

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 7, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman pro tem.

Mr. Szymczak

Mr. Draper

Mr. Evans

Mr. Vardaman

Mr. Clayton

Mr. Sherman, Assistant Secretary

Mr. Hammond, Assistant Secretary

Mr. Morrill, Special Adviser

Mr. Thurston, Assistant to the Board

Mr. Smead, Director of the Division of Bank Operations

Mr. Vest, General Counsel

Mr. Nelson, Director of the Division of Personnel Administration

Mr. Millard, Assistant Director of the Division of Examinations

Mr. Townsend, Associate General Counsel

Chairman Eccles referred to a draft of a revised Statement of Responsibilities of Directors of Federal Reserve Banks which had been prepared by Mr. Thurston pursuant to the discussion at the meeting on March 5, 1948, and copies of which had been sent to all members of the Board before this meeting. He stated that he understood from Mr. Thurston that in his opinion and that of Mr. Morrill the draft was not ready to go to the Chairmen of the Federal Reserve Banks for comment, and he (Chairman Eccles) suggested that consideration of the draft be postponed until a later meeting. Chairman Eccles went on to say that he felt the

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draft should be in form so that it could be sent to the Chairmen for comment in time to permit further changes before the Chairmen's Conference at the end of May, and that he would like to see the statement changed so that it would reconcile the differences between the Board and the Chairmen so far as that was possible without giving up the purpose of the statement. He also said that he was aware that the opinion prevailed at the Federal Reserve Banks that no such communication was required, but that he felt that if it were not sent the Board's place in the Federal Reserve System would be minimized or overlooked in material the Banks presented to new directors.

The other Board members agreed that a statement should always be sent by the Board to new directors at the start of their relationship to the System.

There followed a brief discussion of ways in which the draft might be revised to carry out the objectives outlined, during which Mr. Clayton expressed the view that the substance of the material to which there had been considerable objection by some of the Chairmen in the statement sent out last December should not be omitted from the first draft. At the end of the discussion Chairman Eccles suggested that Messrs. Thurston and Morrill be requested to prepare a new draft in the light of the discussion and to submit it to the Board for consideration.

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Upon motion by Mr. Vardaman, Chairman Eccles' suggestion was approved unanimously.

At this point Mr. Thomas entered the meeting.

In connection with the foregoing, Mr. Vardaman suggested that consideration be given to inviting new directors of the Federal Reserve Banks to Washington to meet members of the Board and of the Board's senior staff, stating that he felt this would be an effective way of indicating to them their relationships with the Board. This suggestion was discussed briefly but no conclusion was reached, and Mr. Vardaman asked that it be considered again at a later meeting.

Mr. Szymczak reported that when he was in Chicago last week Mr. Young, President of the Federal Reserve Bank of Chicago, expressed the hope that Mr. Paul G. Hoffman, Deputy Chairman of the Chicago Bank who was recently appointed Administrator for Economic Cooperation, would be permitted to continue as a member of the board of the Chicago Bank notwithstanding the Board's resolution of December 23, 1915, with respect to directors and officers of Federal Reserve Banks holding public office.

Mr. Vest expressed the opinion that Mr. Hoffman's services in this public position would place him within the terms of the Board's resolution, but that the Board could make an exception if it wished to do so.

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All members of the Board felt that the resolution was not intended to cover situations of this kind, and that Mr. Hoffman could be continued as a Class C director and Deputy Chairman without setting a precedent which would weaken the resolution. Chairman Eccles suggested that, in view of the national interest involved in the appointment of Mr. Hoffman, the Board should make an exception in this case and set forth the reasons for such exception in a letter to Mr. Avery, Chairman of the Federal Reserve Bank of Chicago, in a manner which would leave no question that the Board's policy was unchanged.

Upon motion by Mr. Szymczak, and by unanimous vote, the Personnel Committee was requested to prepare a draft of letter to Mr. Avery informing him of the views of the Board on the matter.

