

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 8, 1947. The Board met in the Board Room at 10:35 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. Bethea, Director of the Division  
of Administrative Services  
Mr. Thomas, Director of the Division  
of Research and Statistics  
Mr. Vest, General Counsel  
Mr. Leonard, Director of the Division  
of Examinations  
Mr. Townsend, Assistant General Counsel  
Mr. Millard, Assistant Director of the  
Division of Examinations

Reference was made to a memorandum from Mr. Thomas dated April 2, 1947, in which he called attention to the fact that the draft of the annual report of the Federal Reserve Bank of New York for the year 1946 covered much of the ground covered by the Board's annual report.

Chairman Eccles stated that since 1937 the report of the New York Bank had caused more or less difficulty because it contained discussions of monetary, credit, and other national policies similar to those contained in the Board's annual report, but often

4/8/47

-2-

presented from a different, and sometimes from a critical point of view. He said that when the draft of the 1946 report came to his attention he discussed the matter with Mr. Sproul by telephone with a view to reaching an agreement which would avoid the difficulties experienced in the past, and for that purpose suggested that the Board include in its report in the future a separate section for the Open Market Committee in which there would be a discussion of monetary policies and in which members of the Committee could give reasons for their views with respect to such policies. This, he said, would remove any need for discussions of national problems in the annual report published by an individual Federal Reserve Bank. He also said that Mr. Sproul indicated that he would be glad to study the proposal.

There was a discussion of whether Federal Reserve Banks should publish individual annual reports, of the content of reports that might be published, and of the change in the Board's report suggested by Chairman Eccles.

It was agreed unanimously that Chairman Eccles would present his suggestion in a memorandum for study by the other members of the Board and discussion at a later meeting.

Mr. Townsend stated that in accordance with the action of the Board on March 14, 1947, he attended a hearing on the Kefauver Bill (H. R. 515) which was held before a subcommittee of the Judi-

4/8/47

-3-

ciary Committee of the House of Representatives on March 19, 1947, and outlined the views of the Board with respect to the inclusion in the bill of provisions contained in an earlier draft which would require the approval of future acquisitions by corporations of the stock or assets of other corporations. He also said that the majority of the committee was not inclined to consider the proposal seriously either with respect to granting such authority to the Board with respect to banks or to the Federal Trade Commission with respect to other corporations, but that the Senate draft of the bill did contain such provisions, that hearings were contemplated before a subcommittee of the Senate Judiciary Committee, that the subcommittee had been told of the Board's interest in being heard on the bill, and that Chairman Eccles would talk to Senator O'Mahoney, the author and principal sponsor of the bill in the Senate, and advise him of the Board's views.

Mr. Townsend also reported briefly on the appeal of the Consumers Home Equipment Company and A. B. Chereton from their conviction in the lower court of contempt in failing to obey the order of the court to discontinue further violations of Regulation W, Consumer Credit. He said that the appeal was heard before the Sixth Circuit Court of Appeals in Cincinnati on March 31, and that the presiding judge had insisted on questioning and discussing the authority of the President to issue the Executive Order on which Regulation W is based.

4/8/47

-4-

Mr. Nelson joined the meeting at this point.

Mr. Townsend stated that a letter had been received from Mr. Johnson, General Counsel of the Federal Reserve Bank of Dallas, under date of March 31, 1947, in which he stated that Mr. Eads, the investigator for the field office of the National Labor Relations Board who had conducted an informal investigation of the discharge of 44 employees of the Federal Reserve Bank of Dallas, had advised that he would submit a report containing the following conclusions:

1. That the evidence clearly established that the reduction in staff at the Federal Reserve Bank of Dallas was an entirely legitimate decision in the light of reduced volume of work in two large departments and for the purpose of effecting economies in the work performed for the Treasury Department and the Reconstruction Finance Corporation (also that similar economies were being effected at all of the Federal Reserve Banks and that full information on these reductions in staff could be obtained from the information available in the files at the Board of Governors of the Federal Reserve System).

