

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 17, 1947. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Examinations
Mr. Nelson, Director of the Division of Personnel Administration

Chairman Eccles asked whether the other members of the Board felt it would be appropriate and desirable to send a letter to the President in connection with the possible economic effects of the Taft-Hartley Labor Bill. He stated that in his opinion the Board's interest in production and employment and the possible relationship between the legislation and stabilized production justified expressing an opinion on the bill, that he felt the bill should be signed inasmuch as the only alternative was no legislation with respect to labor-management relations at this session of Congress, and that while the bill had some serious shortcomings it offered possible means of coping with strikes which might reduce production in

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coming months. He added that if the Board felt such a letter should go to the President, he would first wish to discuss the matter with Presidential Aide Clifford to determine whether the White House would care to have an expression of opinion from the Board on this matter. He also said that, in a discussion yesterday, Secretary of the Treasury Snyder told him that the White House had appreciated receiving the Board's letter relating to the tax bill, and that he felt a letter from the Board with respect to the economic effects of the pending labor legislation would also be helpful and would be appreciated by the President.

Mr. Szymczak questioned whether, particularly since the Board had not been asked for a report on the bill, it would be going outside its field in submitting a report. In a discussion of this point it was the consensus of the members of the Board present that inasmuch as the discharge of the Board's responsibilities could be made much more difficult if not impossible by labor difficulties and unstable conditions of employment and production which would result therefrom, the Board would be justified in calling that point to the attention of the President without undertaking to discuss any of the detailed provisions of the bill.

Chairman Eccles stated that a draft of a letter had been prepared by Mr. Thurston and Mr. Williams, Chief of the National Income

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and Labor Section, Division of Research and Statistics, and at Mr. Szymczak's suggestion the letter was read.

At the conclusion of the discussion, the letter was approved unanimously as follows, it being understood that Chairman Eccles would talk with Mr. Clifford of the White House to determine whether such a letter would be desired by the White House in connection with its consideration of the legislation, and, if so, that the letter would be sent.

"The Board of Governors has given consideration to the principal provisions of the Labor-Management Relations Act of 1947. We have sought to make an impartial appraisal of the measure as a whole and its probable economic effects. In this analysis the Board has had the assistance of staff members in its legal and economics divisions who specialize in labor-management relations and problems. While the statutory responsibilities of the Federal Reserve System relate primarily to monetary and credit policies, we cannot ignore the fact that even the limited contribution which such policies can make under present-day conditions to economic stability and progress depends fundamentally upon sustained industrial peace. These and other governmental policies and measures are merely tools to aid the functioning of our economic system. All of them are of no avail unless ways and means are devised to maintain and increase productivity. This, in turn, is the primary remedy for the inflationary pressures generated by war financing. This above all else is the cure for excessively high prices.

"Accordingly, we would like to express to you our conclusion that this bill, assuming, as we must, that it will be fairly administered, would help to promote industrial peace. We recognize that the bill presents to you an exceptionally difficult decision because some parts of it are desirable while other sections are not. The choice at this time is not between this legislation and some better measure. The choice is between this bill

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"and nothing. We think there is a better chance of sustaining employment and production and of bringing about necessary readjustments in the price structure under this bill than without it. We realize that any legislation in this field, characterized as it is by intense controversy, has to be a compromise between extreme views on both sides of the many issues involved.

"Conceding that this measure is a compromise, that the machinery and procedures entailed are cumbersome, and that it will be difficult to administer, nevertheless, we believe that it will facilitate settlement of labor-management disputes and minimize industrial stoppages without infringement of the rights of either side. If that expectation is realized this bill would be of positive benefit to the public and in the long run to workers.

"We have given attention particularly to those sections of the bill dealing with the issues of the closed shop, secondary boycotts, jurisdictional strikes, and so-called featherbedding practices. We have tried to analyze and form an opinion as to the practical operation of the sections creating machinery for the adjudication of disputes. We think that on balance, after weighing the pros and cons as expressed by the proponents and opponents of the bill, the merits of these principal provisions outweigh the demerits.

