Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 22, 1948.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board

Memorandum dated July 19, 1948, from Mr. Cherry, Assistant Counsel, reading as follows:

"In a directive to all departments and agencies of the Government the Loyalty Review Board has prescribed that the following paragraphs be included in the loyalty regulations or procedures of each Government department and agency:

'The regulations and directives duly promulgated by and under the authority of the Loyalty Review Board, in accord with the provisions of Executive Order 9835, as set forth in Title 5, Chapter II, of the Code of Federal Regulations (13 F.R. 253), constitute the basic and controlling regulations to govern all loyalty adjudication procedures in ______ (name of Department or Agency).

'The following statement of procedures is therefore promulgated in accordance therewith.'

"The Executive Order establishing the loyalty program for the Government provides that, although the heads of the various agencies shall be personally responsible for the effective administration of the program in their agencies, the Loyalty Review Board created by such Executive Order is authorized to coordinate and implement the program. Hence, it would appear that the Loyalty Review Board has the authority to prescribe the directive. The inclusion of such paragraphs in the Board's procedures for the administration of the loyalty program would not jeopardize the rights of an employee and would not be objectionable from the standpoint of the Board. These paragraphs may be substituted for the first paragraph in the Board's procedures.
"In the interest of simplicity of procedure and in the interest of an employee whose loyalty to the Government may be in question, it has been suggested that a favorable report after initial determination be made only to the Chairman of the Personnel Committee by the Loyalty Board rather than to the Board of Governors as now provided in the Board's procedures. Of course, this would not preclude the Chairman of the Personnel Committee from taking up such report orally with the other Board members if he so desires. There is set forth below a proposed amendment giving effect to this suggestion:

"Amend the 'Procedures for Administration of Employees Loyalty Program' (Z-2208) by striking out the first sentence of paragraph (c) of Section 3 and substituting therefor the following:

'If the Loyalty Board, on the basis of all available information, reaches a conclusion that a finding clearly favorable to the officer or employee is justified and that a hearing is not required, it shall report its conclusion, and recommend to the Chairman of the Personnel Committee of the Board of Governors that no further action be taken. Unless the Chairman of the Personnel Committee disagrees with such conclusion and recommendation, he shall refer the matter to the Director of the Division of Personnel Administration who shall make an appropriate entry of the conclusion and recommendation in the personnel folder of the officer or employee.'

"It is recommended that the Board adopt the above amendments."

Mr. Cherry's recommendations were approved unanimously.

Memorandum dated July 21, 1948, from the Division of Personnel Administration submitting recommendations from the respective division heads that increases in the basic annual salaries of the following employees in the indicated divisions be approved, effective July 25, 1948:
Letter to Mr. Carstarphen, Secretary and General Counsel of the Federal Reserve Bank of St. Louis, reading as follows:

"In view of the considerations outlined in your letter of July 15, the Board will interpose no objection to your Bank's undertaking the conversion of the generating equipment in the Bank to an emergency stand-by status and under normal circumstances obtaining all needed electrical energy from the local public utility company.

"It is understood that the estimated cost of the above-mentioned program is approximately $55,000, including the replacement at the present time of one of the direct current generators in the building with an alternating current generator, and that at some future time it will be necessary to incur some further expense for replacing the remaining direct current generator with an alternating current generator."

Approved unanimously.

Letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:
"This will acknowledge receipt of your letter of July 7, 1948 in which you advised that actual expenses for 1948 will exceed budget estimates for the year by $7,956 in the Research and Statistical function at the head office. It would appear from the statements made in your letter that these increased expenditures are necessary and appropriate notations to this effect are being made on the Board's records. As you perhaps know, we will treat the above amount as an expenditure in excess of the budget, not as a change in the budget."

Approved unanimously.

Memorandum dated July 21, 1948, from Mr. Van Fossen, Assistant Director of the Division of Bank Operations, recommending, for the reasons stated in the memorandum, that $200 be added to the Miscellaneous item in the 1948 non-personal budget of that Division.

Approved unanimously.

Approved:

Chairman.