Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 25, 1948. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Nelson, Director of the Division of Personnel Administration

There were presented telegrams to the Federal Reserve Banks of 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 Banks of Chicago and San Francisco on June 22, by the Federal Reserve Bank of St. Louis on June 23, and by the Federal Reserve Banks of Cleveland, Richmond, Minneapolis, Kansas City, and Dallas on June 24, 1948, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Chairman McCabe stated that the Personnel Committee had considered the recommendations contained in the letter and memorandum from the Federal Reserve Bank of New York dated May 14, 1948, with respect to officers' salaries at the Bank for the year beginning March 1, 1948, that the Committee felt there should be no change in the salaries of the President and First Vice President of the Bank, and that it would like to explore the recommendations for the other officers of the Bank further with Mr. Stevens, Chairman, and Mr. Sproul, President, or in his absence Mr. Rounds, First Vice President, before submitting recommendations to the Board with respect to salaries of those officers. He added that neither he nor the other members of the Personnel Committee felt they had enough information on the capabilities of the officers of the New York Bank below the rank of First Vice President to enable them to say what changes in salaries should be made.

Mr. Eccles said that, as the Committee on Welfare of Staff of the New York Bank was advised when it met informally with the members of the Board on May 14, 1948, the salaries at the New York Bank were related to the salaries paid at other Federal Reserve Banks and would have to be considered on that basis, and that entirely aside from the recommendations of the Federal Reserve Bank of New York and without regard to the capabilities of the men involved, he did not feel that increases in present maximum salaries for senior officers of the Federal Reserve

Banks could be approved until Congress had indicated a willingness to raise the level of salaries of officials in the Government service. In response to a question from Mr. Draper, Mr. Eccles said that of the officers of the Federal Reserve Bank of New York receiving more than $20,000 per annum Mr. Rouse was the only one who, in his opinion, might warrant consideration for an increase. He also said that he did not feel any Vice President at the Federal Reserve Bank of New York should receive a salary in excess of that paid the President of another Federal Reserve Bank.

Following a discussion of the matter, during which it was made clear that the Board would not approve increases in the salaries of the President and the First Vice President of the New York Bank and that salaries of other officers would have to be kept in a proper relationship to those salaries, it was agreed unanimously that Chairman McCabe should call Mr. Stevens on the telephone and say to him that the Board had considered the salary recommendations contained in the Bank's letter of May 14, 1948, that it did not favor a change in the salaries of the President and First Vice President, that it would like to review the matter of salaries of the other officers of the Bank with Mr. Stevens and Mr. Sproul, or in his absence Mr. Rounds, and that it would appreciate it if they would arrange to meet at their convenience in Washington with the available members of the Personnel Committee and the Board.

Chairman McCabe said that the Personnel Committee had considered the recommendations for officers' salaries of the Federal

Reserve Bank of St. Louis as set forth in letters from Mr. Davis, President of that Bank, dated May 26 and June 10, 1948, and that it recommended approval by the Board of the salaries as fixed by the board of directors of the St. Louis Bank. Chairman McCabe added that the Personnel Committee had also agreed that it should invite Messrs. Dearmont, Chairman of the St. Louis Bank, and Davis to meet with the Committee when it was convenient for them to be in Washington together for the purpose of discussing the executive organization of the St. Louis Bank.

Upon motion by Mr. Eccles, the following letter to Mr. Davis was approved unanimously:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of St. Louis and its Branches for the period June 1, 1948 through May 31, 1949, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of June 10, 1948:

Name	Title	Annual Salary
Davis, Chester C.	President	$25,000
Hitt, F. Guy	First Vice President	18,000
Attebery, Olin M.	Vice President	16,000
Peterson, Wm. E.	Vice President	12,000
Stead, W. H.	Vice President	12,000
Carstarphen, L. H.	General Counsel and Secretary	9,600
Gilmore, S. F.	Assistant Vice President	9,600
Hall, F. N.	Assistant Vice President	7,500
Hollocher, G. O.	Assistant Vice President	7,000
Weigel, Howard H.	Assistant Vice President	8,500
Arthur, L. K.	Assistant Vice President	5,000
Gales, J. H.	Assistant Vice President	8,500
Wotawa, J. C.	General Auditor	8,500