Mr. Evans stated that the officers of the New Jersey Bankers Association would be visiting Washington from May 4 to May 6, 1948, and he suggested that they be invited to luncheon at the Board's offices on May 5.

Upon motion by Mr. Evans, it was agreed unanimously that a letter extending such an invitation be sent to the Association.

Mr. Evans referred to a memorandum from Messrs. Thomas and Young dated April 6, 1948, recommending that Professor William Murray, head of the Department of Economics and Sociology at Iowa

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State College, Ames, Iowa, and President of the American Farm Economics Association, be invited to come to Washington for a few days for the purpose of discussing the possibility of holding a small conference of Mid-west agricultural economists at that College to promote discussion of monetary aspects of the current inflation problem. The memorandum also recommended that the Board defray Professor Murray's expenses for the trip to Washington. Mr. Evans said that if the Board approved this memorandum, it was expected that Mr. Garver, Agricultural Economist at the Federal Reserve Bank of Chicago, would also attend the meeting.

In response to an inquiry as to the relations of the Board to the proposed conference, Mr. Evans said that, in his opinion, more active cooperation between the Reserve System and agricultural economists, who made up an influential group, would be mutually advantageous, and that he hoped the proposed meeting with Professor Murray would lead to a series of meetings with agricultural economists, especially at land grant colleges in other parts of the country, in which the Reserve System could take part with a view to promoting better understanding of monetary problems among this branch of economists.

Upon motion by Mr. Evans, it was voted unanimously to authorize (1) the Division of Research and Statistics to invite Professor Murray to visit the

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Board for a few days for the purposes outlined and (2) the payment of actual expenses incurred by Professor Murray in making the trip.

Mr. Evans presented two questions which he suggested be submitted to the Federal Advisory Council for consideration at its meeting in Washington on April 25-27, 1948.

A discussion of the wording of the questions ensued, following which, upon motion by Mr. Evans, it was agreed unanimously that a letter should be sent to Mr. Herbert V. Prochnow, Associate Secretary of the Federal Advisory Council, transmitting the questions in the following form:

"With reference to your letter of March 24 requesting a list of items which the Board would like to have placed on the agenda for discussion at the meeting of the Federal Advisory Council to be held in Washington on April 25-27, the Board has asked that the following be sent to you so that the Board may have the Council's views with respect to them in the joint session on Tuesday, April 27.

1. In view of the change in the Government's budgetary prospect which will considerably reduce further retirement of marketable debt and which may mean a cash deficit, what should be the System's recommendation as to types of securities (maturities, yields, eligibility) that should be offered by the Treasury for refunding or for new money?
2. What should be done in the monetary and credit field to counteract the inflationary pressures that may be created by the new defense proposals and the world aid program?

"The Board room will be available for any meetings the Council may wish to have on Monday or Tuesday, April 26 and 27 including the joint meeting of the Council with the Board on the 27th. The Blue room will be set up for 14 places for luncheon on Tuesday, April 27."

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In taking the above action it was understood that unless the Council brought up the two matters left over from the previous meeting they would not be referred to by the Board.

Mr. Evans stated that a letter had been received from the Federal Reserve Bank of New York under date of April 1, 1948, saying that, owing to postponement of a proposed meeting of that Bank's Committee of Directors on Welfare of Staff with the Board, the executive committee of their board of directors had voted to continue the salaries of all officers of the Bank at the rates in effect on March 31, 1948, until the meeting could be held. He said that the Personnel Committee had considered the matter and recommended that officers' salaries at the New York Bank be approved for a year from April 1, 1948, at the rates in effect on March 31, 1948, and that the Bank be advised that the Board would be glad to have the Committee of Directors on Welfare of Staff come to Washington to discuss the matter further if they wished to do so.

