

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 26, 1947. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Smead, Director of the Division of Bank Operations
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Nelson, Director of the Division of Personnel Administration
Mr. Townsend, Assistant General Counsel
Mr. Millard, Assistant Director of the Division of Examinations.

There were presented 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 San Francisco on September 23, by the Federal Reserve Bank of St. Louis on September 24, by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on September 25, 1947, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

In accordance with previous discussions there had been prepared a draft of a letter to all Federal Reserve Banks with respect

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to travel allowances for officers and employees, it being understood that the draft would be sent to the Presidents of the Federal Reserve Banks for discussion at their forthcoming conference. The letter stated that the Board had concluded that reimbursement for travel expenses should be limited to actual necessary transportation expenses and maximum per diem allowances for subsistence of (a) \$10 or actual necessary travel expenses for the Presidents (b) \$8 for other officials, and (c) \$7 for employees. The letter also provided, among other things, that when an officer or employee was travelling abroad or when there were unusual circumstances connected with a specific trip, reimbursement for actual necessary subsistence expenses might be authorized by the executive committee of the bank, and that when a person of lesser rank was travelling with the President or another officer he might be reimbursed for his travel expenses on the same basis as the person of senior rank.

The draft was read and in the ensuing discussion it was suggested that, in the light of present conditions and in view of the greatly increased costs of travel, it should be revised to provide a per diem of \$8 instead of \$7 for employees and a per diem of \$10 or actual necessary travel expenses for the First Vice President as well as the President.

It was agreed unanimously that (1) the draft of letter to the Federal Reserve Banks

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should be revised along the lines suggested and resubmitted to the Board, and (2) that after the letter had been discussed with the Presidents and was approved by the Board in final form, action would be taken to amend the Board's travel regulations to allow a per diem of \$8 for employees of the Board instead of \$7, as at present.

Reference was made to the letter addressed to the Presidents of all Federal Reserve Banks under date of August 13, 1947, with respect to a plan for designation of reserve cities. Chairman Eccles stated that he felt the formula proposed by the Board should be changed to include in the reserve city designation only cities in which banks held inter-bank deposits equal to $1/3$ (instead of $1/4$) of 1 per cent or more of total inter-bank deposits held by all member banks in the United States, and that it should be based on an average of $1/3$ of 1 per cent over a period of two years instead of $1/4$ of 1 per cent on each call date in the two year period. He went on to say that this would exclude Chattanooga, Tennessee, from the reserve city designation but that it would not otherwise change the list of cities which would be reserve cities under the formula proposed in the Board's letter of August 13.

In this connection Mr. Clayton asked the Secretary to read a letter dated September 23, 1947, from Mr. John T. Rohr, President, The Toledo Trust Company, Toledo, Ohio, urging that the designation of Toledo as a reserve city be left unchanged because termi-

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nation of the designation would result in lowering reserve requirements for the Toledo banks. In discussing the letter it was pointed out that inter-bank deposits of member banks in Toledo averaged 12/100 of 1 per cent of total inter-bank deposits of all member banks in the United States over the past two years and that under no formula considered by the Board would cities having such a small proportion of inter-bank deposits be included or continued as reserve cities.

It was agreed unanimously that a memorandum should be prepared showing the changes that would occur in the plan for designation of reserve cities outlined in the Board's letter of August 13, 1947, if the proposed formula was modified in accordance with the suggestions of Chairman Eccles, and that the revised formula would be discussed by Chairman Eccles with the Presidents of the Federal Reserve Banks at the forthcoming meeting of the Presidents and the Board.

The meeting then recessed and reconvened at 3:10 p.m. with Messrs. Eccles, Szymczak, Draper, and Clayton, and Mr. Carpenter being present.

Mr. Clayton stated that, in accordance with previous informal discussions, an invitation had been extended to the Presidents of the Federal Reserve Banks to be the guests of the Board at golf and dinner at the Burning Tree Country Club while the Presidents are in Washington in connection with meetings of the Presidents Conference and the Federal Open Market Committee. Mr. Clayton stated that the

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question to be decided by the Board was whether invitations would include only the Presidents of the Federal Reserve Banks or whether others should be included.

After discussion, it was voted unanimously (1) that in addition to the Presidents of the Federal Reserve Banks and the members of the Board, Secretary of the Treasury Snyder, Under Secretary of the Treasury Wiggins, and Mr. Robert V. Fleming, member of the Federal Advisory Council from the Fifth Federal Reserve District and Chairman of the Committee on Government Financing of the American Bankers Association, be invited to join the Board members and the Presidents in golf and dinner, and (2) that the appropriate item in the Board's budget be increased by an amount sufficient to cover the cost of entertaining the Presidents at the Club while they are in Washington.