"Name	Title	Annual Salary
	Little Rock Branch	
Stewart, C. M.	Vice President	$10,000
Wood, Clifford	Assistant Manager	6,200
Childers, Clay	Assistant Manager	5,400
	Louisville Branch	
Schacht, C. A.	Vice President	10,000
Burton, Fred	Assistant Manager	7,000
Moore, L. S.	Assistant Manager	5,400
	Memphis Branch	
Pollard, W. B.	Vice President	10,800*
Belcher, S. K.	Assistant Manager	6,600
Martin, C. E.	Assistant Manager	6,400
Anderson, H. C.	Assistant Manager	5,000

"*Inasmuch as Mr. Pollard has resigned, it is understood that the payment of his salary is approved up to the date of his resignation.

"The Board also approves the payment of salary to Mr. F. L. Deming for the period June 1, 1948 through May 31, 1949, at the rate of $7,500 per annum as an officer of the Bank with the title of Assistant Vice President."

Reference was made to a letter from Mr. Leedy, President of the Federal Reserve Bank of Kansas City, dated June 14, 1948, requesting advice as to whether the Board would approve salaries for the Vice Presidents of the Omaha and Denver Branches at the rates of $13,500 and $13,000 per annum, respectively, if so fixed by the board of directors of the Kansas City Bank. In this connection there was also submitted a memorandum from Mr. Nelson dated June 18, 1948, recommending that salaries for Messrs. Earhart, Vice President in charge of the Omaha Branch, and Pipkin, Vice President in charge of the Denver Branch, be approved at the suggested rates, if formally adopted by the board of directors of the Kansas City Bank. Mr. Nelson's memorandum also stated that the proposed salaries would not be out of line with salaries paid Vice Presidents of other branches of Federal Reserve Banks.

Unanimous approval was given to a letter to Mr. Leedy reading as follows:

"The Board of Governors approves the payment of salaries to Mr. L. H. Earhart, Vice President in charge of the Omaha Branch, and Mr. George H. Pipkin, Vice President in charge of the Denver Branch, at the rate of $13,500 and $13,000, per annum, respectively, if fixed by the Board of Directors at such rates, which are the rates referred to in your letter of June 14, 1948.

"Please advise the Board as to what action the Board of Directors takes in this connection, together with the effective date."

Chairman McCabe stated that the Personnel Committee had gone over a proposal of the Federal Reserve Bank of Kansas City that the minimum and maximum salaries for the respective grades of positions under the personnel classification plan at the Bank be increased by approximately 5 per cent, effective July 1, 1948. He stated that it was the feeling of the Personnel Committee that the proposed increase was conservative, that changes in the local market as indicated by a recent salary survey made in the four cities in which offices of the Kansas City Bank are located would have justified a somewhat greater increase at this time, and that while the officers of the Federal Reserve Bank of Kansas City were inclined to propose a larger increase, the directors of the

Bank preferred that the wage structure be increased by not more than 5 per cent. He also said that the Personnel Committee recommended approval by the Board of the salary structure proposed by the Kansas City Bank with the understanding that the Bank would be informed that the Board felt it was open to question whether the new salary structure for the Bank was fully adequate.

Mr. Carpenter then read the last paragraph of a draft of letter to Mr. Leedy and, after a discussion, the letter was approved in the following form:

"The Board approves the following minimum and maximum salaries effective July 1, 1948 for the respective grades at the Federal Reserve Bank of Kansas City, as submitted in your letter of June 18, 1948:

Grade	Minimum Salary	Maximum Salary
1	$1320	$1680
2	1380	1860
3	1560	2100
4	1740	2340
5	1920	2640
6	2160	2940
7	2460	3300
8	2760	3700
9	3060	4100
10	3420	4600
11	3800	5100
12	4300	5800
13	4800	6500
14	5400	7200
15	6000	8100
16	6700	9000

"The Board approves the payment of salaries to employees, other than officers, within the limits "specified for the grades in which the positions of the respective employees are classified. It is understood that all employees who will be receiving salaries below the minimum of their respective grades as a result of the change in the salary scale will be brought within the appropriate range.

