

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 13, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman

Mr. Szymczak

Mr. Evans

Mr. Vardaman

Mr. Clayton

Mr. Sherman, Assistant Secretary

Mr. Vest, General Counsel

Mr. Nelson, Director of the Division of Personnel Administration

Chairman McCabe stated that since receiving Mr. Clayton's memorandum of June 22, 1948, listing the names of several possible appointees to the vacancy among Class C directors at the Federal Reserve Bank of Boston he had discussed the matter with Mr. Creighton, Chairman of the Bank, and with Mr. Donald David, formerly a Class C director. Mr. Creighton's first choice for an appointee would be Mr. Ames Stevens of Lowell, Massachusetts, and he would also strongly support Mr. Thomas D. Cabot of Boston, but felt Mr. Cabot might not be available because he would not wish to give up his directorship with the First National Bank of Boston. Chairman McCabe stated that both Messrs. Creighton and David thought highly of Irwin D. Canham, editor of the Christian Science Monitor, and of Mr. Thomas Henry West, a manufacturer.

Mr. Evans suggested that at the time of the next appointment of a Class C director at Boston, it would be desirable to

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consider appointment of a man from outside Boston who would represent either agricultural or small business interests.

Mr. Vardaman said that he understood the person appointed for the remainder of the term ending December 31, 1948, would have to be looked upon as the next Chairman of the Boston Bank to succeed Mr. Creighton, whose term expires December 31, 1950, and that except for this consideration he would like to see a man selected from some section outside of Boston, preferably representative of small business interests. Mr. Vardaman also stated that he felt the appointment of Ames Stevens would be undesirable since Mr. Stevens was a cousin of Robert T. Stevens, Chairman of the Federal Reserve Bank of New York, and that there might be some objections raised to having Chairmen of two Reserve Banks so closely related.

Mr. Clayton stated that he had felt and he understood Mr. Creighton also felt, that Mr. Hodgkinson, presently Deputy Chairman of the Boston Bank whose term expires December 31, 1949, would make an excellent Chairman, that Mr. Hodgkinson had been appointed to the Board only last year, and that he did not feel the appointee at this time need necessarily be considered as the next Chairman of the Boston Bank.

Mr. Szymczak stated that his preference would be the appointment of Mr. Canham, editor of the Christian Science Monitor,

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on the grounds that he would make a better contribution and show more interest in the Reserve Bank than would a busy man such as Mr. Stevens or Mr. Cabot. He added that central banking was a specialized field not well understood by businessmen generally, that the field was likely to be more readily understood by a man such as Mr. Canham than by commercial bankers or industrialists, and that such a man was, in his opinion, more likely to make the meetings of the board of directors of the Reserve Bank interesting rather than perfunctory.

Chairman McCabe stated that he felt that the businessman who was willing to accept appointment to the Reserve Bank board was usually more likely to find the time necessary to make a contribution than the professional man, and that he did not feel Board appointments should rule out the appointments of such businessmen if the best directors were to be obtained.

There was a further discussion of possible appointees during the course of which the members of the Board who were present expressed their preferences as to the individual who should first be approached.

At the conclusion of the discussion, upon motion by Mr. Vardaman, Chairman McCabe was authorized unanimously to tender the appointment as a Class C director for the remainder of the term ending December 31, 1948, to Mr. Cabot, and,

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if Mr. Cabot would not accept, to ascertain from Messrs. Stevens, Canham, and West, in the order listed, whether they would accept. In taking this action it was understood that inasmuch as Mr. Clayton would be in New England between July 19 and 30, Chairman McCabe might ask him to ascertain from the individuals whether they would accept the appointment if tendered.

Chairman McCabe stated that, pursuant to the action at the meeting on June 25, 1948, he had discussed with Mr. William J. Meinel, President and General Manager of Heintz Manufacturing Company, Philadelphia, the question of his 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, that Mr. Meinel was greatly interested in the appointment, and that he had said he would accept if it were tendered somewhat later but that, in view of other demands that would be made upon his time during the next few months, he would not be able to devote the time during these months to the work which ordinarily would be expected. Chairman McCabe added that Mr. Meinel had discussed the matter with Mr. Williams, President of the Philadelphia Bank, and with Mr. Whittier, Deputy Chairman of the Philadelphia Bank, that both Mr. Williams and Mr. Whittier were anxious to have Mr. Meinel accept the appointment, and that he would suggest that the appointment be tendered to Mr. Meinel on the basis that it was

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understood that during the next few months he would not be able to devote as much time to his responsibilities as Chairman of the Philadelphia Bank as would ordinarily be expected.

Upon motion by Mr. Vardaman, it was agreed unanimously that Chairman McCabe should ascertain whether Mr. Meinel would accept the appointment with this understanding, and that if he would accept, the appointment should be made.

