

4/9/48 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 9, 1948.

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

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

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

Telegram to the Federal Reserve Banks of Boston, Cleveland, Richmond, 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 April 6, by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 8, 1948, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 7, 1948, from Mr. Smead, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective April 18, 1948:

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<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Gerald M. Conkling	Technical Assistant	\$7,581.00	\$7,820.40
Mortimer B. Daniels	Technical Assistant	7,581.00	7,820.40
Jane G. Dodge	Secretary to Mr. Myrick	2,770.20	2,895.60

Approved unanimously.

Memorandum dated April 5, 1948, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that M. R. Lohmann be employed as a Consultant in that Division, on a temporary basis for such time as his services will be needed during the year 1948, at the rate of \$50 per day for each day of service, and that he be granted necessary traveling expenses and a per diem of \$8 while absent from home on business of the Board. The memorandum also stated that Mr. Lohmann would not become a member of the Federal Reserve retirement system, and that it was contemplated that his services would not be needed for more than 20 days during this year.

Approved unanimously.

Letter to Mr. Avery, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"In view of the appointment of Mr. Paul G. Hoffman to the position of Administrator for Economic Cooperation, consideration has been given to his eligibility to continue as Deputy Chairman and Class C Director of the Federal Reserve Bank of Chicago, in the light of the Board's resolution of December 23, 1915, which reads as follows:

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"WHEREAS, It is the opinion of the Federal Reserve Board that persons holding political or public office in the service of the United States or of any State, Territory, county, district, political subdivision, or municipality thereof, or acting as members of political party committees, can not consistently with the spirit and underlying principles of the Federal Reserve Act, serve as directors or officers of Federal Reserve Banks.

'RESOLVED, That the Federal Reserve Board hereby expresses to the member banks its opinion that no such persons should henceforward be elected or act as directors or officers of Federal Reserve Banks; and prescribes as a condition of eligibility that candidates for election shall comply with the terms of this resolution.'

"In view of the national interest involved in this appointment, the Board has decided to make an exception to its resolution of December 23, 1915, in the case of Mr. Hoffman's appointment as Administrator for Economic Cooperation, and will raise no question as to his eligibility to continue as Deputy Chairman and Class C Director of the Federal Reserve Bank of Chicago."

Approved unanimously, with the understanding that a copy would be sent to Mr. Hoffman.

Letter prepared for Chairman Eccles' signature to the Honorable George C. Marshall, Secretary of State, reading as follows:

"The Board would like to raise with you the question as to whether it would not have been appropriate for the Board of Governors of the Federal Reserve System to have been represented on the United States Delegation to the Bogota Conference, and on the supporting staff. The Board has extensive functions, responsibilities, and interests in the international field. The Chairman of the Board is a statutory member of the National Advisory Council, and the Board and its staff have supported the work of the Council to the limit of their capacities. They have similarly contributed through the appropriate

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"interdepartmental committees to the formulation and advance planning of the European Recovery Program. The Board also has particular knowledge and experience in the Latin American field as a result of its work with several Latin American countries in reforming their monetary and banking institutions and practices.

"Probably the most significant economic issues which will be discussed at the Bogota Conference are the plans for United States financial aid to Latin America, directly and through the International Bank, and the part which that area is to play in the European Recovery Program. Both issues are of immediate interest to the National Advisory Council, and the Board cannot help but note that the other member agencies in the Council are all represented on the United States Delegation to the Conference.

"The Board feels particularly impelled to state its views on this subject because of the recent action of the Secretary of the Treasury in inviting Mr. Allan Sproul, President of the Federal Reserve Bank of New York, to attend this Conference as his personal adviser. The Board's position with respect to this matter and the general question of Federal Reserve Bank representation on delegations to international conferences is set forth in my letter to Secretary Snyder of today's date, a copy of which is enclosed for your information.

"As to staff level representation at the Conference, members of the Board's staff broached this subject to the appropriate officers of the Department many weeks ago and were told that the suggestion would be given full consideration. The eventual response, however, was that due to problems of space in Bogota and the like, no room could be found at the Conference for a member of the Board's staff.

"The Board regards the result as most unfortunate, and feels that its failure to obtain representation at the Conference, even though this may have been by oversight, will hamper the effectiveness of its work on Latin American problems in the National Advisory Council and otherwise.

"I am bringing this matter to your attention not with the thought that any action should be taken in this instance, but rather in order that you may have our situation in mind in connection with future international

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"conferences. The Federal Reserve System hopes to contribute as fully and constructively as possible in handling future international problems involving its responsibilities."

X Approved unanimously, together with the following letter prepared for Chairman Eccles' signature to the Honorable John W. Snyder, Secretary of the Treasury, with the understanding that copies of both letters would be sent to Mr. Sproul:

"The Board has been informed by Mr. Allan Sproul that you have asked him to accompany you as your adviser on your forthcoming trip to the Bogota Conference. We have told Mr. Sproul, and I am glad to inform you, that the Board has no objection to his serving in that capacity. The Board, however, has considered this development in the light of its desire for harmonious and efficient operation of the Federal Reserve System as well as of the System's good relations with other departments of the Government. We should like to discuss our views on this matter with you when opportunity offers, but in the meanwhile the Board would like to bring to your attention its ideas as to what would be suitable procedure in connection with requests to Reserve Bank officials or staff members to serve on foreign missions of the Government.

"It is our feeling that prior consultation with the Board on such matters would be appropriate in view of the functions of this Board, and of the Chairman of the Board, in the international field, and in view of the Board's responsibilities for supervising the activities of the Federal Reserve Banks, especially in international matters. It is hoped that upon consideration you will agree that consultation on questions of this kind involving the Treasury and the Federal Reserve System would be both proper and desirable.

"This is the second occasion on which Mr. Sproul has been invited to accompany you to international conferences without there having been any advance consultation with the Board. The first occasion was the meeting last September in London of the Governors of the International Fund and Bank. The Board does not consider that it is in any way improper for Reserve Bank officials, and particularly the President of the Federal Reserve Bank of New York, to be

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"a part of delegations of this sort, but there are frequently matters of internal arrangements and priorities on which the Board should be given an opportunity to express its views before any such appointment is definitely made.

"I am also writing to the Secretary of State regarding the general question of the representation of the Federal Reserve System at the Bogota Conference. A copy of my letter to the Secretary of State is enclosed for your information; you will note that I am sending him a copy of my letter to you." X

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

"Your wire April 8. Board approves extension by your Bank of a loan or loans up to \$10,000,000 to the Central Bank of China on the following terms and conditions:

(a) such loan or loans to be made up to 98 per cent of the value of gold bars held in your vaults as collateral;

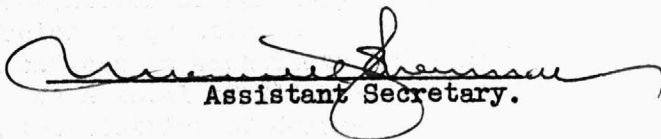
(b) such loan or loans to be made on or before September 30, 1948;

(c) each such loan to mature three months from the date thereof;


(d) each such loan to bear interest from the date it is made until paid at the discount rate of your Bank in effect on the date on which such loan is made.

"It is understood that the usual participation will be offered the other Federal Reserve Banks."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman pro tem.