"The Board feels that it is open to question whether the new salary structure for your Bank is fully adequate, since it does not result in as favorable a relationship to the community wage structure as originally adopted. At the time of installation of the Plan of Job Evaluation and Salary Administration it was contemplated that the midpoint of the salary range of a Bank would be fixed in the third quarter bracket of the quality community rate structure and that minor changes in the local market rates would not necessitate an adjustment in the Bank's salary structure. If it becomes necessary to adjust the Bank's salary structure in the future it is suggested that consideration be given to fixing a structure which will obviate the necessity of frequent minor changes."

Messrs. Smead and Thomas entered the meeting at this point.

There was then presented a memorandum dated June 21, 1948, prepared in accordance with the request made at the meeting of the Board on May 25, 1948, submitting reasons which might be advanced for and against a reduction in the portion of net earnings of the Federal Reserve Banks being paid to the Treasury as an interest charge on outstanding Federal Reserve notes. The memorandum, a copy of which had been furnished to each member of the Board before this meeting, read in part as follows:

"It is the view of the staff that a more satisfactory procedure would be for the Board, instead of undertaking to change the existing arrangement, to authorize the Federal Reserve Banks to set up "additional reserves to meet possible future losses. This could be done under the existing arrangement without departing from the policy involved when the arrangement was adopted. However, the procedure would recognize the change that has occurred since the adoption of the arrangement in 1947, i.e., the increase of the System's holdings of Treasury bonds from about $750 million to more than $6,300 million.

"Inasmuch as the additional reserves would be established in accordance with the existing policy there would be no necessity to clear the matter with the Treasury in advance and no public statement or entry in the policy record would be called for.

"The net earnings of the Federal Reserve Banks in 1948 after the payment of dividends probably will be in the neighborhood of $180 million. Under the existing arrangement approximately $162 million would be paid to the Treasury and $18 million would be transferred to the surplus accounts of the Federal Reserve Banks. In recognition of the greater responsibilities of the System resulting from their increased holdings of Government bonds, the Board might well take the position that it would be entirely justified in approving an increase in reserves by as much as $30 million to meet possible future losses. This would reduce net earnings for the year 1948 to approximately $150 million, 90 per cent of which, or approximately $135 million, would be paid to the Treasury under the existing arrangement.

"This procedure could be followed, with the understanding that it would be reviewed from time to time as changes in the situation might require, until such time as the Board and the Federal Reserve Banks were in a better position to determine what the size of the surplus and reserve accounts of the Federal Reserve Banks should be."

During a discussion of the suggestion contained in the memorandum, Mr. Eccles questioned whether, if it should be decided to reduce the 90 per cent payment to the Treasury it would be necessary to discuss it with the Treasury. It was his view that the Board could inform the Treasury that in accordance with the original understanding, because of the very large increase in the System's holdings of long-term securities since the arrangement was put into effect last year, it had been decided hereafter to pay to the Treasury something less than 90 per cent of net earnings of the Reserve Banks so that the surplus accounts of the Reserve Banks could be increased at a somewhat more rapid rate.

Mr. Vardaman stated that he was inclined to follow that procedure in the belief that it would be desirable to establish the fact that the existing arrangement was originally intended to be a flexible one.

During a discussion of the question whether action should be taken to change the existing arrangement or to add larger amounts to reserves, Mr. Thomas expressed the view that, for reasons which he outlined, the Federal Reserve Banks did not need a large surplus and that that was the most important argument against making any change in the existing arrangement.

This point was discussed and it was stated that Mr. Thomas' view probably was correct theoretically. However, since it was not known how large the System's holdings of long-term bonds might become or to what extent losses might occur on advances to member banks in a period of banking difficulties such as the early thirties, it was agreed that, as long as the public continued to feel that the Reserve Banks should have a large capital and surplus and the faith of the public in the strength of the Federal Reserve Banks would be adversely affected if losses on Government securities or on advances to member banks should greatly reduce or eliminate their capital and surplus, the System should see to it that substantial surplus accounts were maintained.

Question was raised as to the views of the Presidents of the Federal Reserve Banks on the proposal recommended by the staff and reference was made in this connection to the discussion at the time of the last Conference of Presidents in Washington.

In a discussion of the advice to be given to the Treasury if the staff recommendation were adopted, Chairman McCabe said that he was inclined to follow the recommendation and would favor merely informing the Treasury of the Board's decision.

Mr. Smead suggested that all that would be required would be to inform Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, by telephone what the Board had done.