Chairman McCabe stated that, following a meeting with the Personnel Committee on July 6, 1948, he talked with Mr. Stevens, Chairman of the Federal Reserve Bank of New York, concerning his letter of June 10, 1948, with respect to the Board's action increasing reserve requirements of member banks in central reserve cities and that Mr. Stevens had said he felt the Board could not have taken up with the board of directors of the New York and Chicago Banks the matter of an increase in reserve requirements prior to its announcement. He added that Mr. Stevens showed an understanding attitude toward the Board's problem with respect to submitting matters to directors of the Federal Reserve Banks for discussion prior to reaching a policy decision.

Mr. Vardaman asked whether Mr. Stevens would make a report of his discussion with Chairman McCabe to the directors of the New York Bank.

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Mr. Clayton stated that he felt strongly that Mr. Stevens should report to the directors, and that his report should give not only the reasons for not submitting the question of an increase in reserve requirements of central reserve city banks for comment but that the general position of the Board with respect to submitting policy matters for the consideration of the boards of directors of the Reserve Banks should also be made plain.

Following a discussion, it was agreed unanimously that Chairman McCabe would telephone Mr. Stevens, if possible before the meeting of the directors of the New York Bank on July 15, 1948, and ask him to make a report to his directors so that they would know of the Board's feeling with respect to the submission of matters to the directors of the Banks, especially such matters as possible increases in reserve requirements.

Mr. Vardaman stated that this morning he had received a carbon copy of a memorandum prepared by Mr. Exter, an economist in the Division of Research and Statistics, giving background material for information purposes in connection with the luncheon meeting today with Philippine Secretary of Finance Cuaderno, that the copy which reached him was a poor carbon and hardly legible, and that he wondered whether arrangements could not be made whereby

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a sufficient number of copies of such memoranda would be mimeographed or reproduced so as to be legible. He also stated that, in connection with other memoranda circulated to members of the Board for action or for information, it was sometimes necessary to hold them several hours or days, thus delaying their circulation among other members of the Board, and that he felt in such cases individual copies should be provided. He suggested that a desire to avoid overtime payments to stenographic help might be a contributing factor and that he felt a more flexible use of stenographic personnel might result in providing better service to members of the Board.

In the course of the discussion, it was suggested that a survey of the Board's administrative organization might be made with a view to determining what, if any, improvements in procedure might be made, but it was the consensus of the members of the Board who were present that no action along that line should be taken until the matter had been discussed at a meeting of the Board at which all members could be present.

At this point Messrs. Vest and Nelson withdrew and the action stated with respect to each of the matters hereinafter

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set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 12, 1948, were approved unanimously.

Letter to Mr. Treiber, Assistant Vice President and Secretary, Federal Reserve Bank of New York, reading as follows:

"This will acknowledge your letter of July 7, 1948, advising that your group life insurance policy with the Equitable Life Assurance Society has been revised to provide additional coverage for the employees and officers of the Federal Reserve Bank of New York.

"It is noted that the insurance company expects that the average annual net cost to the Bank will be no greater than under the old plan and it is understood that the Board will be advised whenever the average annual cost to the Bank is substantially in excess of \$1380.00."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"Your letter of April 9 and ours of April 21 discussed the possibility that the Federal Reserve Banks might be able to be of assistance to the Economic Cooperation Administrator in carrying out his responsibilities, and this letter is merely to confirm our understanding of developments in that connection.

"Members of the staff of the Board and of your Bank discussed the matter on several occasions and

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"in some detail with members of the staff of the Administrator, and it appeared at one time that it might be helpful to the Administrator for the Reserve Banks to act as his paying agents in connection with certain transactions. More recently, however, Mr. Simpson, Deputy Comptroller of the Economic Cooperation Administration, advised a member of the Board's staff that it had been decided to station a certifying agent of the Administrator at the New York office of the Treasury Department and to make payments from that office on his certification. Mr. Simpson indicated that the Economic Cooperation Administration planned to use that procedure instead of availing itself of the services of the Reserve Banks, but he expressed appreciation for the friendly cooperation and helpful suggestions that had been received.

"It is understood from Mr. Arthur Phelan that the Economic Cooperation Administration advised your Bank along similar lines, and in the circumstances there appears to be nothing further to be done at this time toward making the facilities of the Reserve Banks available for the assistance of the Administrator."

Approved unanimously.

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

"In submitting the budget for your Bank for 1949 and subsequent years, it will be appreciated if you will furnish the Board with a statement outlining the various activities comprising your Bank and Public Relations program for the forthcoming year. Among other data, it is requested that this statement include information showing (1) the extent of your bank visitation program and the average number of (a) officers and (b) employees who it is anticipated will participate therein; and (2) a breakdown of the amount provided in your budget for the item 'Meetings, conferences, etc.' The Board will also appreciate receiving a detailed breakdown of the amount provided for the

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"item 'Employee relations' under the Educational and Welfare unit."

Approved unanimously.

Assistant Secretary.

Approved:

Chairman.