Upon motion by Mr. Evans, the following letter to Mr. Rounds, First Vice President, Federal Reserve Bank of New York, was approved unanimously:

"The Board of Governors approves payment of salaries to the following officers of the Federal Reserve Bank of New York and the Buffalo Branch for the period April 1, 1948 through March 31, 1949, at the rates indicated. It has been noted, however, from your letter of April 1, 1948 that a committee of directors plans to

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"discuss with the Board salary policy and salaries of individual officers of the Bank at some future time. The Board will be pleased to have the members of the committee come to Washington at some mutually satisfactory time to meet with the Board's Personnel Committee and such other members of the Board as may be available.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Sproul, Allan	President	\$50,000
Rounds, L. R.	First Vice President	35,000
Logan, Walter S.	Vice Pres. & Gen. Counsel	25,000
Douglas, E. O.	Vice President	15,000
Kimball, H. H.	Vice President	15,000
Knoke, L. W.	Vice President	22,500
Phelan, A.	Vice President	18,000
Roelse, H. V.	Vice President	16,000
Rouse, Robert G.	Vice President	24,000
Willis, V.	Vice President	17,000
Wiltse, R. B.	Vice President	16,000
Treiber, William F.	Asst. Vice Pres. and Secretary	14,000
Bilby, H. A.	Asst. Vice President	11,500
Davis, F. T.	Asst. Vice President	11,000
Davis, N. P.	Asst. Vice President	11,500
Miller, S. A.	Asst. Vice President	14,000
Sanford, H. L.	Asst. Vice President	12,000
TenEyck, O. W.	Asst. Vice President	12,000
Wurts, J. H.	Asst. Vice President	12,000
Sheehan, W. F.	Chief Examiner	14,000
Abrahams, W. F.	Manager, Security Custody Department	8,250
Bowman, Curtis R.	Manager, Credit Department and Discount Department	8,800
Boyd, H. M.	Manager, Safekeeping Department	8,800
Burt, W. W.	Manager, Savings Bond Department	10,000
Carroll, J. J.	Manager, Planning Department	9,500
Crosse, Howard D.	Manager, Collection Department	8,000
Fitchen, Paul R.	Manager, Cash Custody Department	7,700
Harris, M. A.	Manager, Government Bond Department, and R.F.C. Custody Department	10,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Heinl, William A.	Manager, Personnel Department	\$ 8,800
Lang, Peter P.	Manager, Foreign Department	8,750
Marsh, S. S., Jr.	Manager, Securities Department	8,250
McLaughlin, M. J.	Manager, Government Check Department	8,250
Moore, O. Ernest	Manager, Research Department	9,000
Peterson, Franklin E.	Manager, Bank Relations Department	8,800
Rozell, Walter H., Jr.	Manager, Foreign Department	8,500
Scheffer, Ralph W.	Manager, Check Department	8,800
Van Houten, Chas. N.	Manager, Cash Department	9,500
Wendell, R. E.	Manager, Check Department	8,750
Wessel, H. M.	Manager, Accounting Department	8,800
Tiebout, T. G.	Assistant General Counsel	15,000
Trimble, Rufus J.	Assistant General Counsel	14,000
Clarke, John J.	Assistant Counsel & Assistant Secretary	9,500
Dillistin, W. H.	General Auditor	16,000
Cameron, D. J.	Assistant General Auditor	11,000
<u>Buffalo Branch</u>		
Smith, I. B.	General Manager	12,000
Snow, H. W.	Cashier	8,800
Doll, Geo. J.	Assistant Cashier	7,920
Myers, M. M.	Assistant Cashier	6,600

"The Board of Governors also approves the payment of salary to Mr. John H. Williams as Economic Adviser for the period April 1, 1948 through March 31, 1949, at the rate of \$22,000 per annum when he is engaged in the work of the Bank on a full-time basis; and when he is not engaged in the work of the Bank on a full-time basis, at the rate of \$84.62 per day for each day on which he spends any time, on behalf of the Bank, at the Bank or at a Federal Reserve or related meeting elsewhere, plus his reasonable travel, lodging and subsistence expenses."