In the discussion that followed it was pointed out that, even though substantial additions to reserves for contingencies were made, the payment to the Treasury during the current year would be considerably more than was paid in 1947 because of the larger earnings on Government securities.

Mr. Clayton stated that while he would vote to approve the recommendation of the staff he would prefer action to reduce the 90 per cent payment to the Treasury so that that proportion would not become frozen. It was the consensus, however, that since it was originally understood that the arrangement was to be a flexible one and should not be fixed as would be the case if a franchise tax were written into the law, the question of flexibility at this time was not an important one.

Turning to the question of how much in the way of an addition to reserves should be made, it was noted that at the present time the premium account on Government securities purchased in support of the market was around $70 million, and that figure was suggested as the minimum addition that should be made in the next two years. The statement was also made that if reserves for contingencies were increased at the rate of not less than $10 million for each quarter commencing with the second quarter of 1948, a total of approximately $70 million would have been added to such reserves by the end of 1949. It was agreed, however, that if action were taken provision should be made only to deduct $10 million for the second quarter with the understanding that the amount to be deducted for the third and subsequent quarters would be determined when the calculation of the payment to the Treasury for each quarter was made.

Question was raised whether, if the action were taken, the Federal Reserve Banks should be informed in advance of the calculation of the payments to the Treasury for the second quarter. The view was expressed in this connection that, since at the joint meeting of the Board and Presidents on May 21, 1948, the Board stated that it would give further consideration to the matter, the Banks should be informed.

Following a further discussion, upon motion by Mr. Eccles, it was voted unanimously that action should be taken to add to reserves for contingencies rather than to change the existing 90 per cent arrangement and that the Federal Reserve Banks should be authorized to deduct $10 million from earnings for the second quarter, in addition to other deductions that ordinarily would be made, for the purpose of increasing reserves for contingencies. In taking this action it was understood that (1) Mr. Smead would call Mr. Bartelt on the telephone and tell him what the Board had done and (2) the Reserve Banks would be informed by wire of the action of the Board and that the matter would be placed on the agenda for discussion at the next Presidents' Conference.

At this point Mr. Smead left the meeting.

Reference was made to a memorandum concerning Mr. William J. Meinel, President and General Manager, Heintz Manufacturing Company, Philadelphia, and presently a Class B director of the

Federal Reserve Bank of Philadelphia, which had been distributed to each member of the Board pursuant to the action at the meeting on June 8, 1948, with respect to his possible appointment as a Class C director and designation as Chairman and Federal Reserve Agent of the Philadelphia Bank for the remainder of the term ending December 31, 1948.

Mr. Eccles asked whether there was definite information as to whether Mr. Meinel was connected with the Bethlehem Steel Corporation or whether his company, Heintz Manufacturing Company, was a subsidiary of Bethlehem Steel Corporation.

Chairman McCabe stated that he understood from Mr. Williams, President of the Philadelphia Bank, that there was no direct connection between Heintz Manufacturing Company and Bethlehem Steel Corporation, although Mr. Charles B. Grace, a son of Eugene G. Grace, Chairman of the Board of Bethlehem Steel, was Secretary-Treasurer and a director of Heintz Manufacturing Company.

Mr. Nelson stated that a check had been made of Moody's manual and that it failed to disclose that there was any ownership of Heintz Manufacturing Company by Bethlehem Steel Corporation.

Chairman McCabe stated that he could check with the General Counsel of Heintz Manufacturing Company, with whom he is personally acquainted, and, after talking by telephone with Mr. Mason, Chairman McCabe reported that, while there was no ownership connection between the two companies, the Grace family, which was dominant in Bethlehem Steel Corporation, apparently held a controlling interest in Heintz Manufacturing Company.

Mr. Clayton stated that he would have no objection to Mr. Meinel because of such ownership or because a son of Eugene G. Grace was connected with the Heintz Manufacturing Company provided Mr. Meinel was an individual of independent judgment.

> There was a further discussion of Mr. Meinel's qualifications and, upon motion by Mr. Draper, it was agreed unanimously that Chairman McCabe should talk with Mr. Meinel to ascertain whether he would accept appointment as a Class C director and designation as Chairman and Federal Reserve Agent of the Philadelphia Bank if the appointment were tendered him.

