

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 9, 1948. The Board met in the Board Room at 10:05 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Bethea, Director of the Division  
 of Administrative Services  
 Mr. Vest, General Counsel  
 Mr. Nelson, Director of the Division  
 of Personnel Administration

There was presented a draft of letter to Mr. Gentry, First Vice President of the Federal Reserve Bank of Dallas, stating that effective March 1, 1948, the Board approved the employment for a temporary period of Mr. Hubert D. Johnson, Counsel for that Bank, on a part-time month-to-month basis to handle the legal work of the Bank, with the understanding that the arrangement was for only a few months pending selection of a successor for Mr. Johnson, who resigned effective March 1, 1948.

Mr. Vardaman stated that, for reasons which he discussed, he felt the temporary arrangement should be for a period not in excess of 90 days, since it should be possible for the Bank to find a suitable person to succeed Mr. Johnson within that time.

3/9/48

-2-

Mr. Clayton stated that when Mr. Gilbert, President of the Federal Reserve Bank of Dallas, was in Washington during the last week of February he discussed this matter with the Personnel Committee, stating that several persons had been interviewed, that the Bank was having difficulty in finding a suitable man for the position, and that he hoped the Board would approve continuing Mr. Johnson on a temporary basis until his successor had been selected.

In the discussion of the matter, it was suggested that Mastin G. White, Solicitor for the Department of Interior, whose home was in Texas, might be considered for the vacancy.

Upon motion by Mr. Vardaman, it was agreed unanimously that the Personnel Committee would telephone Mr. Gilbert to call his attention to Mr. White and to inform him that the Board was approving the retention of Mr. Johnson on a month-to-month basis.

In accordance with this action, the letter to Mr. Gentry was approved in the following form:

"This refers to your letter of February 26, 1948, in which you advise that Mr. Hubert D. Johnson, Counsel for the Bank, has submitted his resignation in order to resume the general practice of law and that your board of directors decided that, if arrangements could be made with Mr. Johnson for his employment on a part-time and month-to-month basis pending the selection of his successor, his resignation as an officer of the Bank would be accepted as of March 1. Your executive committee has authorized the employment of Mr. Johnson on a part-time and month-to-month basis to handle the legal work of the Bank at the rate of \$416.66 per month, subject to the approval of the Board of Governors, with the understanding that, if he were engaged to do any special legal work for the Bank, the fee would be agreed upon and submitted

-3-

3/9/48

"to the Board of Governors in advance for its approval. It was also agreed that you would reimburse Mr. Johnson for any traveling or out-of-pocket expenses incurred in connection with his legal work for the Bank.

"It is understood that the part-time, month-to-month arrangement with Mr. Johnson is to be continued only for a temporary period pending the selection of his successor. It is assumed also that the retainer of \$416.66 per month will cover all ordinary legal work for the Bank and that no additional fee would be in order except in very unusual circumstances where the work in question involves an extraordinary amount of time and effort, such as might be the case with important litigation.

"With the understandings stated above, the Board approves the payments to Mr. Johnson described in your letter."

In connection with the foregoing discussion, reference was made to the action taken by the Board at the meeting on April 11, 1947, when it was agreed that the Federal Reserve Banks of Philadelphia and Cleveland should be advised that the payment of retainer fees to outside counsel for the two Banks was approved for the year beginning May 1, 1947, with the understanding that the Board would not expect to approve the payment of such fees after May 1, 1948, and that the Banks would take steps to employ inside counsel by that time.

Mr. Szymczak suggested that a letter be sent to the two Banks reminding them of the Board's position in this matter, as conveyed in letters dated April 29, 1947, approving the payment of salaries to the officers of the respective Banks for the period May 1, 1947, through April 30, 1948.

It was agreed unanimously that a draft of letter should be prepared in accordance with the suggestion of Mr. Szymczak and submitted to the Board for consideration.

3/9/48

-4-

All of the members of the staff, with the exception of Mr. Carpenter, withdrew from the meeting at this point.

Mr. Vardaman referred to the action taken by the Board during the executive session of the meeting on Friday, March 5, 1948, with respect to the purchase of equipment to be used for the serving of lunches in the Board members' private offices. He stated that he wished to record his opposition to the use of Board members' messengers for the serving of these lunches for the reasons that (1) he did not like to have responsibility divided between cafeteria personnel and the messengers for such service and for care of the equipment, (2) the messengers were not trained for the service, and (3) a more satisfactory arrangement would be to employ a waiter or a waitress who would be on the cafeteria staff and would be available on call. Mr. Vardaman's comments were discussed but none of the other members of the Board were agreeable to changing the action taken at the meeting on March 5.