2. That the procedure followed by the bank in making the survey of its personnel appeared to be unquestionably sound.

3. That it was clear from the evidence that the bank had not discriminated against the chairman of the local union organization and against others that had been interested in it.

4. That he felt that there was sufficient evidence to substantiate the claims of Mr. Clouse and Mr. Terry that they had been discriminated against in contravention of the National Labor Relations Act to justify the issuance of a complaint with respect to them, and that he would recommend the issuance

4/8/47

-5-

"of a complaint limited to their two cases. Although he did not elaborate at length on this conclusion, he did mention the following factors relating to it:

(a) That the management of the bank at all levels admittedly knew that these two men had been among the leaders advocating the union;

(b) That the circumstance that they were the only supervisors included on the release list and that none had been included from other departments was a suspicious circumstance;

(c) That he believed the evidence indicated that Clouse and Terry had performed their work satisfactorily and had done a good job during the war when the Fiscal Agency Department had a heavy load; and

(d) That the failure to offer these two men of long service other work even though at reduced pay reflected a desire on the part of the bank to remove them from the bank's employ, which desire he thought was attributable to the desire to discharge these two leaders of the union movement."

Mr. Townsend also said that the report of the investigator's informal survey would be reviewed by the director of the Fort Worth office of the Labor Board and then sent to their Washington office where it would be considered on an informal basis and the Board of Governors given an opportunity to submit any additional evidence the Board's interests might require before any action was taken with respect to ordering a formal hearing. Mr. Townsend went on to say that he was bringing the matter to the attention of the Board at this time so that it might determine whether it wished to take steps immediately to have the Dallas Bank reinstate the two former employees whom the

4/8/47

-6-

investigator had concluded had been discharged as a result of an unfair labor practice, or whether to defer taking action until the Labor Board had had an opportunity to review the report and indicate what its views would be. He stated that in his opinion there was a chance the Labor Board might not agree with the findings of the investigator, that in any event Mr. Van Arkel, General Counsel for the Labor Board, had given assurance that the Board of Governors would be informed of the Labor Board's views in advance of any formal action, and that it then could take action to bring about reinstatement of the two employees if that seemed desirable. Mr. Townsend felt that there would be a gain for the System if the Labor Board found that the Dallas Bank had not been guilty of an unfair labor practice, that only by studying the investigation report could the Board reach even an informal decision as to the position it would take, and that he would recommend that no action be taken at this stage to have the employees reinstated.

There was a discussion of the matter in the light of Mr. Townsend's report and, upon motion by Mr. Vardaman, it was agreed unanimously that the Personnel Committee should study the matter and submit a recommendation as to the procedure to be followed by the Board.

Reference was made to a memorandum from Mr. Smead dated April 4, 1947, regarding the Treasury's proposal to transfer certain fiscal agency operations relating principally to the issue and re-

4/8/47

-7-

demption of war savings bonds from the branches to the head offices of the Federal Reserve Banks, in which it was stated that the Treasury had concluded it might not be feasible to avoid disturbing existing relationships between the branches and the member banks and the public in branch territories because of certain practical difficulties, and that it proposed to send another letter to the Federal Reserve Banks asking for a further expression of their views on the proposals, as outlined in Mr. Smead's memorandum, which would result in the handling of certain savings bond transactions on the basis of direct operating relations between the parent banks and the paying agents.

There was a discussion of the proposed changes and of the possibility of having the Federal Reserve Banks absorb some of the costs of fiscal agency operations at the branches as a means of retaining the services at those offices.

Upon motion by Mr. Vardaman, it was agreed unanimously that the Board would interpose no objection to the Treasury sending another letter to the Federal Reserve Banks asking for an expression of their views on the proposal outlined in Mr. Smead's memorandum, with the understanding that the Board would have an opportunity to consider the matter further after the replies were received from the Federal Reserve Banks and before final instructions were issued by the Treasury.

4/8/47

-8-

Mr. Evans stated that during the war years the Board's annual report had not been sent to member banks, and that Mr. Thomas had raised the question whether the Board should now resume the practice of pre-war years of mailing a copy of the report to each member bank.

