

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 20, 1947. The Board met in the Board Room at 2:45 p.m.

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

Mr. Carpenter, Secretary

Chairman Eccles presented a memorandum reading as follows, and stated that, in view of the desirability of a closer scrutiny of the expenses of the Board, he would recommend that the changes in procedure proposed in the memorandum be adopted by the Board:

"The President of the United States has requested that departments and agencies of the Government scrutinize their expenditures with the utmost care, and the Congress has instructed the Comptroller General to make investigations and reports on the economy and efficiency with which public funds are administered and expended. While we do not use appropriated moneys, we must recognize the fact that our expenditures affect the residual interest of the Government in the surplus earnings of the Federal Reserve Banks. It is obvious therefore that we have a public trust which we must guard and protect, and that our affairs should be conducted on the most economical basis reasonably consistent with our responsibilities. For this purpose the following amendments to existing procedures are proposed.

1. Amendments of Board's travel regulations

Add a new paragraph as follows:

3. Whenever any travel at the Board's expense is contemplated by any member of the Board or of the Board's staff, a memorandum in a form provided by the Board for the purpose shall be submitted in advance of the trip to the Board's Personnel Committee, setting forth the proposed

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"date or dates of absence on such travel, the itinerary to be followed, the purpose, and why it is deemed necessary in the conduct of the official business of the Board. When it is expected that more than one will visit any place at approximately the same time, the attention of the Personnel Committee should be directed to that fact and the Committee shall inquire into the necessity therefor. No voucher for travel expenses to which this paragraph applies shall be paid by the Division of Administrative Services unless the Division shall have been furnished with advice of approval by the Personnel Committee of such travel. This paragraph does not apply to the regular travel of the Board's examiners engaged in the examination of Federal Reserve Banks pursuant to the annual order of the Board or to the travel of the employees engaged in the reviews of functional expenses and personnel classification plans conducted by the Divisions of Bank Operations and Personnel Administration, respectively. X

"Amend paragraph 1 so as to reduce per diem in lieu of subsistence to \$10 from \$12.50; and substitute for the words 'expense voucher' at the end of the third sentence the following: 'travel voucher which shall be supported by satisfactory receipts as required by the standardized Government travel regulations as amended.'

"Amend paragraph 2 so as to reduce per diem in lieu of subsistence to \$8.00 from \$10.00.

"Amend paragraph 3 so as to reduce per diem in lieu of subsistence to \$7.00 from \$7.50.

"Amend paragraphs 2 and 5 by substituting the 'Board's personnel committee' for the 'Chairman, the Vice Chairman or Chairman pro tem' in the places where they are mentioned. (Note: When travel of a member of the personnel committee is involved, the Chairman, the Vice Chairman, or the Chairman pro tem will substitute for such member on the personnel committee.)

"Amend the portion of the first sentence of paragraph 4 which begins with the words 'except that' by striking out all the language after the word 'accommodations' and changing the existing language to read as follows:

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"except that persons referred to in paragraphs 1 and 2 above may be allowed any Pullman accommodations obtainable in connection with a single fare, and that, when a single bedroom is not available, any member of the Board may be allowed the extra railroad fare necessary to enable him to obtain Pullman accommodations, the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations."

"Amend paragraph 4 so as to substitute the rate of 5 cents per mile for the rate now specified of 6-1/4 cents per mile allowable for the use of the traveler's own automobile in official travel, and to provide that such allowance shall be subject to the approval of the Personnel Committee.

"Amend paragraph 7 by striking out the words 'other than members of the Board.'

"2. Board automobiles shall not be used for travel between home and office or for any other non-official purpose at any time. Board automobiles shall not be used outside the working hours during which Board chauffeurs are regularly on duty, without written approval, on a form provided for the purpose, by the Board member whose assignments include the supervision of the operation of the Board's building, or by his alternate when his use of a Board automobile is involved or when he is absent. The record of trips made by official cars which the chauffeurs are required to keep under the Board's existing rules shall be reviewed from time to time by such Board member or his alternate.