There was then presented a memorandum from Mr. Nelson dated June 24, 1948, a copy of which had been sent to each member of the Board before this meeting, reading in part as follows:

> "There is attached a copy of H. R. 6916, adopted by the 80th Congress and known as the 'Postal Rate Revision and Federal Employees Salary Act of 1948.' This Act provides for an increase in the salaries of Government employees of $330 per annum and an increase in the compensation of employees paid on an hourly or part-time basis of 20¢ per hour. The Act also changes the ceiling on salaries of classified employees from $10,000 to $10,330. These changes are to be effective on the first

"day of the first pay period which begins after June 30, 1948 which, in our case, would be July 11.

"Counsel for the Board has consistently advised that in view of the provisions of Section 10 of the Federal Reserve Act the provisions of such Acts are not legally applicable to the Board. As a matter of policy it has been the practice to follow them closely.

"RECOMMENDATION

"It is recommended:

"(1) That the basic pay rates of the Board's Classification Plan be increased by groups $330.00.

"(2) That the salaries of all employees of the Board whose positions have been classified under the Board Classification Plan and officers and employees of the Board's staff whose positions are unclassified be increased in conformity with the provisions of the Federal Employees Salary Act of 1948, provided this does not increase a salary beyond $10,330, and provided that the increase will not exceed the maximum of the group in which the employee is classified, or such maximum as has heretofore been established by the Board in the case of unclassified employees.

"(3) That the salary of Mr. Fisler, member of the road force on loan from the Federal Reserve Bank of Kansas City, be increased to $3,840. This is the amount suggested by the Bank."

If these recommendations were approved, salaries below $10,330 which would not be increased in conformity with the salary act would be the following. No change would be made in the compensation provided for consultants:

Employees with salaries above the maximum for their Group

Name	Division	New Maximum	Present Salary	Amount of Increase
Dyer, Sara A.	Legal	$3727.20	$3640.00	$ 87.20
Stone, A. M.	Legal	3727.20	3420.00	307.20
Ficks, Louis G.	Research and Statistics	3727.80	3640.00	87.20
Barker, C. S.	Examinations	5608.20	5810.00	--
Noell, J. C.	Examinations	7192.80	8225.00	--
Schmidt, Catherine	Administrative Services	3175.44	3146.40	29.04

Name	Division	New Maximum	Present Salary	Amount of Increase
Egbert, Va Lois	Secretary to Mr. Eccles	$5130.00	$5600.00	$--
Cotten, Mrs. Annie I	Secretary to Mr. Clayton	5130.00	5100.00	30

Secretary's Note: Effective June 29, 1948, Miss Schmidt was transferred to the position of Secretary to Mr. Riefler, Assistant to the Chairman, a position which is not under the Board's Classification Plan and for which the Board has not fixed a ceiling on salary.

Chairman McCabe stated that the memorandum had been discussed by the Personnel Committee at a meeting yesterday, and that the Committee would recommend that the Board should increase the pay of its employees in conformity with Mr. Nelson's recommendation.

In commenting upon the memorandum, Mr. Nelson stated that the President had not yet signed the bill but that it was generally expected he would do so, in which event the increases provided in the bill would become effective for Government employees with the first pay roll period beginning after June 30, 1948. He added that if the Board followed a similar procedure the increases would become effective with the Board's pay roll period beginning July 11, 1948.

Upon motion by Mr. Draper, it was voted unanimously that, if the President signed the salary act so that it could take effect in accordance with its terms, salaries of employees of the Board be increased in conformity with the recommendations contained in Mr. Nelson's memorandum, effective with the pay roll period beginning July 11, 1948.

Mr. Nelson left the meeting at this point.

A draft of letter to the Chairmen of the Federal Reserve Banks and branches concerning the Board's action on June 1, 1948, increasing reserve requirements of member banks in New York and Chicago, prepared by Mr. Clayton pursuant to the action at the meeting of the Board on June 22, 1948, was then discussed. A copy of the draft had been furnished to each member of the Board before this meeting.

Mr. Eccles stated that he did not feel the draft of letter prepared by Mr. Clayton was adequate to accomplish the purpose he had in mind in presenting the draft of letter which was considered at the meeting on June 22, and that he would prefer that no letter be sent rather than to have the letter go in the form of the draft prepared by Mr. Clayton.