The Secretary read a memorandum dated March 2, 1948, prepared by Mr. Draper in accordance with a request made at the meeting of the Board on February 26, 1948, with respect to the future use of the Brown and Blue private dining rooms.

Various suggestions were made for the solution of the problem, including (1) the continuation of the present arrangement except that the use of the two rooms be reversed, the Brown room being reserved for luncheons arranged by individual members of the Board and

3/9/48

-5-

the Blue room being for the general use of the members of the Board and certain members of the staff and their guests, (2) an arrangement under which both rooms would be open to all of the Board members and their guests and the Blue room would not be available for reservations except on occasions when a special outside guest was coming to luncheon and all of the members of the Board were invited, (3) the removal of the partition between the two rooms so that more flexible use could be made of the space, (4) the limitation of the Brown room to members of the Board only with the understanding that the Blue room would be continued on some reservation basis that would be satisfactory to the members of the Board, (5) the limitation of the Brown room to Board members and officers and directors of Federal Reserve Banks as guests of the Board, and (6) making the Blue room available for all members of the Board and their guests on two days a week and making it subject to reservation by the individual members of the Board in rotation on the other days of the week.

During the course of the discussion, Mr. Evans moved that beginning March 15 the two dining rooms be made available to the members of the Board and their guests and that the arrangement for the reservation of the Blue room be discontinued.

Mr. Szymczak moved that Mr. Evans' motion be amended to provide that one of the dining rooms be exclusively for members of the Board and officers and directors of the Federal Reserve Banks and other guests of the members of the

-6-

3/9/48

Board who were invited to discuss official business, and that the Blue room be reserved for the use of the individual members of the Board in rotation as proposed in Mr. Draper's memorandum of March 2, 1948.

Mr. Szymczak's motion was put by the Chair and lost, Mr. Szymczak voting "aye", the other members voting "no".

During a further discussion, Mr. Szymczak, who had to leave the meeting to keep another appointment, stated that he would not favor Mr. Evans' motion or any arrangement that opened both rooms for the general use of the Board members and their guests. He said that when the building was first opened the Brown room was reserved for the Board members only so that they would have a place where they could have informal luncheon discussions of official matters, bringing in when desirable officers or directors of the Federal Reserve Banks who were in the city and on occasion certain members of the staff, and that the Blue room was intended for luncheon meetings for outside official guests including representatives of other Government offices and foreign banks and governments and when not so occupied could be used for personal guests. He also said that that arrangement worked well for a number of years. However, in more recent years, he said, members of the Board had adopted the practice of bringing personal as well as official guests into the Brown room which, because of the limited capacity of the room, often resulted in its being overcrowded, in making it inappropriate to have informal discussions of



-7-

3/9/48

official matters, and at times in embarrassment to members of the Board and their guests. It was this situation that gave rise to the suggestion that consideration be given to the basis upon which the dining rooms were being used, and he felt that the situation could be corrected if one of the rooms were limited to the use of the members of the Board and officers and directors of Federal Reserve Banks when in Washington, and some system for rotating the reservation of the Blue room for other official guests were worked out. Personal guests could then be taken to the staff dining room or served in the Board member's office. Such an arrangement was particularly desirable, he said, since Mr. McCabe, when he became Chairman of the Board, undoubtedly would wish to have many informal discussions of official matters with members of the Board around the luncheon table. He also was of the opinion that any arrangement for the general use of the two rooms would only accentuate the existing problem for the reason that reservation of the Blue room would still be necessary for special purposes on matters of Board and System interest, that Board members would have to be so notified each time, that when special luncheons were not held the Board members would be divided between the two dining rooms, and that personal guests in these dining rooms would increase. Mr. Szymczak made the further statement that he felt so strongly about the matter that he would want to bring it up again for consideration at a later time.

-8-

3/9/48

Mr. Vardaman, who also had to leave to keep another appointment, stated that he would be willing to accept any solution that was satisfactory to a majority of the members of the Board.

Following the departure of Messrs. Szymczak and Vardaman, there was a further discussion during which Mr. Evans moved, as a substitute for his original motion, that for a period of 60 days beginning March 15, 1948, both the Brown and Blue dining rooms be open to the members of the Board and their guests, the Special Adviser to the Board, the Assistant to the Board, and the Assistant to the Chairman, with the understanding (1) that the Blue room would continue to be used for special luncheons for the Federal Advisory Council and the Presidents' Conference as in the past, (2) that when a member of the Board wished to invite a special official guest or guests for a luncheon to which would be invited the other members of the Board, and such members of the staff as the Board member might wish, the Blue room could be reserved for that purpose and the member arranging the luncheon would advise the other members of the Board and the Supervisor of the cafeteria as far in advance as possible and ask her to reserve the Blue room for that luncheon, and (3) that when the Blue room was not being used for a special luncheon as referred to above it would be set up to accommodate eight persons.

