

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 9, 1947.

PRESENT: Mr. Szymczak, Chairman pro tem
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 8, 1947, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on May 6, by the Federal Reserve Banks of Dallas and San Francisco on May 7, by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, and Minneapolis on May 8, 1947, and by the Federal Reserve Banks of Boston and Kansas City today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Boston for the period May 1, 1947, through April 30, 1948, at the rates indicated, which are the

5/9/47

-2-

"rates fixed by the Board of Directors as reported in your letter of May 5, 1947:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Laurence F. Whittemore	President	\$25,000
William Willett	First Vice President	18,000
Ellis G. Hult	Vice President	14,000
Earle O. Latham	Vice President	10,000
Carl B. Pitman	Vice President	14,000
Oscar A. Schlaikjer	Vice President and General Counsel	14,000
John C. Hunter	Cashier	10,000
Ansgar R. Berge	Secretary and Assistant Counsel	9,500
Edward A. Davis, Jr.	Assistant Vice President	8,500
Dana D. Sawyer	Assistant Vice President	7,250
Roy F. Van Amringe	Assistant Vice President	8,500
Louis A. Zehner	Assistant Vice President	8,000
Frank C. Gilbody	Assistant Cashier	7,750
Robert B. Harvey	Assistant Cashier	7,750
Edward R. Murphy	Assistant Cashier	7,250
John J. Fogg	Auditor	10,000
Alfred C. Neal	Director of Research	10,000

"The Board of Governors also approves the appointment of Vice President Earle O. Latham as an Examiner for the Federal Reserve Bank of Boston and his designation as the officer in charge of the Bank Examinations Department, effective May 1, 1947."

Approved unanimously.

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

"Enclosed is a certified copy of an order of the Board of Governors authorizing The National City Bank of New York to establish an additional branch at Manila, Republic of the Philippines, which you will please deliver to the bank. A copy of the order is enclosed for your files.

"Please ask the bank to note that the authority to establish the branch will automatically terminate on June 1, 1948, if the branch is not actually established and opened for business on or before that

5/9/47

-3-

"date and request the bank to advise the Board in writing when the branch is so established and opened for business."

Approved unanimously, together
with the order referred to which read
as follows:

"ORDER

"May 9, 1947

"WHEREAS The National City Bank of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish an additional branch at Manila, Republic of the Philippines; and

"WHEREAS it appears that the said bank may properly be authorized to establish an additional branch at Manila, Republic of the Philippines;

"NOW, THEREFORE, The National City Bank of New York is authorized to establish an additional branch at Manila, Republic of the Philippines and to operate and maintain it subject to the provisions of section 25 of the Federal Reserve Act, upon condition that unless the branch is actually established and opened for business on or before June 1, 1948, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

Telegram to Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Retel May 1 evaporative air coolers which do not incorporate a refrigerating unit are not air conditioners within the meaning of Regulation W."

Approved unanimously.

Letter to Mr. M. O. Anderson, President, National Automobile Dealers Association, Westlake at Virginia, Seattle 1, Washington, reading as follows:

5/9/47

-4-

"This is in reply to your letter of April 30, 1947.

"Ever since 1941, when — by direction of the President — the Board undertook to regulate consumer credit, we have had very friendly relations with the National Automobile Dealers Association and we have noted with interest the discussion that has been going on among automobile dealers during recent years concerning the continuation of Regulation W. We had already been furnished by your Washington office with a copy of the Atlantic City resolution to which you refer and we are pleased to have your own statement in support of that resolution.

"The arguments you present in favor of removing automobiles from the regulation seem to us to be generally applicable to the actual abrogation of the regulation, since little control over the total volume of consumer credit could be exercised by any regulation which omitted automobile credits. You may be sure that all these arguments will receive careful attention, not only by the Board but also by the appropriate committees of the Congress if and when they come to take up the question of whether or not there should be permanent legislation to provide for the control of consumer credit. The Board has recommended, as you know, that Congress should undertake such consideration.

"It is the judgment of the Board, however, that pending a decision by the Congress it would be in the public interest to keep Regulation W in effect. For the present and the immediate future, in any event, it would seem that the restraint on consumer credit imposed by Regulation W will help to curb further advances in prices and also to direct competition along the lines of reducing prices instead of attempting to maintain them by resort to the granting of easier and easier credit terms. Your own experience, we assume, will have made you quite familiar with the lengths to which the easing of terms can go, under competitive influence, if they are not subject to any public control.