Mr. Thurston stated that a brief comment could be included in the next report which Mr. Evans would send to the Chairmen, as the member of the Board designated to keep in touch with the Chairmen which would make it clear that the action on June 1, 1948, was not, as stated in the press, to take advantage of the Chairman's absence or to "take a slap" at the Treasury for not increasing the short-term rate.

There was a further discussion of the purpose to be served by a letter during the course of which Mr. Eccles said that he felt it was of greater importance to get before Mr. Stevens, Chairman of the Federal Reserve Bank of New York, the Board's views with respect to submitting matters to the directors and officers of Federal Reserve Banks for consideration along the lines outlined in Mr. Stevens' letter of June 10, 1948, which was discussed at the meeting of the Board on June 22.

Chairman McCabe stated that the letter from Mr. Stevens had been acknowledged and that he would suggest that Mr. Stevens be asked on his next trip to Washington to sit down with the members of the Board and review the entire question of the Board's responsibilities under the law.

Mr. Eccles said that Chairman McCabe had stated in his reply to Mr. Stevens' letter that he was bringing the letter to the attention of the members of the Board, and that if no further reply was sent the implication would be that the Board would be guided by the suggestion of the New York Bank that the advice of the Bank be sought by the Board prior to taking action in such matters.

Mr. Vardaman suggested that the staff be asked to prepare a draft of letter which would respond fully to Mr. Stevens' letter so that the members of the Board might consider it at a future meeting. He added that in suggesting preparation of such a draft it was not his intention that the Board reach a decision at this time concerning whether a letter would be sent to Mr. Stevens replying in detail to the suggestions contained in his letter of June 10.

During the discussion of the matter Mr. Vest suggested that a letter might be written to Mr. Stevens which would be brief and would simply say something to the effect that he would recognize that the Board had certain responsibilities which it must discharge under the law, that it was not always possible because of the time element to take up with the directors of the Reserve Banks matters such as the possible increase in reserve requirements which had been under discussion at meetings of the Board over a period of several months, and that the Board would like to discuss with him the entire matter at some mutually convenient time on one of his trips to Washington. Chairman McCabe said he would have no objection to a letter such as Mr. Vest outlined.

Upon motion by Mr. Vardaman, it was agreed a letter to the Chairmen of the Federal Reserve Banks, along the lines proposed by Mr. Eccles at the meeting on June 22, or the shorter draft prepared by Mr. Clayton, should not be sent, and that Messrs. Carpenter, Vest, and Thurston would prepare for consideration by the Board alternative drafts of a letter to Mr. Stevens, one to be along the lines suggested by Mr. Vest and the other a detailed answer setting forth the position of the Board in the light of its responsibilities under the law in so far as they related to the suggestion that the Board take up with the Reserve Banks matters of policy before reaching a decision.

Mr. Eccles stated that he would be absent when the drafts of letters were considered by the Board and that if it were decided to discuss the matter with Mr. Stevens rather than to write a further letter, he (Mr. Eccles) would like the long alternative draft to show what the Board might have said if it had been sent.

Mr. Thomas left the meeting at this point.

Reference was then made to the following matters which were on the agenda in accordance with the discussion at the meeting of the Board on June 1, 1948:

a. Question of the responsibility of the Board for maintaining a quorum in Washington at all times.
b. Procedure to be followed in order to afford an absent member an opportunity to return to Washington or to express his views before action is taken by the Board on a matter in which he is interested.
c. Board members' assignments.
d. Procedure to be followed whenever changes are contemplated in the Board's official staff.

Chairman McCabe stated that, while he was not raising a legal question, he felt it should be the policy of the Board always to have a quorum of the Board in Washington or within call so that a quorum would be available within a few hours to act on any important matter that might arise, and that it would be desirable for the members to schedule their vacation and other absences from Washington so as to make such an arrangement possible.

In response to an inquiry from Mr. Eccles, Mr. Vest stated that there was no reference in the Federal Reserve Act to a quorum of the Board, that it was clear that a majority of the Board constituted a quorum, that, although the Act did provide that the members of the Board would give their entire time to the work of the Board, from time to time it was expected that they would be absent for official and personal reasons, including illness, but that there was an implication of responsibility on the members of the Board to see to it that, as far as practicable, the Board was in a position to conduct necessary business in Washington when any important matter came before it.