"The procedures involved in calling strikes affecting the national health or safety seem to us to provide the Government with an opportunity to protect the public against capricious and unreasonable disruptions. While the bill does not provide for Government seizure so as to place responsibility for settlement more evenly upon both parties to disputes, in practice this omission may not prove to be important. If it does prove to be important, the bill can be amended later. Clearly, the Government must have some means of protecting itself and the public in case of such an emergency as developed from the coal and railroad strikes last year. The power granted to the Government in this bill appears to be about the minimum that could be expected to be effective. Without it, the Government would be helpless to safeguard the public interest against such dangers. With it, however, there is reasonable ground for thinking that in the most essential industries, it will help to maintain, if not increase, production which is the chief hope of correcting unbalanced prices.

"It is our view that the bill has symbolic significance to organized labor and that this is a more important factor

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"influencing union opposition to the bill than its actual provisions. We do not think the bill will affect adversely the legitimate functioning of unions in their efforts to protect the living standards and rights of their members. We do think it will provide increased protection to the public and to the workers themselves against abuses and shortsighted practices on the part of either management or labor."

Secretary's Note: The letter was sent to the White House, in accordance with this understanding, on June 18, 1947.

Reference was made to the draft of text of the Annual Report of the Board of Governors covering the year 1946 which had been revised in the light of comments and suggestions received from members of the Board and the staff and was now ready for approval by the Board and final printing.

Mr. Carpenter stated that, in accordance with the understanding reached with the Presidents of the Federal Reserve Banks at the joint meeting on June 6, 1947, there had been added to the text of the report a recommendation for the enactment of legislation removing the discrimination in Federal law against national and State member banks with respect to capital requirements for the operation of branches, that in the light of the discussion at the joint meeting it was believed that this would be in conformity with the views of the Presidents, but that inasmuch as the action of the Presidents at their meeting in February recommended that the law be amended to permit admission of State banks to membership

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with a capital of less than \$25,000 and the action at the Conference of Presidents in June reiterated the view that the law should be liberalized to this extent, the matter was being brought to the attention of the Board to determine whether the recommendation contained in the annual report should be broadened.

The matter was discussed and, upon motion by Mr. Evans, it was agreed unanimously that the recommendation as written should include a statement to the effect that there were other provisions with respect to capital requirements for membership which prevent State banks, that otherwise would be entitled to the privilege, from becoming members of the Federal Reserve System and that the Board believed that consideration should be given by the Congress to changes in these provisions.

Upon motion by Mr. Evans the revised draft of text of the annual report with the change referred to above was approved unanimously with the understanding that it would be sent to the speaker of the House of Representatives and the President of the Senate as soon as printed copies were available and that the usual distribution of the report would be made.

Chairman Eccles referred to the letter which was sent to all Federal Reserve Banks under date of June 13, 1947 with respect to the bill to authorize the Federal Reserve Banks to guarantee industrial loans. He also reported on the status of bank holding company and consumer credit legislation and upon the request made to Congress for authority to permit expenditures for the construction or purchase of Federal Reserve branch bank buildings in excess of the present statutory limitation.

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The meeting then recessed and reconvened at 3:10 p.m., with the same attendance as at the morning session except that Messrs. Thurston and Thomas were not present.

Following further discussion of the legislative situation with respect to the bill which would authorize the Federal Reserve Banks to make industrial loans, reference was made to the discussion at the joint meeting of the Board and the Presidents of the Federal Reserve Banks on June 6, 1947 when the Presidents were advised that the Board had not reached a decision on the number of salary structures that should be allowed in the salary classification plans being prepared by the Reserve Banks within the twenty-five per cent variation between the highest and lowest minimum salaries and the highest and lowest maximum salaries to be provided in the plan but that the Board would complete its consideration of the matter and advise the banks what it would be willing to approve. After that meeting the matter had been considered by the Personnel Committee of the Board, and memoranda from Mr. Nelson and the Personnel Committee dated June 16, 1947 and a draft of letter to the Federal Reserve Banks had been prepared and copies furnished to members of the Board for consideration at this meeting.