"We are glad to have your letter and shall welcome at any time any further views or information that you may care to communicate to us."

Approved unanimously.

Letter to Mr. Sproul, Chairman of the Conference of Presidents,
reading as follows:

5/9/47

-5-

"The Board of Governors will appreciate your having included on the agenda for the next Presidents' Conference the following topics:

1. Outside business connections of officers of Federal Reserve Banks.
2. Applicability of Federal labor laws to Federal Reserve Banks.

"With respect to the first topic, the Board's letter of June 25, 1937 (F.R.L.S. No. 9055), outlined the procedure to be followed in submitting reports of indebtedness and outside business connections of officers and employees occupying responsible positions, and its letter of July 26, 1937 (F.R.L.S. No. 9056), stated that such reports would be reviewed by the Board's examiners. A review of these reports covering 1945 and 1946 shows that in those years one or more officers at nearly every Federal Reserve Bank was engaged in some outside business activity for which he received compensation and that a substantial number of such connections were teaching activities. Because of the problems which arise when Federal Reserve Bank officers engage in outside business activities for compensation, the Board would like to have a discussion of this matter at the next Presidents' Conference.

"In connection with the second topic listed, the Dallas labor matter, which is still pending, involves the possibility of a legal test as to whether the National Labor Relations Act is applicable to the Federal Reserve Banks. Recently a suit was threatened against the Detroit Branch of the Federal Reserve Bank of Chicago by a former employee who stated that he was improperly classed as exempt from the Fair Labor Standards Act. The question arose whether it would be advisable to defend the suit, if brought, on the ground that the Fair Labor Standards Act is not applicable to the Federal Reserve Banks, since the language of this Act and of the National Labor Relations Act is identical in exempting the 'United States' from the definition of 'employer'. The House version of labor legislation pending in Congress would exempt 'an instrumentality of the United States' (and thus apparently the Federal Reserve Banks) from the National Labor Relations Act, and it was the Board's view that, since the principal reasons why the Federal Reserve Banks cannot operate satisfactorily under the National Labor Relations Act are not applicable in the case of the Fair Labor Standards Act, a decision as to the nature of the defense to the Detroit suit, if brought, should be deferred as long as

5/9/47

-6-

"possible, with the thought that if labor legislation should be enacted containing such an exemption from the National Labor Relations Act, it would be preferable not to raise the question of the application of the Fair Labor Standards Act to the Federal Reserve Banks. The Board would like to discuss these questions with the Presidents at their next conference."

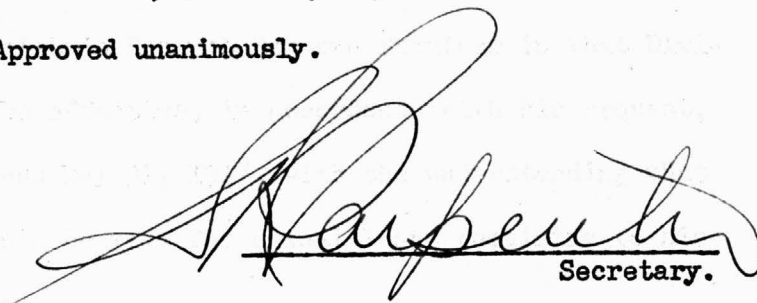
Approved unanimously.

Letter to The Comptroller of the Currency reading as follows:

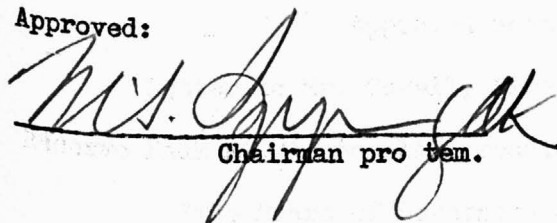
"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 13, 1946, for the printing of Federal Reserve notes of the Federal Reserve of Dallas in the amounts and denominations stated:

Denomination	Number of sheets	Amount
\$10	100,000	\$12,000,000
100	10,000	12,000,000"

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.