Mr. Sherman reported that he received a telephone call yesterday from the office of Senator Butler, Chairman of the Senate Committee on Interior and Insular Affairs (formerly the Public

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Lands Committee), in which it was stated that the Committee had received a memorandum from the Bishop National Bank of Honolulu and a number of letters from correspondents of that bank located in the United States with respect to the provision in the Hawaiian Statehood Bill, H.R. 49, which would require that national banks in Hawaii become members of the Federal Reserve System if Hawaii became a State. He said that the Bishop National Bank was being invited to appear before the Committee on April 15, 1948, to present their objections to the requirement, and that the Committee, which believed the provision in the bill to be a desirable one, would be glad to have the Board represented at the hearings to explain the reasons why it felt the provision should be included. Mr. Sherman also said that he had assured Senator Butler's office that the Board had given full consideration to the matter before making the recommendations contained in its letter of January 27, 1948, and that it had not changed the position taken in that letter.

Mr. Clayton said that the Board had taken a position and appeared called upon to defend it, that it was recognized that there might be some cost to the Bishop National Bank, the only national bank in Hawaii, if it became a member of the Federal Reserve System, that it was nevertheless difficult to justify treating a national bank in one State differently from that in another,

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and that, if the situation seemed to warrant doing so, the Board could authorize the opening of a currency depot in Honolulu.

In the discussion that followed the members of the Board reaffirmed the view that if Hawaii became a State, national banks should be required to assume the obligations of statehood, including membership in the Federal Reserve System.

Upon motion by Mr. Evans, it was agreed unanimously that either Chairman Eccles or Mr. Clayton should appear before the Committee on Interior and Insular affairs at the hearing on April 15, 1948, for the purpose of reiterating and supplementing the views of the Board as transmitted to the Committee in its letter of January 27, 1948.

Chairman Eccles reported that Mr. Sproul, President of the Federal Reserve Bank of New York, had called him on the telephone on Monday of this week to say that he (Mr. Sproul) had been asked by Secretary of the Treasury Snyder to accompany him to the Bogota Conference this week in the capacity of adviser to Secretary Snyder, that he was not anxious to go, but that he did not feel it would be desirable under the circumstances to decline to do so in view of recent developments and the desirability from the standpoint of the Federal Reserve System of maintaining liaison between the System and the Treasury. Mr. Sproul pointed out that this would mean that he would be out of the country at the time of the next

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meeting of the executive committee of the Federal Open Market Committee which was scheduled for April 16, 1948. Chairman Eccles stated that he told Mr. Sproul that in view of all the circumstances he saw no objection to the trip to Bogota. He also told Mr. Sproul that he felt it would be desirable to postpone the meeting of the executive committee of the Federal Open Market Committee until April 21 or 22, by which time Mr. Sproul expected to be back and to be able to attend. The members of the Board concurred.

X In this connection Mr. Szymczak suggested that, at an opportune time, the Board should take up with the Secretary of the Treasury informally the matter of his asking Federal Reserve Bank officers to accompany him on foreign missions without having discussed such proposals with the Board. He said that a similar instance occurred last September when, without taking the matter up with the Board, Secretary Snyder asked Mr. Sproul to accompany him to London to attend the annual meeting of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, that this was a matter which had been discussed on previous occasions, and that the Board had taken the position that, as a matter of good organizational procedure, the Secretary of the Treasury and heads of other departments of Government should not ask officers of Federal Reserve Banks to serve on

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foreign missions unless such proposals were first discussed with the Board.

Chairman Eccles said that he felt the Board might consider writing a letter to the Secretary of State, who had made the arrangements for the Bogota Conference, pointing out that the Chairman of the Board was by statute a member of the National Advisory Council, that since its inception the Board and its staff had participated in and supported effectively the work of the National Advisory Council, that it had been learned that the other members of the Council and members of their staffs had been invited to the Bogota Conference, and that neither he nor any member of the Board's staff had been invited, although the Secretary of the Treasury, without consulting the Board, had invited Mr. Sproul. He suggested that the letter should make it clear that the Board had interposed no objection to Mr. Sproul's acceptance of this invitation in the circumstances, but that it felt that the list of persons invited to go should have included representation of the Board. Chairman Eccles also suggested that a copy of such a letter, if sent, be transmitted to the Secretary of the Treasury saying that the Board had interposed no objection to Mr. Sproul's serving as an adviser to Secretary Snyder in the circumstances, but that it felt the request for him to serve in that capacity should have been taken up with the Board before it was presented to Mr. Sproul.