In this connection, reference was made to the procedure adopted at the meeting on June 8, 1948, whereby the Secretary's Office would check with the offices of the members of the Board on the tenth and twenty-fifth of each month to determine whether they expected to be away from their offices during the succeeding half-calendar month, and it was the consensus of the members of the Board that this procedure would largely take care of the questions raised by Chairman McCabe.

Mr. Clayton suggested that the Secretary's office might extend its check on the tenth and twenty-fifth of each month to cover a longer period than the next half-month so that a member of the Board could make plans several weeks in advance.

Mr. Evans suggested that the Personnel Committee might study the matter further and if it felt some change in the procedure adopted on June 8 was necessary to accomplish Chairman McCabe's purpose, it could submit a suggestion at a future meeting of the Board.

> At the conclusion of the discussion, it was agreed that the procedure approved at the meeting on June 8, 1948, would keep all Board members informed of prospective absences and enable them to arrange their vacation and other absences so that a quorum would be available in Washington or on call on short notice, i.e. within 24 hours.

Mr. Eccles stated that he felt a procedure should be followed which would afford an absent member of the Board an opportunity to return to Washington or to express his views before action was taken by the Board on any important matter in which he was interested. He referred to such matters as changes in reserve requirements, salaries of Reserve Bank officers when a question of a major change in policy might be involved, Board members' assignments, and particularly to the recent selection of Mr. Stevens as a Class C director at the Federal Reserve Bank of New York. Mr. Eccles stated that he would like to feel sure that when matters of such importance were before the Board an absent member would be given an opportunity to express his views before action was taken.

Mr. Eccles suggestion was discussed and it was agreed unanimously that whenever an important matter came before the Board for action, if time permitted it should be placed on the agenda a sufficient length of time in advance to enable an absent member an opportunity to be present at the meeting when action is taken or to submit his views to the Secretary for presentation at the meeting.

On the subject of Board members assignments Mr. Clayton stated that this matter had been placed on the agenda at his request, that he understood the present assignments were on a temporary trial basis, and that his questions regarding the matter had been answered.

In the ensuing discussion it was stated that all members of the Board could suggest changes in their assignments at any time and that, in any event, the assignments would be reconsidered when a vice chairman of the Board was designated.

Mr. Eccles stated that he understood some consideration had been given to transferring Mr. Young, Associate Director of the Division of Research and Statistics, to the position in charge of the International Section of the Board's Division of Research and Statistics, and that he felt before such matters were discussed with the member of the staff involved the question should be cleared with all members of the Board.

Chairman McCabe stated that he had discussed with several members of the Board, the question of Mr. Young's possible assignment to the international work, that he had mentioned it to Mr. Evans as the member whose assignment of matters for initial consideration included the Research Division, that he had taken it up with Mr. Szymczak, who was interested in international matters, and that the suggestion had been discussed at a Personnel Committee meeting. He stated that while it was still in an exploratory stage he had discussed the question with Mr. Thomas, who had suggested that Mr. Young should be consulted, and that the matter would not have been acted upon before it was considered by the Board.

In this connection, Chairman McCabe referred to the discussions he had had with Mr. Frank A. Southard, Jr., presently Director of the Office of International Finance, Department of the Treasury, concerning the possibility of his accepting a position as Associate Director of the Division of Research and

Statistics in charge of staff activities in the international field. He stated that this matter had been discussed with most of the members of the Board, that Mr. Southard had not reached a decision as to whether he would be willing to accept a position which required his remaining in Washington beyond the end of this year, and that he would like an expression of opinion at this time from the other members of the Board as to how far he might go in talking with Mr. Southard.

After a discussion, Chairman McCabe was authorized to negotiate with Mr. Southard for employment as an Associate Director of the Division of Research and Statistics with salary at the rate of $13,500 per annum.

At this point Mr. Vest 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 24, 1948, were approved unanimously.