"3. Distribution shall not be made for any member of the Board or of its staff of speeches, articles or other documents through the use of the franking privilege or otherwise at the expense of the Board without written approval, on a form provided for the purpose, by the Board member whose assignments include Board publications, or by his alternate when such distribution on his part is involved or when he is absent.

"4. The Board shall not carry on the pay roll of, or charge to the budget of, one office or division the salary of an employee who performs service in another office or division, except when such service is only for brief periods of an intermittent character. Any transfer necessitated by this regulation shall be subject to approval in advance by the Board.

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"5. The services of messengers and other employees, whether assigned to members of the Board or otherwise, shall not be used at the Board's expense at any time for private purposes except that, when no overtime pay is caused, Board members' messengers may be used for running personal errands for Board members or for driving their cars.

"6. In order to remove any basis for misunderstanding as to the relation of the Board or any of its members to any special gatherings or luncheons, dinners or other occasions which may create expense for any Federal Reserve Bank or its Branch that would not be incurred otherwise, no such arrangements shall be requested or suggested by any member of the Board or of its staff, except with the approval of the Board which will be communicated to such Federal Reserve Bank by the Board's Secretary or Assistant Secretary. No arrangements at the expense of the Board for such purposes shall be made without the approval of the Board which will be communicated to the Division of Administrative Services by the Board's Secretary or Assistant Secretary.

"7. If any question as to the propriety of any expenditure to be charged to the Board should arise, it shall be the responsibility of the Division of Administrative Services to refer the matter to the Personnel Committee.

After a brief discussion, upon motion by Mr. Vardaman, the changes in existing procedures as set forth in the memorandum referred to above were approved unanimously, effective March 21, 1947, with the understanding (1) that copies of the revised travel regulations and of the statements contained in the memorandum with respect to the other matters referred to would be sent to the members of the Board and to the members of the senior staff, and (2) that the letter to the Presidents of the Federal Reserve Banks advising of the action of the Board with respect to special gatherings,

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luncheons, dinners, etc., (a) would make it clear that the Board's action did not imply that the officers or directors of a Federal Reserve Bank were not at liberty on their own initiative, whenever in their judgment it would be in the interest of the System, to arrange functions of this kind when a member or members of the Board or its staff were visiting in the District, and (b) would request that advice of the Board's action be brought to the attention of the officers of the Federal Reserve Banks and branches, if any.

The official travel regulations of the Board, as amended in accordance with the above action, were as follows:

"BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
TRAVEL REGULATIONS ADOPTED DECEMBER 15, 1937
As Amended Effective March 21, 1947

"Reimbursement for expenses of persons traveling on official business of the Board shall be as hereinafter set forth.

1. Members of the Board shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$10 or (b) their actual necessary travel expenses. The terms underscored are defined below. When actual necessary travel expenses are claimed, the items of expense shall be set forth in detail in the travel voucher which shall be supported by satisfactory receipts as required by the standardized Government travel regulations as amended. Such expenses shall not be allowed when claimed in a lump sum. Members of the Board shall also be allowed reasonable expenses for telephone, telegraph, cable and radio service, and for miscellaneous expenses, including stenographic and other clerical service, when such expenditures are necessary for the transaction of official business while in a travel status.

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"2. Heads or assistant heads of divisions of the Board's Washington staff (who shall include Assistants to the Chairman or the Board), the Federal Reserve Bank auditors who audit the accounts of the Board, and any other persons traveling on official business of the Board upon specific authorization of the Board's Personnel Committee shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$8.00 or (b) upon specific authorization of the Board's Personnel Committee their actual necessary travel expenses when the travel voucher is supported by satisfactory receipts as required by the standardized Government travel regulations as amended.

3. All other persons traveling on official business of the Board pursuant to proper authorizations shall be allowed actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$7.00.