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Following a discussion, it was agreed unanimously that Mr. Szymczak should have drafts of letters prepared as outlined and submitted to the Board for consideration. X

At this point Messrs. Smead, Thomas, Vest, Nelson, Millard, and Townsend 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 April 6, 1948, were approved unanimously.

Memorandum dated April 2, 1948, from Mr. Vest, General Counsel, recommending that advice be sent to the Presidents of all Federal Reserve Banks and the Chairman of the Committee on Operations of the Presidents' Conference that the Board will publish in the Federal Register, on or about April 15, notice of its proposal to adopt amendments to Regulation J which would authorize a procedure for the conditional payment of checks and delayed return of unpaid items.

Approved unanimously, together with a letter to the Presidents of all Federal Reserve Banks reading as follows:

"This refers to the Board's letter of March 12, 1948, regarding proposed amendments to the Board's Regulation J for the purpose of authorizing a procedure for the conditional payment of checks and delayed return of unpaid items and in order to clarify the authority of the Federal Reserve Banks to promulgate rules pursuant to section 6 of the Regulation. All comments and suggestions received from the Federal Reserve Banks have been given careful consideration.

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"The Board will publish in the Federal Register on or about April 15, 1948, notice of its proposal to adopt amendments to Regulation J with respect to this matter in the form enclosed herewith. The enclosed amendments are identical with those which were transmitted with the Board's letter of March 12, 1948, except for the insertion of a footnote in order to clarify the meaning of the 'day on which' a drawee bank shall be deemed to have 'received' a check for the purposes of the proposed provision with respect to conditional payment of checks.

"In accordance with the second paragraph of the enclosed notice to be published in the Federal Register, it will be appreciated if you will forward to the Board any comments or suggestions with respect to the proposed amendments which may be received by your Bank. As you will observe, all such comments and suggestions must be received not later than May 17, 1948."

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"In connection with the recommendation recently made by the Board that the pending Hawaii Enabling Bill, H. R. 49, be amended to require national banks in any Territory which becomes a State to become members of the Federal Reserve System, there is enclosed for your information a copy of a letter received by the Board under date of April 3, 1948, from Mr. G. S. Waterhouse, President of the Bishop National Bank of Honolulu, together with a copy of a memorandum enclosed with that letter. The matter is now receiving study and we shall of course send you a copy of our reply.

"We have been advised that the Senate Public Lands Committee plans to begin hearings on the bill H. R. 49 about April 15, 1948, and it is contemplated that a member of the Board will appear at those hearings."

Approved unanimously.

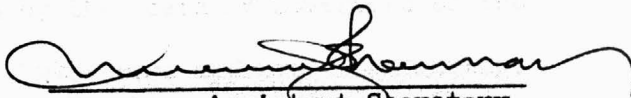
Telegram to the Presidents of all Federal Reserve Banks reading as follows:

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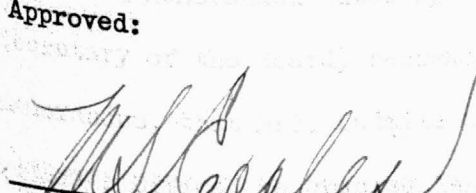
"Board approves elimination from check collection circulars or time schedules of uniform paragraph relating to the description of cash items as recommended by Committee on Collections in its report dated April 2, 1948, which was forwarded to you in a letter dated April 5, 1948 by Mr. Leach, Chairman, Committee on Operations, Conference of Presidents."

Approved unanimously.



Assistant Secretary.

Approved:



Chairman pro tem.