris Project Schedule is not contemplated beyond the current year unless they prove to be needed to fill major industrial gaps until the financial reporting system currently being planned is fully operating."

3/14/47

-12-

Approved unanimously.

R. Carpenter
Secretary.

Approved:

M. C. ...
Chairman.