The draft of letter was read and there was a further discussion of the question whether the salary structures of the Federal

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Reserve Banks should be permitted to fall at any point within the twenty-five per cent variation which the Board had indicated that it would be willing to approve or whether the structures should be limited to four or five in number and each Federal Reserve Bank and branch required to conform to one of those structures. After considering the reasons that might be advanced for the adoption of each of the two alternatives it was agreed unanimously that the question whether the number of structures should be limited to four or five should be left open until the Board had received information from the Federal Reserve Banks with respect to their proposed salary structures and that the letter to the Federal Reserve Banks should be changed to make it clear that the Board was of the opinion that the salary structures should be held to a small number and that whenever reasonably feasible a bank and its branches should operate under the same structure.

Thereupon, upon motion by Mr. Evans, the letter to the Presidents of the Federal Reserve Banks was approved unanimously as follows with the understanding that copies should be sent to the Chairmen of the Banks for their information:

"At the joint meeting of the Board of Governors and the Presidents of the Federal Reserve Banks on June 6, 1947, the Board indicated that it would give further consideration to the topic on Job Evaluation and Classification, and advise the Banks with respect to the principles suggested therein.

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"The Board understands that each Federal Reserve Bank has analyzed, described, and evaluated all of its jobs, below those of official rank, in terms of their relative difficulty and importance and has classified all jobs into a single uniform classification framework for all Reserve Banks, and that this step will assure the Board of consistent classification of jobs, Bank to Bank, in relation to their relative difficulty and importance. It is understood also that the uniform classification plan consists of a series of 16 grades with difficulty point values and that each Bank will have a minimum salary and maximum salary for each grade, the spread between the minimum and maximum of each grade to be 35 per cent, based on the mid-point of the range, rounded off on an annual basis. The establishment of the minimum and maximum salaries for the grades appears to be the next step in this program. The Board has been in agreement with this procedure which it hopes will be brought to a conclusion in the very near future so that the necessary formal action may be taken to put the plan into effect as soon as practicable.

"It is noted that the Presidents are of the opinion that pay scales for jobs at each Bank should be comparable to rates paid in the respective cities by the progressive industrial, commercial, financial, and utility enterprises in those cities. It appears that they are in agreement that the Federal Reserve Banks should be in line with the leaders in salary administration in their respective areas and that, in general, the mid-point of the salary range of the respective Reserve Banks should be in the next to the highest quarter bracket of the quality community rate structure. However, it is understood that the data obtained from such sources indicate that there are substantial geographical differentials amounting to as much as a 40 per cent spread between the highest and lowest wage structures. The Board believes that such a spread between salaries for comparable jobs in the Reserve Banks would not be justified and that there should be a more nearly consistent relationship throughout the System. It is the thought of the Board that a spread of 25 per cent between the highest and lowest maximum and between the highest and lowest minimum of each of the 16 classification grades would be ample to provide for reasonable variations on a geographical basis. To this end, it appears that

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"the lower wage structures in some of the Federal Reserve Banks will need to be raised in order to bring them within a range not exceeding 25 per cent below the highest wage structure in the System. The Board also feels that the different wage structures among the various banks should be held to a small number, and that wherever reasonably feasible a Bank and its Branches should operate under the same structure. It will be the objective from time to time to narrow the spread between the wage structures and to reduce the number of different wage structures.

"As soon as definite information is available regarding the highest wage structures the Banks will be advised informally so they can proceed with the fixing of the minimum and maximum salaries of the grades. It is understood, of course, that when the Banks' proposals are submitted to the Board for approval, full information will be furnished to substantiate the recommendations.

"A copy of this letter is being sent to the Chairman of your Bank."

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

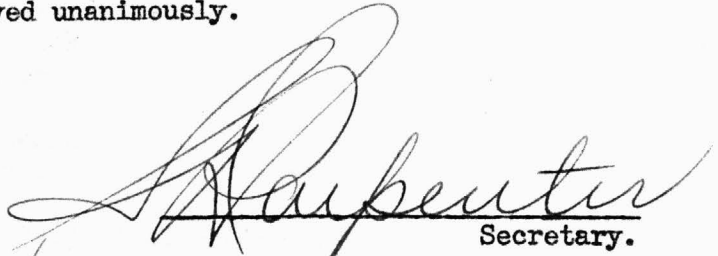
Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 16, 1947, were approved unanimously.

Memorandum dated June 16, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Moynelle E. Harloff, a Clerk-Stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business June 14, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her

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credit as of that date.

Approved unanimously.


Secretary.

Approved:


Chairman.