4. For the purposes of paragraphs 1, 2 and 3 above, the term actual necessary transportation expenses includes the cost of all necessary official travel by railroad, airline, steamboat, bus, streetcar, taxicab, automobile and other means of conveyance, together with minimum priced single first-class accommodations in staterooms on vessels or one standard lower berth or single seat in a sleeping or chair car, except that persons referred to in paragraphs 1 and 2 above may be allowed any Pullman accommodations obtainable in connection with a single fare, and that, when a single bedroom is not available, any member of the Board may be allowed the extra railroad fare necessary to enable him to obtain Pullman accommodations, the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations. If accommodations are shared by the traveler, the fact should be stated in his expense voucher and he may claim only his proportionate share of the costs. This item also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence, such as cost of baggage transfer; official telegraph, telephone, radio and cable messages relating to transportation; steamer chairs and steamer rugs; fees or tips to baggagemen, to hotel, station, sleeping or chair car, and cabin porters, or cabin boys, for service rendered in connection with sleeping or Pullman accommodations en route or with baggage, and to room and library stewards

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"on vessels; and the usual taxicab, streetcar or bus fares from station or wharf or other terminal to place of abode or place of business and from place of abode or place of business to station or wharf or other terminal, while in a travel status. When using his own automobile in official travel with the approval of the Board's Personnel Committee, the traveler may be allowed mileage at a rate not to exceed 5¢ per mile in lieu of actual operating expenses, except that persons referred to in paragraph 3 above may be allowed reimbursement on such basis only to the extent that such allowance does not exceed the cost of transportation by common carrier over the shortest usually traveled route between the points of travel.

When savings can be effected by the purchase of round trip or special rate tickets, they shall be obtained.

Extra expense incurred by persons referred to in paragraphs 2 and 3 above by reason of travel on airlines, extra fare trains, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory showing of the necessity therefor, or that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary of the traveler for the time thus saved, does not exceed the cost of rail or steamer transportation and Pullman or stateroom fare between the points of travel.

5. For the purposes of paragraphs 1, 2 and 3 above, the term per diem in lieu of subsistence includes all meals; lodgings; personal use of room during daytime; baths, fees or tips to waiters, bellboys, and other hotel servants, and dining room stewards and others on vessels, in connection with subsistence; telegrams and telephone calls reserving hotel accommodations; laundry and valet service; and transportation between places of lodging or where meals are taken and places of duty.

When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard, but for such period he will be reimbursed on the basis of actual necessary travel expenses.

When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in a travel status, he may be allowed (with the approval

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"of the Board's Personnel Committee in the case of a head of a division, and with the approval of the head of the division in the case of other employees of the Board) per diem in lieu of subsistence during such absence, for a period not to exceed one week and, in the event the illness extends beyond one week, he may be allowed per diem in lieu of subsistence for such additional period as may be fixed by the Board.

6. For the purposes of paragraphs 1 and 2 above, the term actual necessary travel expenses includes all actual necessary expenditures covered by the definitions of (a) actual necessary transportation expenses and (b) per diem in lieu of subsistence. When hotel or other accommodations are shared by the traveler, the fact should be stated in his expense voucher and he may claim only his proportionate share of the costs.

7. Except to the extent specifically allowed otherwise by this regulation, the provisions of the standardized Government travel regulations as amended shall continue to apply to all persons traveling on official business of the Board.

8. Whenever any travel at the Board's expense is contemplated by any member of the Board or of the Board's staff, a memorandum in a form provided by the Board for the purpose shall be submitted in advance of the trip to the Board's Personnel Committee,* setting forth the proposed date or dates of absence on such travel, the itinerary to be followed, the purpose, and why it is deemed necessary in the conduct of the official business of the Board. When it is expected that more than one will visit any place at approximately the same time, the attention of the Personnel Committee* should be directed to that fact and the Committee* shall inquire into the necessity therefor. No voucher for travel expenses to which this paragraph applies shall be paid by the Division of Administrative Services unless the Division shall have been furnished with advice of approval by the Personnel Committee* of such travel. This paragraph does not apply to the regular travel of the Board's examiners engaged in the examination of Federal Reserve Banks pursuant to the annual order of the Board or to the travel of the employees engaged in the reviews of functional expenses and personnel classification plans conducted by the Divisions of Bank Operations and Personnel Administration, respectively.