Memorandum dated June 18, 1948, from Mr. Smead, Director of the Division of Bank Operations, recommending the appointment of Miss Hilda Doris McTeer as a clerk-typist in that Division, on a temporary basis for a period of six months, with basic salary at the rate of $1,954 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 it was contemplated that Miss McTeer would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated June 24, 1948, from the Division of Personnel Administration, submitting a recommendation from Mr. Leonard, Director of the Division of Examinations that the temporary indefinite appointments of William D. Smith and Miss Myrtle P. Brown, Federal Reserve Examiner and stenographer, respectively, in the Division of Examinations, be made permanent effective June 27, 1948. The memorandum also submitted recommendations from the respective division heads that increases in the basic annual salaries of the following employees in the indicated divisions be approved, effective June 27, 1948:

Name	Designation	Salary Increase From	Salary Increase To
DIVISION OF EXAMINATIONS			
Gordon R. Murff	Examiner in charge of Road Force	$9,077.25	$9,500.00
William D. Smith	Federal Reserve Examiner	7,581.00	7,820.40
Jay W. Williams	Assistant Federal Reserve Examiner	2,644.80	2,770.20

Name	Designation	Salary Increase From	Salary Increase To
DIVISION OF RESEARCH AND STATISTICS			
Irving Schweiger	Economist	$3,773.40	$4,149.60
Stanley J. Sigel	Economist	3,397.20	4,149.60
Mary M. Maroney	Economist	3,898.80	4,024.20
Viola A. Hodson	Clerk	3,648.00	3,773.40
Mary White	Clerk	3,146.40	3,271.80
Margaret R. Garber	Clerk	3,021.00	3,146.40
Lois I. Steidel	Clerk	2,168.28	2,243.52
Evelyn L. Hempstead	Clerk-Stenographer	2,694.96	2,770.20
Mary T. Clarke	Clerk-Stenographer	2,469.24	2,544.48
Daniel H. Brill	Economist	6,144.60	6,384.00
Florence Jaffy	Economist	3,648.00	3,898.80
Otto G. Kiehn	Research Assistant	2,644.80	2,895.60
Mary F. Weaver	Clerk	3,021.00	3,271.80
Esther G. Crews	Clerk	3,146.40	3,397.20
Mae J. Stohlman	Clerk-Stenographer	2,469.24	2,619.72

Approved unanimously.

Memorandum dated June 21, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointments of John W. Atchinson and Clyde D. Divers as laborers in that Division, on a temporary basis for a period of two months, with basic salary at the rate of $1,690 per annum each, effective as of the dates upon which they enter upon the performance of their duties after having passed the usual physical examination. The memorandum also stated that it was not contemplated that Messrs. Atchinson and Divers would become members of the Federal Reserve retirement system during the period of their temporary appointments.

Approved unanimously.

Letter to Mr. Davis, Chairman, Conference of Presidents of the Federal Reserve Banks, Federal Reserve Bank of St. Louis, reading as follows:

"We have been advised by a Federal Reserve Bank that it has been informally asked by the Treasury Department to absorb certain fiscal agency expenses which have been generally regarded as reimbursable.

"The Bank stated that the Treasury made an allotment in January of this year to cover the cost of handling operations at the Bank and its Branches in connection with the withheld tax program for the fiscal year ending June 30, 1948. This allotment was somewhat less than the Bank's estimate of expenses submitted to the Treasury in July of 1947. The Bank had been hopeful that expenses might be kept within the allotment but subsequently found that they were higher than anticipated. As a result the Treasury allotment was exhausted upon submission of April reimbursement vouchers. When this situation was brought to the attention of the Treasury, the Bank was asked to absorb the cost of handling operations connected with the withheld tax program for the months of May and June 1948. Under the circumstances the Federal Reserve Bank, without establishing a precedent, agreed to absorb May and June expenses, subject to possible reimbursement in the event the Treasury has a sufficient balance in its appropriation at the end of June.

"Since there is a uniform System plan with respect to reimbursement for fiscal agency expenses, the Board is of the opinion that any departure from that plan should be taken up as a System matter rather than as a separate matter with individual Federal Reserve Banks, as in the past. If such a procedure were adopted, it would be expected that any Federal Reserve Bank that received a request from the Treasury to absorb any reimbursable portion of the cost of conducting fiscal agency operations would take the matter up with the Board, which in turn would contact the Committee on Fiscal Agency Operations of the Presidents' Conference for the purpose of agreeing upon a uniform System policy.

"The Board believes this is a matter of sufficient importance to warrant discussion at the next Presidents' Conference, and, accordingly, it will be appreciated if you will place the topic on the agenda for that Conference."

Approved unanimously.

S R Carpenter
Secretary.

Approved:

Thomas B. McCabe
Chairman.