Mr. Clayton suggested that instead of mailing the report, a postcard be sent to each bank asking whether it wished to receive a copy of the report.

After a discussion, upon motion by Mr. Evans, it was agreed unanimously that a postal card with return reply attached would be sent to all banks in the United States stating that one copy of the report would be mailed without charge to any bank requesting it, and that additional copies would be available at a cost of .25¢ each.

The question was also raised whether the report for the year 1946 should be sent to all members of Congress or only to members of the Banking and Currency Committees of the House and the Senate as in the past, and it was agreed unanimously that no change should be made in that mailing list and that otherwise the distribution of the 1946 report should be the same as the report for 1945.

At this point Messrs. Smead, Bethea, Thomas, 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:

4/8/47

-9-

The minutes of actions taken by the Board of Governors of the Federal Reserve System on April 7, 1947, were approved unanimously.

Memorandum dated April 4, 1947, from Mr. Nelson, Director of the Division of Personnel Administration, advising that the disability retirement of Mrs. Yvonne Dodd Shaw, a participant in the Board Plan of the Federal Reserve retirement system, had been approved officially, effective December 1, 1945.

Noted.

Letter to the Honorable Maple T. Harl, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board of Governors appreciates your frank letter of March 7 written in response to my letter of February 7, 1947, and your statement that it is the policy of your Corporation not to attempt to influence any bank in its decision to acquire, maintain, or terminate membership in the Federal Reserve System.

"You refer to the active solicitation for membership on the part of the Federal Reserve Bank of Chicago. The Board believes that membership in the System should be actively encouraged, and particularly that individual banks throughout the country which are eligible should understand the benefits and privileges accruing to them and the advantages to the nation as a whole which result from a widespread membership in the System. The policy which the Board and the Reserve Banks have followed of encouraging voluntary applications for membership is consistent with the basic purposes of the Federal Reserve Act and the history of the Federal Reserve System. That this has been true from the early days of the System is evidenced by the fact that in 1917 President Wilson, under whose sponsorship the System was established, urged in a public statement that all State banks which were eligible become members of the System.

4/3/47

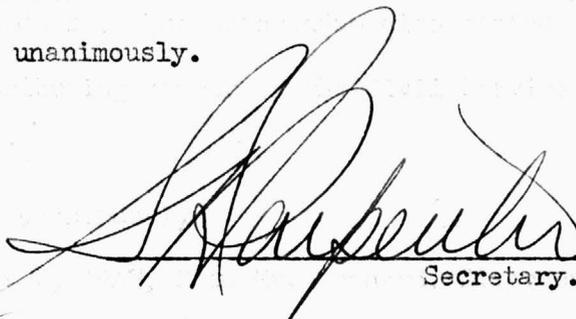
-10-

"Since it appears that a search of your files has revealed no instance in which the Board of Governors or any Federal Reserve Bank previously had made a similar complaint regarding attempts to discourage membership, this may be due to the fact that in a number of instances where reports that representatives of the Federal Deposit Insurance Corporation in Wisconsin, Michigan, and Indiana had attempted to discourage membership came to the attention of the Federal Reserve Bank of Chicago and the Board, Governor McKee, on behalf of the Board, discussed the matter informally with Mr. Crowley. Perhaps no record was made in your offices of the informal discussions.

"In view of the circumstances, it is apparent that your Corporation and the Board have received different reports as to the situation or that there is a misunderstanding in that territory as to the policy of your Corporation with respect to membership in the System as stated in your letter. Consequently, we hope that the matter may be cleared up and have no doubt that you share this desire.

"I suggest, therefore, that for the purposes of clearing up any misunderstanding, the heads of our two Divisions of Examination, Mr. Sailor and Mr. Leonard, get together and see what the two Divisions can do to work it out. If you concur in this suggestion the Board will be glad if you will request Mr. Sailor to communicate with Mr. Leonard."

Approved unanimously.



Secretary.

Approved:



Chairman.