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"(*Note: When travel of a member of the Personnel Committee is involved, the Chairman, Vice Chairman, or Chairman pro tem will substitute for such member on the Personnel Committee.)"

Chairman Eccles then stated that, in connection with the appointment of Mr. Clayton as a member of the Board, consideration had been given to changes in the assignments of subjects for initial consideration by the individual members and the Personnel Committee and that he would recommend that assignments be made as follows:

"Chairman Eccles

1. Economic and monetary policy matters (open market operations, discount rates, reserve requirements, interest rates, Government finance, international monetary questions).

2. Policies involved in the initiation and adoption of legislation and executive orders affecting the System.

3. Public relations of Board of Governors.

(Chairman Eccles is chairman of the Open Market Committee and of its executive committee. He is also by statute a member of the National Advisory Council on International Monetary and Financial Problems and a member of the Advisory Board to the Export-Import Bank.)

"Vice Chairman Ransom

1. As the Vice Chairman is charged with the responsibility of acting as Chairman in the absence of the latter, he shares with the Chairman the consideration of matters specifically assigned to the latter, in such manner as they may decide from time to time.

2. Reports on legislation and other legislative matters not handled by the Chairman.

3. Regulation of consumer credit. (Alternate, Mr. Evans)

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"Mr. Szymczak

"Pending return to duty of Mr. Ransom, Mr. Szymczak will assume his duties as Acting Vice Chairman, except as to item 3 in Mr. Ransom's assignments.

"1. Institutions engaged in international and foreign banking subject to sections 25 and 25A of the Federal Reserve Act; foreign branches of domestic banks.

2. Relations of Reserve Banks with foreign banks, bankers, and governments; staff missions of Reserve Banks and Board to foreign countries. (Alternate, Mr. Evans)

3. Relations with holding company and other affiliates; examinations of affiliates; issuance and revocation of voting permits of holding company affiliates.

4. Federal Reserve Retirement System. (Mr. Szymczak is one of the Trustees of the Retirement System, elected by the Board as its representative.)

"Mr. Draper

(Alternate, Mr. Evans)

"1. Discounts and advances of Reserve Banks; purchases by Reserve Banks of securities and bills other than through System open market account; questions of eligibility of paper for discount or as security for advances.

2. Extension and maintenance of credit by brokers, dealers, banks and others for purchasing or carrying securities.

3. Lending activities of Government agencies (other than those in the agricultural field).

4. Federal Reserve activities relating to war loans under Executive Order 9112, the Contract Settlement Act of 1944, and loans under Section 13b of the Federal Reserve Act.

5. Building operation and maintenance.

"Mr. Evans

(Alternate, Mr. Draper, except as to last item listed below)

"1. Agricultural conditions, including prices, production, exports and imports; and relations concerning these subjects with Department of Agriculture, Farm Credit Administration and other agencies; lending activities of Government agencies in the agricultural field.

2. Publications of the Federal Reserve System; call reports of condition and other periodical reports of member banks.

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"3. Coordination and development of relations of Federal Reserve Banks with member banks, nonmember banks, banking associations, educational institutions, and the general public.

4. Voluntary pay roll deduction plans for Government bonds.

5. Research programs of Federal Reserve Banks and Board of Governors. (Alternate, Mr. Szymczak)

"Mr. Vardaman

"1. Services of Reserve Banks and reimbursement therefor; expenditures, including Reserve Bank budgets, Salary Classification Plan and Functional Expense Reports; examinations of Reserve Banks; reserves for losses, charge-off and dividends; Reserve Bank stock.

2. Establishment, regulation and discontinuance of branches and agencies of Reserve Banks; determination of district and branch territorial limits.

3. Clearance and collection systems; currency matters; interdistrict settlement funds.

4. Outside business and other relations of directors, officers and employees of Reserve Banks; removal of directors, officers and employees of Reserve Banks.