This motion was put by the Chair and carried by the unanimous vote of the members present, it being understood that Mr. Szymczak, who was not in favor of Mr. Evans' original motion, would not favor the substitute motion.



-9-

3/9/48

Chairman Eccles stated that he had received a call yesterday from the office of Senator Taft, Chairman of the Joint Committee on the Economic Report, during which he was advised that the Committee would hold hearings on actions that might be taken to combat further inflationary developments and that it would like to have him (Chairman Eccles) appear before the Committee on April 7. He also said that he was having a statement prepared for use in that connection and that copies would be submitted to the members of the Board with the thought that if an agreement could be reached on the statement he could say when he appeared before the Committee that he was speaking for the Board or at least for a majority of its members.

Action with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions of the Board of Governors of the Federal Reserve System on March 8, 1948, were approved unanimously.

Letter to the board of directors of the "Lake County Bank", St. Ignatius, Montana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis.

Approved unanimously, for transmission through the Federal Reserve Bank of Minneapolis.

3/9/48

-10-

Letter to the Secretary of State reading as follows:

"The Board of Governors has received informally a copy of Dispatch No. 94, March 3, 1948, from the Charge d'Affaires ad interim at Port-au-Prince, Haiti, to your Department, advising that the Government of Haiti agrees to the scope of the examination of the National Bank of the Republic of Haiti to be made by a staff of the Board's examiners as contained in the Department's Telegram No. 43 of February 20 after discussion with the Board's Division of Examinations. The request for the services of four examiners to conduct an examination of the Bank at the expense of the Haitian Government was transmitted with a memorandum dated February 18 from your Department.

"I am pleased to inform you that the Board of Governors has selected Federal Reserve Examiners Marion R. Wilkes, Glenn M. Goodman, G. Harold Snead and Arthur M. Gustavson to compose the examining staff. Mr. Wilkes will be in charge. Arrangements have been made for the group to arrive in Port-au-Prince by Pan American Airways on March 12.

"The Board sincerely trusts that the work of the examining staff will be helpful in every way to the Bank and the Government of Haiti."

Approved unanimously.

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

"At the completion of the examination of the Federal Reserve Bank of Cleveland, made as of January 5, 1948, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Gidney.

"The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be of interest to the Board. In this connection it is understood that Mr. Murff discussed with you certain aspects of the audit program and that you have requested the Auditor to make a survey and reexamination of present policy and to render a report with recommendations to the Audit Review Committee. The Board will appreciate advice as to developments with respect to this review."

Approved unanimously.

-11-

3/9/48

Letter to the Presidents of all Federal Reserve Banks reading as follows:

"At the Conference of Presidents held in February 1948, approval was given to a recommendation made to the Committee on Operations by the Leased Wire Committee that Paragraph 6 of the Board's letter (S-164) June 12, 1939 (F.R.L.S. #3207) relative to the closing hours for the acceptance of inter-district telegraphic transfers of funds be amended to read as follows:

'Requests for telegraphic transfers of funds for consummation on date of receipt should not be accepted by Federal Reserve banks later than thirty (30) minutes prior to the official closing hour of the Federal Reserve bank to which transfer is to be made: provided, however, any Federal Reserve bank may agree with any other Federal Reserve bank to accept up to a later hour requests for transfers for consummation on date of receipt if so authorized by the Federal Reserve bank receiving credit.

'Any transfers requested after the established hours may be consummated on date of receipt at the discretion of the Federal Reserve bank receiving credit.'

"The Board of Governors approves this action of the Conference of Presidents and hereby amends Paragraph 6 of its regulations regarding telegraphic transfers of funds to read as above set forth."

Approved unanimously.

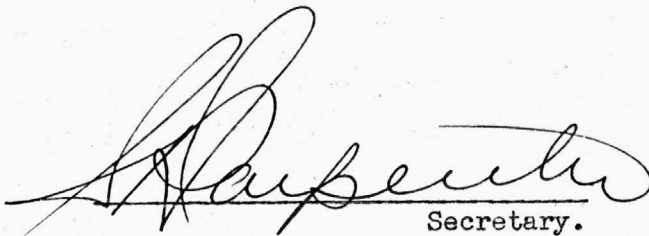
Memorandum dated March 9, 1948, from Mr. Hooff, Assistant Counsel, recommending that in addition to the material previously submitted for publication in the law department of the March issue of the Federal Reserve Bulletin, there be included Amendment No. 7 to

3/9/48


-12-

Regulation T and Amendment No. 8 to Regulation U, together with the  
press release as an introductory statement.

Approved unanimously.

  
Secretary.

Approved:

  
Chairman pro tem.