Mr. Clayton stated that he had been given to understand that Mr. Creighton would accept reappointment as Class C Director of the Federal Reserve Bank of Boston if the Board should see fit to make the appointment. The matter was discussed and it was pointed out that Mr. Creighton was 69 years of age on September 6 of this year and that he would be ineligible for a further appointment under the policy of the Board not to appoint as a Class C Director of a Federal Reserve Bank anyone who was 70 years of age or who would become 70 years of age prior to the expiration of the term for which he would be appointed.

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Mr. Clayton then stated that, while he was in San Francisco recently, he made an investigation in connection with possible appointees to fill the Class C vacancy on the board of directors of the Federal Reserve Bank of San Francisco. He reviewed briefly the names that had been considered in this connection and said that it was the recommendation of the Personnel Committee that the appointment be tendered to Mr. William R. Wallace, Jr., of the law firm of Williamson and Wallace of San Francisco. The question was raised whether someone living outside of San Francisco should be appointed to fill the vacancy and Mr. Clayton stated that no such person had been found. It was agreed that it was better to appoint someone from San Francisco rather than to have someone living outside the city who would not be able to attend the meetings of the board of directors.

At the conclusion of the discussion it was voted unanimously to request the Chairman of the Federal Reserve Bank of San Francisco to ascertain informally whether Mr. Wallace would accept appointment as a Class C Director of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1947, and that the appointment be made if he would accept.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 24, 1947, were approved unanimously.

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Memorandum dated September 19, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Richard A. Musgrave as Chief of the Government Finance Section in that Division, effective, in accordance with his request, at the expiration of such annual leave remaining to his credit following his last day at the office, which will be September 19, 1947.

Approved unanimously.

Memorandum dated September 23, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the Board participate in the work of a group planning the compilation of material for the Herter Committee, a special committee of the House of Representatives now on a trip of inquiry in Europe for the purpose of obtaining information necessary for the determination of the foreign policy of this country. Mr. Thomas indicated that he or Mr. Gerschenkron would attend the first meeting of this group, after which Mr. Hinshaw, an economist in that Division, would be assigned to the task.

Approved unanimously.

Memorandum dated September 24, 1947, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending the appointment of Miss Peggy Lee Wall as a clerk-stenographer in that Division on a temporary indefinite basis at a salary

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of \$2,168.28 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Miss Wall would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated September 24, 1947, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending that the temporary appointment of Marion Kennely, laborer in that Division, be extended for an additional period of not to exceed two months from September 28, 1947, with no change in his present salary at the rate of \$1,690 per annum. The memorandum also stated that because of the extension of his temporary appointment, it was not contemplated that Kennely would become a member of the Federal Reserve Retirement System.

Approved unanimously.

Telegram to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel September 24. Pursuant to Board's letter of August 14, 1947, Mellon National Bank and Trust Company is not a holding company affiliate for any purposes other than those of section 23A of Federal Reserve Act. Accordingly, it is Board's opinion that Mellon National Bank and Trust Company and The Farmers Deposit National Bank of Pittsburgh may both vote in election of director of your bank."

Approved unanimously.

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Telegram to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

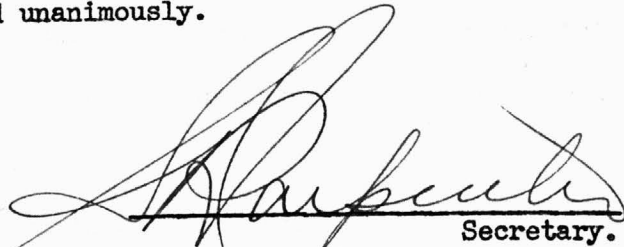
"Reurtel September 23, Board's approval necessary for establishment and operation of branch of Nevada Bank of Commerce at Elko, but approval not necessary for removal of head office from Elko to Reno unless change in general character of business or in scope of corporate powers will result."

Approved unanimously.

Letter dated September 25, 1947, to the Presidents of all Federal Reserve Banks reading as follows:

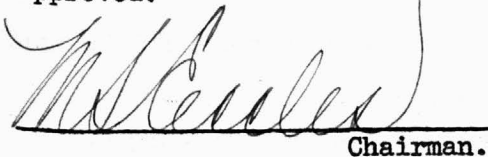
"Summaries of Regulation W Enforcement Reports are enclosed, covering the month of August. Concerns that had failed to register were reported at 178, in addition to the tabulated violators."

Approved unanimously.



Secretary.

Approved:



Chairman.