5. Those aspects of questions arising in the administration of the Board's affairs which are of special concern to veterans. (When a question arises which involves a veteran problem Mr. Vardaman will be consulted or will consult with the member of the Board whose assignments include the other aspects of the question.)

"Mr. Clayton

"1. Admissions to, conditions of, and termination of membership of State banks; trust powers for member banks.

2. Supervision and examination of State member banks, domestic branches, mergers, consolidations, adjustment of capital structure, maintenance of required reserves, payment of interest on deposits, of member banks; relations regarding these matters with Federal Deposit Insurance Corporation, Reconstruction Finance Corporation, and Comptroller of the Currency.

3. Loans and investments of member banks, including acceptances; relations regarding these matters with Comptroller of the Currency, Securities and Exchange Commission, and other Government agencies.

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"4. Interlocking relations of directors, officers and employees of member banks serving other banks and security dealers; loans to executive officers of member banks; removal of directors, officers and employees of member banks; disposition of criminal charges.

"Personnel Committee

"1. Appointments of Class 'C' directors of Reserve Banks and the directors of branches who are appointed by the Board.

2. Designations of Chairmen and Federal Reserve Agents and appointments of Deputy Chairmen of Federal Reserve Banks.

3. Approvals of appointments of officers and employees of the Reserve Banks requiring action by the Board. When an appointment is in the examination or research department of a Reserve Bank, it is understood that the recommendation to the Board will be made in collaboration with Mr. Clayton or Mr. Evans, respectively.

4. Reserve Bank salaries other than those covered by the salary classification plan; executive development plan.

5. Questions relating to election and qualifications of Class A and Class B directors of Reserve Banks, including classification of member banks for such elections.

6. Board's budgets and expenditures. Questions arising as to the propriety of expense items incurred by members of the Board and its staff.

7. Approval of authorizations for official travel.

"Committee Memberships

"Executive Committee of the
Federal Open Market Committee
(Until February 29, 1948)

Chairman: Mr. Eccles

Vice Chairman: Mr. Sproul

Mr. Draper

Mr. Vardaman

Mr. Davis

Alternates

For Board members

1. Mr. Szymczak

2. Mr. Clayton

3. Mr. Evans

Note: Upon Mr. Ransom's return he will serve as first alternate in the absence of Mr. Eccles and as third alternate in the absence of Messrs. Szymczak and Clayton.

For Presidents

1. Mr. Gidney

2. Mr. Peyton

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"Committee Memberships - Continued"Personnel Committee
(Until February 29, 1948)Mr. Evans
Mr. Clayton"

Upon motion by Mr. Evans, the assignments as recommended by Chairman Eccles were approved unanimously, it being understood that no general alternates for Messrs. Szymczak, Vardeman, and Clayton would be designated until after Mr. Szymczak's return to Washington toward the end of April.

There followed an informal discussion of the conduct of, and statements by, members of the Board when visiting in the various Federal Reserve Districts and at the Federal Reserve Banks. It was the unanimous opinion of the members present that, if any member of the Board had any opinions or objections to Board policies or actions, he should feel free to express himself and argue as fully and as vigorously for his position with the individual members and at the meetings of the Board as he might wish; that, in fact, if he held views which were not in harmony with actions or policies of the Board, he was under obligation to express such views at meetings of the Board; but that he should not express himself on the outside or while visiting the Federal Reserve Banks with respect to such policies and actions in such a manner as would indicate that there was a cleavage among the members of the Board or in such a way as to undermine the position of the Board or any member thereof.

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Reference was made to the vacancy in the Class C directorship at the Federal Reserve Bank of Richmond and to the suggestion that had been made that an appointment be tendered to Mr. Edward R. Stettinius, Jr., as a Class C director for the unexpired portion of the term ending December 31, 1949. Question was raised whether, in approaching Mr. Stettinius, it should be indicated that the Board had in mind designating him as Chairman and Federal Reserve Agent and in that connection it was pointed out that the term of Mr. Wysor (who is now serving as Chairman and Federal Reserve Agent) as a Class C director would not expire until December 31, 1948.

It was agreed unanimously (1) that steps should be taken to ascertain if Mr. Stettinius would accept appointment as Class C director if tendered by the Board, and (2) that there would be no objection to indicating to him that the Board had in mind his designation as Chairman and Federal Reserve Agent following the termination of Mr. Wysor's present term as Class C director on December 31, 1948.

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 19, 1947, were approved unanimously.

Memorandum dated March 17, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending that, effective as of

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the date upon which he enters upon the performance of his duties, James V. Fisler be appointed for a period of one year as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,397.20 per annum, and with official headquarters at Kansas City, Missouri.

By unanimous vote, Mr. James V. Fisler was appointed for a period of one year as 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, 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 Kansas City, Missouri, and with basic salary at the rate of \$3,397.20 per annum, all effective as of the date upon which he enters upon the performance of his duties.

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

"Reference is made to your letter of March 6, 1947, submitting the request of The Northern New York Trust Company, Watertown, New York, for permission to establish a branch in Adams, New York, in connection with the proposed merger with the Citizens and Farmers Trust Company, Adams, New York.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Adams, New York, by The Northern New York Trust

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"Company, Watertown, New York, provided the merger is effected substantially as proposed and the prior approval of the appropriate State authorities is obtained, and with the understanding that Counsel for the Reserve Bank is to review and satisfy himself as to the legality of all steps taken to effect the merger and establish the branch.

"It is noted that this is the third absorption and establishment of a branch to be effected by the applicant within a year involving the disbursement of the capital funds of the bank absorbed and without a corresponding increase in its own capital funds. The Board does not approve of a policy of expansion on a basis involving actual reduction of invested capital and requests that you advise the applicant and its Holding Company Affiliate, the Marine Midland Corporation, that this factor must be satisfactorily resolved in connection with consideration of any further applications of this character."

Approved unanimously.

Letter to Honorable J. Hardin Peterson, United States House of Representatives, reading as follows:

"This is in reply to your letter of March 3, 1947, asking about the present status of Regulation W.

"You are correct in your understanding that the regulation has recently been modified. Effective December 1, 1946, its scope was narrowed and some changes in terms were made. It is now applicable only to instalment credit; all maturities may be as long as 15 months; and down payments are one-third except that furniture and floor coverings require only one-fifth down.

"In view of continued inflationary pressures of which there has been strong evidence in recent weeks, the Board is of the opinion that further relaxation would be inappropriate at present.

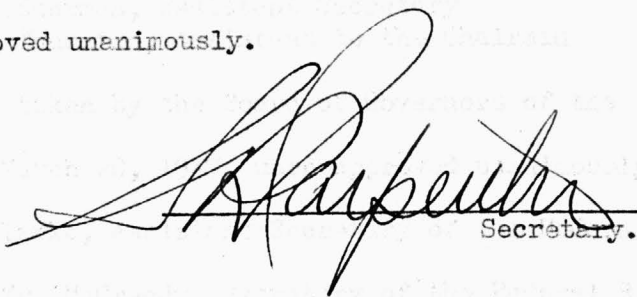
"The whole question of the regulation of consumer credit probably will be brought before Congress at this session and the important question of just how far deficit financing on the part of individuals and families affects the up-and-down of the business cycle will, we are confident, receive careful consideration. Consumer credit within the next few years will be such a sizable

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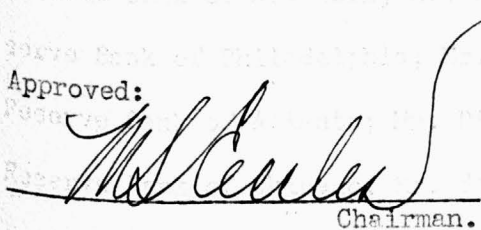
"percentage of the total credit in use in our country that the effect, upon employment and the national income, of overspending of future income cannot be ignored. The Board has made a careful study of consumer credit and is of the opinion that continuance of some regulation would contribute to economic stability.

"We appreciate having had this opportunity to comment on the questions which have been raised by your correspondents."

Approved unanimously.


Secretary.

Approved:


Chairman.